New Residential Investment Corp.
Form 10-Q
August 10, 2015

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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from ________________to________________

Commission File Number: 001-35777
New Residential Investment Corp.
(Exact name of registrant as specified in its charter)

Delaware	45-3449660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, NY	10105
(Address of principal executive offices)	(Zip Code)

(212) 798-3150
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
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 x Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) 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 x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.
Common stock, $0.01 par value per share: 230,458,866 shares outstanding as of August 1, 2015.

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 or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations, cash flows or financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- reductions in cash flows received from our investments;
- the quality and size of the investment pipeline and our ability to take advantage of investment opportunities at attractive risk-adjusted prices;
- servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our investment in servicer advances;
- our ability to deploy capital accretively and the timing of such deployment;
- our counterparty concentration and default risks in Nationstar, Ocwen, Springleaf 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 Excess MSRs, servicer advances, RMBS and consumer loan portfolios;
- the risks that default and recovery rates on our Excess MSRs, 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 Excess MSRs;
- the risk that projected recapture rates on the portfolios underlying our Excess MSRs 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 we invest in 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 loans;

- our ability to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;
- our ability to maintain our exclusion from registration under the 1940 Act and the fact that maintaining such exclusion imposes limits on our operations;
- the risks related to HLSS liabilities that we have assumed;
- whether we will complete the New Merger (as defined herein); and
- events, conditions or actions that might occur at HLSS or Owcen.

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$1,504,422	$417,733
Excess mortgage servicing rights, equity method investees, at fair value	216,112	330,876
Servicer advances, at fair value	8,182,400	3,270,839
Real estate securities, available-for-sale	1,907,961	2,463,163
Residential mortgage loans, held-for-investment	42,741	47,838
Residential mortgage loans, held-for-sale	523,018	1,126,439
Real estate owned	25,327	61,933
Consumer loans, equity method investees	—	—
Cash and cash equivalents	432,007	212,985
Restricted cash	134,735	29,418
Derivative assets	1,701	32,597
Trade receivable	986,532	—
Deferred tax asset	159,232	—
Other assets	278,610	95,423
	$14,394,798	$8,089,244
Liabilities and Equity		
Liabilities		
Repurchase agreements	$2,404,617	$3,149,090
Notes payable	7,883,061	2,908,763
Trades payable	778,528	2,678
Due to affiliates	9,670	57,424
Dividends payable	89,521	53,745
Deferred tax liability	—	15,114
Accrued expenses and other liabilities	134,319	52,505
	11,299,716	6,239,319
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 230,438,639 and 141,434,905 issued and outstanding at June 30, 2015 and December 31, 2014, respectively	2,304	1,414
Additional paid-in capital	2,640,608	1,328,587
Retained earnings	203,287	237,769
Accumulated other comprehensive income, net of tax	17,231	28,319
Total New Residential stockholders’ equity	2,863,430	1,596,089

Noncontrolling interests in equity of consolidated subsidiaries	231,652	253,836
Total Equity	3,095,082	1,849,925
	$14,394,798	$8,089,244

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income	$178,177	$92,656	$262,550	$164,146
Interest expense	81,871	36,512	115,850	75,509
Net Interest Income	96,306	56,144	146,700	88,637
Impairment				
Other-than-temporary impairment (“OTTI”) on securities	649	615	1,720	943
Valuation provision on loans and real estate owned	4,772	293	5,749	457
	5,421	908	7,469	1,400
Net interest income after impairment	90,885	55,236	139,231	87,237
Other Income				
Change in fair value of investments in excess mortgage servicing rights	356	5,502	(1,405)	12,104
Change in fair value of investments in excess mortgage servicing rights, equity method investees	3,095	12,743	8,016	19,117
Change in fair value of investments in servicer advances	24,562	82,877	16,893	82,877
Earnings from investments in consumer loans, equity method investees	—	21,335	—	37,695
Gain on settlement of investments, net	1,201	52,539	15,968	56,896
Other income (loss), net	8,436	2,893	10,473	4,250
	37,650	177,889	49,945	212,939
Operating Expenses				
General and administrative expenses	21,239	5,397	29,799	7,383
Management fee to affiliate	8,371	4,915	13,497	9,401
Incentive compensation to affiliate	2,391	18,863	6,084	22,201
Loan servicing expense	2,951	347	7,842	436
	34,952	29,522	57,222	39,421
Income Before Income Taxes	93,583	203,603	131,954	260,755
Income tax expense (benefit)	14,306	21,395	10,879	21,682
Net Income	$79,277	$182,208	$121,075	$239,073
Noncontrolling Interests in Income of Consolidated Subsidiaries	$4,158	$58,705	$9,981	$66,798
Net Income Attributable to Common Stockholders	$75,119	$123,503	$111,094	$172,275
Net Income Per Share of Common Stock				
Basic	$0.37	$0.91	$0.65	$1.31
Diluted	$0.37	$0.88	$0.63	$1.28

Weighted Average Number of Shares of Common Stock Outstanding				
Basic	200,910,040	136,465,454	171,336,768	131,562,222
Diluted	205,169,099	139,668,128	175,206,662	134,790,790
Dividends Declared per Share of Common Stock	$0.45	$0.50	$0.83	$0.85

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Comprehensive income (loss), net of tax				
Net income	$79,277	$182,208	$121,075	$239,073
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	(21,164)	55,729	(6,032)	66,607
Reclassification of net realized (gain) loss on securities into earnings	18,570	(56,669)	(5,056)	(60,833)
	(2,594)	(940)	(11,088)	5,774
Total comprehensive income	$76,683	$181,268	$109,987	$244,847
Comprehensive income attributable to noncontrolling interests	$4,158	$58,705	$9,981	$66,798
Comprehensive income attributable to common stockholders	$72,525	$122,563	$100,006	$178,049

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(dollars in thousands, except share data)

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
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	—	—	—	(143,266)	—	(143,266)	—	(143,266)
Capital contributions	—	—	—	—	—	—	5,161	5,161
Capital distributions	—	—	—	—	—	—	(37,326)	(37,326)
Issuance of common stock	85,435,389	854	1,311,757	—	—	1,312,611	—	1,312,611
Option exercises	3,550,757	36	(36)	—	—	—	—	—
Director share grants	17,588	—	300	—	—	300	—	300
Modified retrospective adjustment for the adoption of ASU No. 2014-11	—	—	—	(2,310)	—	(2,310)	—	(2,310)
Comprehensive income (loss) (net of tax)								
Net income (loss)	—	—	—	111,094	—	111,094	9,981	121,075
Net unrealized gain (loss) on securities	—	—	—	—	(6,032)	(6,032)	—	(6,032)
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(5,056)	(5,056)	—	(5,056)
Total comprehensive income (loss)						100,006	9,981	109,987
Equity - June 30, 2015	230,438,639	$2,304	$2,640,608	$203,287	$ 17,231	$2,863,430	$231,652	$3,095,082

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2015	2014
Cash Flows From Operating Activities		
Net income	$121,075	$239,073
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	1,405	(12,104)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(8,016)	(19,117)
Change in fair value of investments in servicer advances	(16,893)	(82,877)
Earnings from consumer loan equity method investees	—	(37,695)
Unrealized gain (loss) on derivative investments	8,259	2,444
Accretion and other amortization	(209,137)	(138,733)
(Gain) / loss on settlement of investments (net)	(15,968)	(56,896)
(Gain) / loss on transfer of loans to REO	197	(6,694)
(Gain) / loss on mortgage servicing rights recapture agreement	(1,577)	—
Other-than-temporary impairment ("OTTI")	1,720	943
Valuation provision on loans and real estate owned	5,749	457
Unrealized loss on other ABS	368	—
Non-cash directors' compensation	300	329
Deferred tax provision	11,341	17,645
Changes in:		
Restricted cash	(32,737)	(3,989)
Other assets	145,461	(3,213)
Due to affiliates	(47,754)	6,963
Accrued expenses and other liabilities	31,288	1,800
Other operating cash flows:		
Interest received from excess mortgage servicing rights	43,367	25,509
Interest received from servicer advance investments	73,480	65,321
Interest received from Non-Agency RMBS	16,657	4,394
Interest payments from residential mortgage loans, held-for-investment	—	1,223
Distributions of earnings from excess mortgage servicing rights, equity method investees	19,920	20,500
Distributions of earnings from consumer loan equity method investees	—	2,152
Purchases of residential mortgage loans, held-for-sale	(388,805)	(247,097)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	722,961	249,690
Principal repayments from purchased residential mortgage loans, held-for-sale	34,614	—
Net cash provided by (used in) operating activities	517,275	30,028

Continued on next page.

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

	Six Months Ended June 30,	
	2015	2014
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	(129,098)	(55,289)
Acquisition of HLSS, net of cash acquired	(959,616)	—
Purchase of servicer advance investments	(6,306,745)	(3,955,602)
Purchase of Agency RMBS	(1,026,586)	(354,838)
Purchase of Non-Agency RMBS	(468,197)	(1,057,464)
Purchase of residential mortgage loans	—	(486,596)
Purchase of derivative assets	(2,877)	(70,027)
Purchase of real estate owned	(1,289)	(3,391)
Payments for settlement of derivatives	(36,212)	(17,273)
Return of investments in excess mortgage servicing rights	66,400	19,421
Return of investments in excess mortgage servicing rights, equity method investees	4,602	21,163
Principal repayments from servicer advance investments	6,587,781	3,062,259
Principal repayments from Agency RMBS	85,369	143,735
Principal repayments from Non-Agency RMBS	34,687	49,175
Principal repayments from residential mortgage loans, held-for-investment and held-for-sale	11,085	8,289
Proceeds from sale of residential mortgage loans	646,436	—
Proceeds from sale of Agency RMBS	1,455,221	324,379
Proceeds from sale of Non-Agency RMBS	389,719	1,273,190
Proceeds from settlement of derivatives	22,406	13,271
Proceeds from sale of real estate owned	46,341	2,880
Net cash provided by (used in) investing activities	419,427	(1,082,718)

Continued on next page.

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

	Six Months Ended June 30,	
	2015	2014
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(3,480,781)	(2,274,155)
Margin deposits under repurchase agreements and derivatives	(284,389)	(115,961)
Repayments of notes payable	(3,073,963)	(4,216,985)
Payment of deferred financing fees	(34,096)	(6,530)
Common stock dividends paid	(107,490)	(107,609)
Borrowings under repurchase agreements	2,651,587	2,473,920
Return of margin deposits under repurchase agreements and derivatives	288,880	152,936
Borrowings under notes payable	2,481,379	5,017,812
Issuance of common stock	882,099	173,201
Costs related to issuance of common stock	(3,580)	(2,693)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	142,082
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(37,326)	(144,196)
Net cash provided by (used in) financing activities	(717,680)	1,091,822
Net Increase (Decrease) in Cash and Cash Equivalents	219,022	39,132
Cash and Cash Equivalents, Beginning of Period	212,985	271,994
Cash and Cash Equivalents, End of Period	$432,007	$311,126
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$103,548	$72,100
Cash paid during the period for income taxes	535	3,510
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$89,521	$70,553
Reclassification resulting from the application of ASU No. 2014-11	85,955	—
Purchase of Agency RMBS settled after quarter end	771,276	—
Non-cash contingent consideration	50,000	—
Purchase of Non-Agency RMBS settled after quarter end	7,252	
Sale of Agency RMBS settled after quarter end	986,532	—
Transfer from residential mortgage loans, held-for-sale to real estate owned	19,875	—
Non-cash distribution from Consumer Loan Companies	585	557
Portion of HLSS Acquisition (Note 1) paid in common stock	434,092	—
Real estate securities retained from loan securitizations	14,990	—

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2015
(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. Newcastle Investment Corp. (“Newcastle”) was the sole stockholder of New Residential until the spin-off (Note 13), which was completed on May 15, 2013. Newcastle is listed on the New York Stock Exchange (“NYSE”) under the symbol “NCT.”

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 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 for 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 Newcastle and investment funds that own a majority of Nationstar Mortgage LLC (“Nationstar”), a leading residential mortgage servicer, and Springleaf Holdings, Inc. (“Springleaf”), managing member of the Consumer Loan Companies (Note 9).

As of June 30, 2015, New Residential conducted its business through the following segments: (i) investments in Excess MSRs, (ii) investments in servicer advances, (iii) investments in real estate securities, (iv) investments in real estate loans, (v) investments in consumer loans and (vi) corporate.

Approximately 2.4 million shares of New Residential’s common stock were held by Fortress, through its affiliates, and its principals as of June 30, 2015. In addition, Fortress, through its affiliates, held options to purchase approximately 10.9 million shares of New Residential’s common stock as of June 30, 2015.

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential’s financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative

of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2014 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2014.

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.

Correction of the Financial Statements

New Residential determined during the second quarter of 2015 that purchases and sales of residential mortgage loans classified as held-for-sale upon acquisition that had been reported on the condensed consolidated statements of cash flows as cash flows from investing activities should have been reported as operating activities.

New Residential has corrected the previously presented condensed consolidated statement of cash flows for these loans. The effect of the adjustment on the presentation for the six months ended June 30, 2014 was to move $249.7 million of gross cash inflows and $247.1 million of gross cash outflows from investing activities to operating activities. This change resulted in a net reclassification of $2.6 million from investing cash flows to operating cash flows during this period. New Residential has evaluated the effect of the incorrect presentation, both qualitatively and quantitatively, and concluded that it did not materially misstate the previously issued financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued 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 2017. Early adoption is not permitted. 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 is currently evaluating the new guidance to determine the impact it may have on its condensed 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 changes the accounting for repurchase-to-maturity transactions and linked repurchase financing transactions to secured borrowing accounting. ASU No. 2014-11 also expands 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. Early adoption is not permitted. Disclosures are not required for comparative periods presented before the effective date. New Residential has 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. Early adoption is permitted. New Residential is currently evaluating the new guidance to determine the impact that it may have on its condensed consolidated financial statements.
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 is effective for New Residential in the first quarter of 2016. Early adoption is permitted. New Residential does not expect the adoption of this new guidance to have an impact on its condensed consolidated financial statements.

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 has 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 (Note 2) to an offset of its Notes Payable (Note 11).

The FASB has recently issued or discussed a number of proposed standards on such topics as financial statement presentation, financial instruments and hedging. Some of the proposed changes are significant and could have a material impact on New

Residential's reporting. New Residential has not yet fully evaluated the potential impact of these proposals, but will make such an evaluation as the standards are finalized.

Acquisition of HLSS Assets and Liabilities

On February 22, 2015, New Residential entered into an Agreement and Plan of Merger (the "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 ("Merger Sub"). HLSS was traded on the NASDAQ Stock Market LLC under the symbol "HLSS" until April 29, 2015, when its shares were delisted. 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 (the "Termination Agreement") (providing for the termination of the Initial Merger Agreement) and simultaneously entered into a Share and Asset Purchase Agreement (the "Acquisition Agreement").

The parties to the Acquisition Agreement included New Residential, HLSS, HLSS Advances Acquisition Corp., a Delaware corporation and wholly owned subsidiary of New Residential ("HLSS Advances"), and HLSS MSR-EBO Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of New Residential (together with HLSS Advances, the "Buyers"). Pursuant to the Acquisition Agreement, the 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 Amount (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 "Acquisition Closing") occurred simultaneously with the execution of the Acquisition Agreement.

The Acquisition Agreement includes certain customary post-closing covenants of New Residential, the 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 Amount") for wind down costs, of which $46.0 million remained as of June 30, 2015.

At the Acquisition Closing, HLSS Advances entered into a Services Agreement, dated as of April 6, 2015, with HLSS (the "Services Agreement"). Pursuant to the Services Agreement, HLSS Advances has agreed to manage the assets and affairs of HLSS in accordance with terms and conditions set forth therein and, in all cases, in accordance with the Distribution and Liquidation Plan. The Services Agreement provides that HLSS Advances will be responsible for the operations of HLSS and will perform (or cause to be performed) such services and activities relating to the assets and operations of HLSS as may be appropriate, including, among other things, administering the Distribution and Liquidation Plan and handling all claims, disputes or controversies in which HLSS is a party or may otherwise be involved. HLSS Advances will not be compensated by HLSS for its services under the Services Agreement but will be reimbursed by HLSS for expenses incurred on behalf of HLSS.

At the Acquisition Closing, New Residential and Merger Sub entered into an Agreement and Plan of Merger, dated April 6, 2015, with HLSS (the “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 New Merger (as defined below) will have previously sold substantially all of its assets and transferred all liabilities to the Buyers, and have distributed the proceeds (other than the Retained Amount) received from such sale to HLSS shareholders and substantially wound-down its operations) will merge with and into Merger Sub, with Merger Sub continuing as the surviving company and a wholly owned subsidiary of New Residential (the “New Merger”).

Pursuant to the New Merger Agreement, and upon the terms and conditions set forth therein, at the effective time of the New Merger (the “Effective Time”), each ordinary share of HLSS, par value $0.01 per share, issued and outstanding immediately prior to the 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), will be automatically converted into the right to receive $0.704059 per share in cash, without interest.

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The New Merger does not require the approval of New Residential's shareholders. However, consummation of the New Merger is subject to, among other things: (i) approval of the New Merger by the requisite vote of HLSS's shareholders; (ii) not more than 10% of HLSS's issued and outstanding shares properly exercising appraisal rights as of the time immediately before the closing of the New Merger (the "New Merger Closing"); and (iii) certain other customary closing conditions. Moreover, each party's obligation to consummate the New Merger is subject to certain other conditions, including without limitation, (i) the accuracy of the other party's representations and warranties and (ii) the other party's compliance with its covenants and agreements contained in the New Merger Agreement (in each case subject to customary materiality qualifiers). In addition, the obligations of New Residential and Merger Sub to consummate the New Merger are subject to the absence of any Company Material Adverse Effect (as defined in the New Merger Agreement). The New Merger Agreement may be terminated by either party under certain circumstances, including, among others: (i) if the New Merger Closing has not occurred by the nine-month anniversary of the New Merger Agreement; (ii) if a court or other governmental entity has issued a final and non-appealable order prohibiting the New Merger Closing; (iii) if HLSS fails to obtain the HLSS Shareholder Approval; and (iv) upon a material uncured breach by the other party that would result in a failure of the conditions to the New Merger Closing to be satisfied. HLSS filed a preliminary proxy statement on May 1, 2015 in connection with the New Merger, and Amendment No. 1 to the preliminary proxy statement on June 2, 2015.

The purchase price for the HLSS Acquisition includes 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
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) New Merger Payment
The New Merger Agreement, and the $50.0 million consideration related thereto, is included as a part of the business combination in conjunction with the Share and Asset Purchase Agreement. The range of outcomes for this contingent consideration is from $0 to $50.0 million, dependent on whether the New Merger is approved by HLSS shareholders and other factors.

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New Residential has performed a preliminary allocation of the purchase price to HLSS's assets and liabilities, as set forth below. The final allocation of purchase price may differ from the amounts included herein. The preliminary allocation of the total consideration, following reclassifications to conform to New Residential's presentation, is as follows:

Total Consideration ($ in millions)	$1,491.2
Assets	
Cash and cash equivalents	$51.5
Servicer advances, at fair value	5,098.2
Excess mortgage servicing rights, at fair value	919.5
Residential mortgage loans, held-for-sale[(A)]	418.8
Deferred tax asset[(B)]	186.8
Investment in HLSS Ltd.	46.0
Other assets[(C)]	405.3
Total Assets Acquired	$7,126.1
Liabilities	
Notes payable	5,583.0
Deferred tax liabilities	(0.7)
Accrued expenses and other liabilities[(D)(E)]	52.6
Total Liabilities Assumed	$5,634.9
Net Assets	$1,491.2

(A) Represents $424.3 million UPB of GNMA early buy-out ("EBO") residential mortgage loans not subject to ASC No. 310-30 as the contractual cash flows are guaranteed by the Federal Housing Administration ("FHA").
(B) Due 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 arising from contingencies regarding ongoing HLSS matters (Note 14).
(E) Contingencies for HLSS class action law suits have not been recognized at the acquisition date as the criteria in ASC No. 450 have 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 are triggered by a change in control and continued employment for a specified period post-acquisition. As future service is required, retention bonus payments totaling approximately $1.6 million have been recognized in General and administrative expenses in New Residential's statement of income for the three months ended June 30, 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 three months ended June 30, 2015.

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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 three and six months ended June 30, 2014 and 2015 prepared as if the HLSS Acquisition had been consummated on January 1, 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Pro Forma				
Interest income	$184,083	$187,020	$349,138	$364,009
Income Before Income Taxes	100,912	252,716	172,129	356,647

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 $19.1 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 condensed consolidated statements of income include interest income and income before income taxes of HLSS since the April 6, 2015 acquisition of $92.4 million and $39.8 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 “Purchase Agreement”) with Ocwen Financial Corporation (together with its subsidiaries, including Ocwen Loan Servicing LLC, “Ocwen”), which remains in effect following the HLSS Acquisition. Pursuant to the Purchase Agreement, HLSS and HLSS Holdings 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 Purchase Agreement executed by the parties from time to time (each a “Sale Supplement” and together, the “Sale Supplements”). As of March 31, 2015, the UPB of the 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.

Because Ocwen is the servicer of the loans underlying the MSRs related to the transactions contemplated by the Purchase Agreement, New Residential pays Ocwen a monthly base fee pursuant to the applicable Sale Supplement relating to the applicable MSRs equal to 12% of the servicing fees collected thereon in any given month. This monthly base fee payable to Ocwen is expressed as a percentage of the servicing fees actually collected in any given month, which varies from month to month based on the level of collections of principal and interest for the mortgage loans serviced. Ocwen also receives a performance-based incentive fee to the extent the servicing fee revenue that it collects for any given month exceeds the sum of the monthly base fee and the retained fee. The performance-based 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.

The specific terms of the fee arrangements with respect to each pool of mortgage loans may be documented pursuant to the Sale Supplements in each case having up to an eight year term (commencing on the date of the applicable 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 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 Purchase Agreement contemplates that New Residential may cause Ocwen to use commercially reasonable efforts to transfer servicing of the related mortgage loans to a third-party servicer upon the occurrence of various termination events. Certain termination events may have occurred under the Purchase Agreement because of downgrades 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 mortgage loans to a third-party servicer with respect to such downgrades before April 6, 2017.

The Purchase Agreement and 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 Purchase Agreement executed in connection with the consummation of the HLSS Acquisition, such Purchase Agreement and the related Sale Supplements were amended, among other things, to (i) obtain Ocwen's consent to the assignment by HLSS of its interest under the Purchase Agreement and each sale supplement thereto, (ii) provide that HLSS Holdings 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 8 years from the date of the related 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), and (iv) provide that Ocwen will reimburse HLSS Holdings, subject to specified limits, for certain increased costs resulting from further S&P servicer rating downgrades of Ocwen. 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 serviced loans is reduced to a specified balance.

HLSS Management, LLC ("HLSS Management") (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 which remains in effect following the HLSS Acquisition. Services provided by New Residential under this agreement may include valuation and analysis of MSRs, 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%.

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2. OTHER INCOME, ASSETS AND LIABILITIES

Other income, net, is comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Unrealized gain (loss) on derivative instruments	$(1,229)	$(3,801)	$(8,259)	$(2,444)
Gain (loss) on transfer of loans to REO	347	6,694	(197)	6,694
Gain on consumer loans investment	8,510	—	18,957	—
Other income (loss)	808	—	(28)	—
	$8,436	$2,893	$10,473	$4,250

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gain (loss) on sale of real estate securities, net	$(17,921)	$57,284	$6,776	$61,776
Gain (loss) on sale of residential mortgage loans, net	11,795	—	32,625	—
Gain (loss) on settlement of derivatives	13,769	(3,648)	(8,821)	(3,783)
Gain (loss) on liquidated residential mortgage loans, held-for-investment	(277)	—	123	—
Gain (loss) on sale of REO[(A)]	(2,201)	(1,097)	(7,837)	(643)
Other gains (losses)	(3,964)	—	(6,898)	(454)
	$1,201	$52,539	$15,968	$56,896

(A) Includes approximately $3.2 million loss on REO sold as a part of the residential mortgage loan sales described in Note 8 during the six months ended June 30, 2015.

Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	June 30, 2015	December 31, 2014		June 30, 2015	December 31, 2014
Margin receivable, net	$54,530	$59,021	Interest payable	$15,607	$7,857
Other receivables[(A)]	23,351	1,797	Accounts payable	35,788	28,059
Deferred financing costs, net[(B)]	—	—	Derivative liabilities	16,124	14,220
Principal paydown receivable	1,510	3,595	Current taxes payable	7,449	2,349
Receivable from government agency[(C)]	75,524	9,108	Contingent consideration (Note 1)	50,000	—
Call rights	680	3,728	Other liabilities	9,351	20

Interest receivable	31,509	8,658	$134,319	$52,505
GNMA EBO servicer advance receivable[(D)]	69,387	—		
Other assets[(E)]	22,119	9,516		
	$278,610	$95,423		

(A) Primarily includes advance collections that were in-transit to pay down related debt obligations.

(B) Deferred financing costs were reclassified as an offset to the related debt obligation in June 2015 pursuant to ASU No. 2015-03 (Note 1).

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(C) Represents claims receivable from 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.
(D) Represents GNMA EBO servicer advances funded by HLSS and accounted for as a financing transaction as the counterparty retained title and all other rights and rewards associated with such advances.
(E) Primarily includes prepaid expenses.

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

	Six Months Ended June 30,	
	2015	2014
Accretion of servicer advance interest income	$150,937	$102,823
Accretion of excess mortgage servicing rights income	49,397	24,789
Accretion of net discount on securities and loans	19,703	12,477
Amortization of deferred financing costs	(10,900)	(5,750)
	$209,137	$134,339

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSRs, (ii) investments in servicer advances, (iii) investments in real estate securities, (iv) investments in real estate loans, (v) investments in consumer loans, and (vi) corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation owed to the Manager by New Residential following the spin-off, (iii) corporate cash and related interest income, and (iv) secured corporate loans and related interest expense during the periods outstanding.

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				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2015							
Interest income	$34,359	$108,588	$23,454	$10,795	$—	$981	$178,177
Interest expense	—	63,450	3,540	5,185	524	9,172	81,871
Net interest income (expense)	34,359	45,138	19,914	5,610	(524)	(8,191)	96,306
Impairment	—	—	650	4,771	—	—	5,421
Other income	4,298	24,115	(4,211)	7,817	8,510	(2,879)	37,650
Operating expenses	260	1,688	105	5,610	54	27,235	34,952
Income (Loss) Before Income Taxes	38,397	67,565	14,948	3,046	7,932	(38,305)	93,583
Income tax expense (benefit)	—	15,657	—	(1,351)	—	—	14,306
Net Income (Loss)	$38,397	$51,908	$14,948	$4,397	$7,932	$(38,305)	$79,277

Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$9,279	$—	$—	$—	$(5,121)	$4,158
Net income (loss) attributable to common stockholders	$38,397	$42,629	$14,948	$4,397	$7,932	$(33,184)	$75,119

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	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2015							
Interest income	$49,397	$150,937	$37,715	$23,520	$—	$981	$262,550
Interest expense	—	87,086	7,021	11,278	524	9,941	115,850
Net interest income (expense)	49,397	63,851	30,694	12,242	(524)	(8,960)	146,700
Impairment	—	—	1,720	5,749	—	—	7,469
Other income	8,188	13,389	(9,302)	21,592	18,957	(2,879)	49,945
Operating expenses	349	2,263	3	11,712	111	42,784	57,222
Income (Loss) Before Income Taxes	57,236	74,977	19,669	16,373	18,322	(54,623)	131,954
Income tax expense (benefit)	—	12,417	—	(1,538)	—	—	10,879
Net Income (Loss)	$57,236	$62,560	$19,669	$17,911	$18,322	$(54,623)	$121,075
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$15,102	$—	$—	$—	$(5,121)	$9,981
Net income (loss) attributable to common stockholders	$57,236	$47,458	$19,669	$17,911	$18,322	$(49,502)	$111,094

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
June 30, 2015							
Investments	$1,720,534	$8,182,400	$1,907,961	$591,086	$—	$—	$12,401,981
Cash and cash equivalents	3,900	95,899	16,516	6,689	2,665	306,338	432,007
Restricted cash	90	131,368	—	3,184	—	93	134,735
Derivative assets	—	1,701	—	—	—	—	1,701
Other assets	1,470	174,115	1,048,521	109,468	1,102	89,698	1,424,374
Total assets	$1,725,994	$8,585,483	$2,972,998	$710,427	$3,767	$396,129	$14,394,798
Debt	$—	$7,667,067	$1,831,989	$552,229	$42,832	$193,561	$10,287,678
Other liabilities	218	48,859	771,769	23,804	595	166,793	1,012,038
Total liabilities	218	7,715,926	2,603,758	576,033	43,427	360,354	11,299,716
Total equity	1,725,776	869,557	369,240	134,394	(39,660)	35,775	3,095,082
Noncontrolling interests in equity of consolidated subsidiaries	—	231,652	—	—	—	—	231,652
	$1,725,776	$637,905	$369,240	$134,394	$(39,660)	$35,775	$2,863,430

Total New Residential stockholders' equity Investments in equity method investees	$216,112	$—	$—	$—	$—	$—	$216,112

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	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2014							
Interest income	$10,973	$57,107	$19,522	$5,054	$—	$—	$92,656
Interest expense	—	29,772	3,512	1,191	1,538	499	36,512
Net interest income (expense)	10,973	27,335	16,010	3,863	(1,538)	(499)	56,144
Impairment	—	—	615	293	—	—	908
Other income	18,245	82,709	53,413	2,187	21,335	—	177,889
Operating expenses	320	769	571	887	90	26,885	29,522
Income (Loss) Before Income Taxes	28,898	109,275	68,237	4,870	19,707	(27,384)	203,603
Income tax expense (benefit)	—	21,395	—	—	—	—	21,395
Net Income (Loss)	$28,898	$87,880	$68,237	$4,870	$19,707	$(27,384)	$182,208
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$58,705	$—	$—	$—	$—	$58,705
Net income (loss) attributable to common stockholders	$28,898	$29,175	$68,237	$4,870	$19,707	$(27,384)	$123,503

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2014							
Interest income	$24,789	$102,823	$30,760	$5,774	$—	$—	$164,146
Interest expense	1,291	61,728	7,581	1,389	3,021	499	75,509
Net interest income (expense)	23,498	41,095	23,179	4,385	(3,021)	(499)	88,637
Impairment	—	—	943	457	—	—	1,400
Other income	31,221	82,709	58,455	2,858	37,695	1	212,939
Operating expenses	385	1,019	631	977	113	36,296	39,421
Income (Loss) Before Income Taxes	54,334	122,785	80,060	5,809	34,561	(36,794)	260,755
Income tax expense (benefit)	—	21,682	—	—	—	—	21,682
Net Income (Loss)	$54,334	$101,103	$80,060	$5,809	$34,561	$(36,794)	$239,073
Noncontrolling interests in income (loss) of	$—	$66,798	$—	$—	$—	$—	$66,798

consolidated subsidiaries							
Net income (loss) attributable to common stockholders	$54,334	$34,305	$80,060	$5,809	$34,561	$(36,794)	$172,275

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4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

	Servicer			
	Nationstar	SLS[(A)]	Ocwen[(B)]	Total
Balance as of December 31, 2014	$409,076	$8,657	$—	$417,733
Transfers from indirect ownership	98,258	—	—	98,258
Purchases	129,098	—	919,531	1,048,629
Interest income	29,297	192	19,908	49,397
Other income	1,577	—	—	1,577
Proceeds from repayments	(59,821)	(660)	(49,286)	(109,767)
Change in fair value	2,993	(1,459)	(2,939)	(1,405)
Balance as of June 30, 2015	$610,478	$6,730	$887,214	$1,504,422

(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. See 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.

On January 16, 2015, New Residential invested approximately $23.8 million to acquire a 33.3% interest in the Excess MSR on a portfolio of Freddie Mac residential mortgage loans with an aggregate UPB of $8.4 billion. On April 16, 2015, New Residential funded its remaining commitment on this portfolio of $2.6 million. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer agreed to perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

On April 6, 2015, New Residential acquired Excess MSRs in connection with the HLSS Acquisition (Note 1).

On May 5, 2015, New Residential invested approximately $3.5 million to acquire a 33.3% interest in the Excess MSRs on a portfolio of Fannie Mae residential mortgage loans with an aggregate UPB of $1.6 billion. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer agreed to perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

On May 11, 2015, New Residential invested approximately $26.9 million to acquire a 33.3% interest in the Excess MSRs on a portfolio of Freddie Mac residential mortgage loans with an aggregate UPB of $8.9 billion. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer agreed to perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro

rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

On June 11, 2015, New Residential invested approximately $72.4 million to acquire a 40.0% interest in the Excess MSRs on a portfolio of Ginnie Mae residential mortgage loans with an aggregate UPB of $18.5 billion. Fortress-managed funds and Nationstar each agreed to acquire a 40.0% and 20.0% interest respectively, in the Excess MSRs. Nationstar as servicer agreed to perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are

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refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

New Residential has entered into a “Recapture Agreement” in each of the Excess MSR investments serviced by Nationstar and SLS, including those Excess MSR investments made through investments in joint ventures (Note 5). Under such Recapture Agreements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. New Residential has a similar recapture agreement with Ocwen; however, this agreement allows for Ocwen to retain the Excess MSR on recaptured loans up to a threshold and no payments have been made to New Residential under such arrangement to date. These Recapture Agreements do not apply to New Residential’s investments in servicer advances (Note 6).

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

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

	June 30, 2015							December 31, 2014
	Unpaid Principal Balance (“UPB”) of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years(A)	Amortized Cost Basis(B)	Carrying Value(C)	Carrying Value(C)
		New Residential	Fortress-managed funds	Nationstar				
Agency								
Original and Recaptured Pools	$80,896,500	32.5% - 66.7%	0.0%-40.0%	20.0% - 35.0%	5.8	$240,981	$291,288	$188,733
Recapture Agreements	—	32.5% - 66.7%	0.0%-40.0%	20.0% - 35.0%	11.5	26,945	50,239	28,786
	80,896,500				6.4	267,926	341,527	217,519
Non-Agency(D)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	$103,812,302	33.3% - 80.0%	0.0% - 50.0%	0.0% - 33.3%	4.9	$222,394	$258,729	$189,812
Recapture Agreements	—	33.3% - 80.0%	0.0% - 50.0%	0.0% - 33.3%	11.9	15,835	16,952	10,402
Ocwen Serviced Pools	150,934,856	100.0 %	— %	— %	5.4	890,153	887,214	—
	254,747,158				5.4	1,128,382	1,162,895	200,214

Total	$335,643,658	5.6	$1,396,308	$1,504,422	$417,733

(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 MSRs at the time they were acquired.

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

(D) Excess MSR investments in which New Residential also invested in related servicer advances, including the basic fee component of the related MSR as of June 30, 2015 (Note 6).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Original and Recaptured Pools	$(3,441)	$2,801	$(5,418)	$9,888
Recapture Agreements	3,797	2,701	4,013	2,216
	$356	$5,502	$(1,405)	$12,104

In the second quarter of 2015, a weighted average discount rate of 9.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the direct investments in Excess MSRs:

	Percentage of Total Outstanding Unpaid Principal Amount as of	
State Concentration	June 30, 2015	December 31, 2014
California	26.7%	31.5%
Florida	9.2%	7.7%
New York	7.0%	4.3%
Texas	4.5%	4.2%
New Jersey	4.0%	3.2%
Maryland	3.8%	4.0%
Illinois	3.4%	3.2%
Virginia	3.2%	3.3%
Washington	2.8%	3.6%
Massachusetts	2.6%	2.1%
Other U.S.	32.8%	32.9%
	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.

5. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS, 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.

During the first quarter of 2015, New Residential and the Fortress-managed funds restructured their investments in two of the Excess MSR joint ventures and now each directly owns its share of the underlying assets of the joint ventures.

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

	June 30, 2015	December 31, 2014
Excess MSR assets	$421,673	$653,293
Other assets	10,551	8,472
Other liabilities	—	(13)
Equity	$432,224	$661,752
New Residential's investment	$216,112	$330,876
New Residential's ownership	50.0%	50.0%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income	$9,216	$17,292	$20,917	$35,785
Other income (loss)	(3,005)	8,194	(4,840)	2,489
Expenses	(22)	(1)	(46)	(41)
Net income	$6,189	$25,485	$16,031	$38,233

New Residential's investments in equity method investees changed during the six months ended June 30, 2015 as follows:

Balance at December 31, 2014	$330,876
Contributions to equity method investees	—
Transfers to direct ownership	(98,258)
Distributions of earnings from equity method investees	(19,920)
Distributions of capital from equity method investees	(4,602)
Change in fair value of investments in equity method investees	8,016
Balance at June 30, 2015	$216,112

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

	June 30, 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	$79,731,703	66.7%	50.0%	$279,923	$344,856	5.5
Recapture Agreements	—	66.7%	50.0%	55,976	76,817	11.8
Total	$79,731,703			$335,899	$421,673	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.

In the second quarter of 2015, a weighted average discount rate of 9.8% was used to value New Residential’s investments in Excess MSRs (directly and through equity method investees).

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the Excess MSR investments made through equity method investees:

	Percentage of Total Outstanding Unpaid Principal Amount as of			
State Concentration	June 30, 2015		December 31, 2014	
California	13.0	%	23.5	%
Florida	7.4	%	8.9	%
Texas	6.1	%	4.8	%
New York	5.6	%	5.6	%
Georgia	5.6	%	4.1	%
New Jersey	4.2	%	3.9	%
Illinois	4.0	%	3.5	%
Virginia	3.2	%	3.2	%
Maryland	3.2	%	3.3	%
Pennsylvania	3.0	%	2.3	%
Other U.S.	44.7	%	36.9	%
	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.

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, agreed to purchase the outstanding servicer advances on a portfolio of loans, which is a subset of the same portfolio of loans in which New Residential invests in a portion of the Excess MSRs (Notes 4 and 5), including the basic fee component of the related MSRs. As of June 30, 2015, the Buyer had settled $2.6 billion of servicer advances, net of recoveries, financed with $2.4 billion of notes payables outstanding (Note 11). A taxable wholly owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 44.5% interest in the Buyer as of June 30, 2015. As of June 30, 2015, noncontrolling third-party investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of $389.6 million and New Residential has funded capital commitments to the Buyer of $312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of June 30, 2015, the third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $221.7 million and $177.9 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 that holds its investment in servicer advances.

The Buyer has purchased servicer advances from Nationstar, is required to purchase all future servicer advances made with respect to certain residential loan pools from Nationstar, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Nationstar in consideration of Nationstar's

servicing activities. The compensation paid to Nationstar as of June 30, 2015 was approximately 9.3% of the basic fee component of the related MSRs plus a performance fee that represents a portion (up to 100%) of the cash flows in excess of those required for the Buyer to obtain a specified return on its equity.

In December 2014, New Residential agreed to acquire (the "SLS Transaction") 50% of the Excess MSRs, all of the servicer advances and related basic fee portion of the MSRs (the "Advance Fee"), and a portion of the call rights related to an underlying pool of residential mortgage loans with a UPB of approximately $3.0 billion which is serviced by SLS. New Residential continues to evaluate the call rights it purchased from SLS, and its ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The actual UPB of the mortgage loans on which New Residential can successfully exercise call rights and

realize the benefits therefrom may differ materially from its initial assumptions. Fortress-managed funds acquired the other 50% of the Excess MSRs. The aggregate purchase price was approximately $229.7 million. The par amount of the total advance commitments for the SLS Transaction was $219.2 million (with related financing of $195.5 million). As of December 31, 2014, the closed portion of the purchase of $93.8 million included $8.4 million for 50% of the Excess MSRs, $83.8 million for servicer advances and Advance Fee (of which $74.3 million was financed as of December 31, 2014), and $1.6 million to fund a portion of the call rights on 57 of the 99 underlying securitization trusts. The remaining portion of the purchase price of $135.9 million included servicer advances and Advance Fee unfunded commitments of approximately $133.8 million that were funded in January 2015 (with approximately $121.2 million of related financing) and $2.1 million to fund the remaining portion of the call rights on 57 of the 99 underlying securitization trusts. As of June 30, 2015, New Residential had settled $155.2 million of servicer advances, net of recoveries, financed with $138.4 million of notes payable outstanding (Note 11). SLS will continue to service 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.
On April 6, 2015, New Residential acquired servicer advances in connection with the HLSS Acquisition (Note 1).

In April 2015, New Residential acquired the call rights related to an underlying pool of residential mortgage loans with a UPB of approximately $107.1 billion from Ocwen. The pool of underlying mortgage loans represents the mortgage loans underlying the Excess MSR and Servicer Advances investments acquired from HLSS (Note 1). New Residential continues to evaluate the call rights it acquired from 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 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 MSRs, 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 MSRs:

	Amortized Cost Basis	Carrying Value(A)	Weighted Average Discount Rate		Weighted Average Yield		Weighted Average Life (Years)(B)
June 30, 2015							
Servicer advances	$8,081,258	$8,182,400	5.5	%	5.6	%	4.3
As of December 31, 2014							
Servicer advances	$3,186,622	$3,270,839	5.4	%	5.4	%	4.0

(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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Changes in Fair Value Recorded in Other Income	$24,562	$82,877	$16,893	$82,877

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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 Payable	Loan-to-Value Gross	Loan-to-Value Net[(A)]	Cost of Funds[(B)] Gross	Cost of Funds[(B)] Net
June 30, 2015								
Servicer advances[(C)]	$238,526,743	$8,278,685	3.5 %	$7,687,572	92.9 %	91.6 %	3.0 %	2.2 %
December 31, 2014								
Servicer advances[(C)]	$96,547,773	$3,102,492	3.2 %	$2,890,230	91.4 %	90.4 %	3.0 %	2.3 %

(A) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of an interest reserve maintained by the Buyer.
(B) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
(C) The following types of advances comprise the investments in servicer advances:

	June 30, 2015	December 31, 2014
Principal and interest advances	$2,467,831	$729,713
Escrow advances (taxes and insurance advances)	4,135,900	1,600,713
Foreclosure advances	1,674,954	772,066
Total	$8,278,685	$3,102,492

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Interest income, gross of amounts attributable to servicer compensation	$226,961	$86,546	$290,318	$153,684
Amounts attributable to base servicer compensation	(31,957)	(43,026)	(38,558)	(49,306)
Amounts attributable to incentive servicer compensation	(86,416)	13,587	(100,823)	(1,555)
Interest income from investments in servicer advances	$108,588	$57,107	$150,937	$102,823

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

	June 30, 2015	December 31, 2014
Total Advance Purchaser LLC equity	$417,481	$457,545

Others’ ownership interest	55.5 %	55.5 %
Others’ interest in equity of consolidated subsidiary	$231,652	$253,836

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Advance Purchaser LLC income	$16,725	$105,882	$27,222	$119,393
Others' ownership interest as a percent of total(A)	55.5 %	55.4 %	55.5 %	55.9 %
Others' interest in net income (loss) of consolidated subsidiaries(B)	$9,279	$58,705	$15,102	$66,798

(A) As a result, New Residential owned 44.5% and 44.6% of the Buyer, on average during the three months ended June 30, 2015 and 2014, respectively, and 44.5% and 44.1% of the Buyer, on average during the six months ended June 30, 2015 and 2014, respectively.

(B) Excludes HLSS shareholders' interests in the net income (loss) of HLSS of $5.1 million, $0.0 million, $5.1 million, and $0.0 million during these periods, respectively.

7. INVESTMENTS IN REAL ESTATE SECURITIES

During the six months ended June 30, 2015, New Residential acquired $901.4 million face amount of Non-Agency RMBS for approximately $490.4 million and $1.7 billion face amount of Agency RMBS for approximately$1.8 billion. New Residential sold Non-Agency RMBS with a face amount of approximately $441.1 million and an amortized cost basis of approximately $385.9 million for approximately $389.7 million, recording a gain on sale of approximately $3.8 million. Furthermore, New Residential sold Agency RMBS with a face amount of $2.3 billion and an amortized cost basis of approximately $2.4 billion for approximately $2.4 billion, recording a gain on sale of approximately $2.9 million.

On June 25, 2015, New Residential exercised its call rights related to 18 Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans contained in such trusts prior to their termination. New Residential owned $13.7 million face amount of securities issued by these trusts and received par on these securities, which had an amortized cost basis of $9.1 million prior to the repayment. See Note 8 for further details on this transaction.

See Note 10 for a discussion of transactions formerly accounted for as linked 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.

			Gross Unrealized			Weighted Average						Decen 31, 2(
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value(A)	Number of Securities	Rating(B)	Coupon	Yield	Life (Years)(C)	Principal Subordination	Carry Valu
Agency RMBS(E)(F)	$958,141	$991,514	$5,199	$(2,683)	$994,030	28	AAA	3.27%	3.00%	7.5	N/A	$1,74

Non-Agency RMBS(G)(H)	2,370,202	902,005	18,668	(6,742)	913,931	167	B-	2.57%	4.79%	7.6	12.7%	723,0
Total/ Weighted Average	$3,328,343	$1,893,519	$23,867	$(9,425)	$1,907,961	195	A-	2.88%	3.85%	7.5		$2,46

(A) Fair value, which is equal to carrying value for all securities. See Note 12 regarding the estimation of fair value.

(B) 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 46 bonds which either have never been rated or for which rating information is no longer provided. For each security rated by multiple rating agencies, the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were 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) The weighted average life is based on the timing of expected principal reduction on the assets.

(D) Percentage of the outstanding face amount of securities that is subordinate to New Residential's investments.

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(E) Includes securities issued or guaranteed by U.S. Government agencies such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").

(F) The total outstanding face amount was $753.8 million for fixed rate securities and $204.3 million for floating rate securities as of June 30, 2015.

(G) The total outstanding face amount was $1.4 billion (including $1.4 billion of residual and interest-only notional amount) for fixed rate securities and $954.6 million (including $99.8 million of residual and interest-only notional amount) for floating rate securities as of June 30, 2015.

(H) Includes Other ABS consisting primarily of interest-only securities which New Residential elected to carry at fair value and record changes to valuation through the income statement and representing 7.4% of the carrying value of the Non-Agency RMBS portfolio.

			Gross Unrealized			Weighted Average					
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)	Principal Subordination
Other ABS	$1,222,088	$67,980	$1,472	$(1,840)	$67,612	9	AA+	1.87 %	7.64%	3.6	N/A

Unrealized losses that are considered other than temporary are recognized currently in earnings. During the six months ended June 30, 2015, New Residential recorded other-than-temporary impairment charges ("OTTI") of $1.7 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using management's best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes New Residential's securities in an unrealized loss position as of June 30, 2015.

		Amortized Cost Basis					Weighted Average				
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment(A)	After Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Rating(B)	Coupon	Yield	Life (Years)
Less than Twelve Months	$1,171,377	$311,767	$(1,120)	$310,647	$(6,221)	$304,426	43	BB	1.43%	4.41%	9.3
Twelve or More Months	176,335	176,534	—	176,534	(3,204)	173,330	23	AAA	2.37%	2.60%	5.4
Total/Weighted Average	$1,347,712	$488,301	$(1,120)	$487,181	$(9,425)	$477,756	66	BBB+	1.77%	3.75%	7.9

(A) This amount represents other-than-temporary impairment recorded on securities that are in an unrealized loss position as of June 30, 2015.

(B) The weighted average rating of securities in an unrealized loss position for less than twelve months excludes the rating of 10 bonds which either have never been rated or for which rating information is no longer provided.

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

	June 30, 2015			
			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	89,596	90,961	(1,120)	(1,365)
Non-credit impaired securities	388,160	396,220	—	(8,060)
Total debt securities in an unrealized loss position	$477,756	$487,181	$(1,120)	$(9,425)

(A) This amount is required to be recorded as other-than-temporary impairment through earnings. In measuring the portion of credit losses, New Residential's management 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, key terms of the securities and the effect of local, industry and broader economic trends. Significant inputs in estimating the cash flows include management's expectations of prepayment speeds, default rates and loss severities. Credit losses are measured as the decline in the present value of the expected future cash flows discounted at the investment's effective interest rate.

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

(C) A portion of securities New Residential intends to sell have a fair value equal to their amortized cost basis after impairment and, therefore, do not have unrealized losses reflected in other comprehensive income as of June 30, 2015.

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

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

	Six Months Ended June 30, 2015
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$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	6
Additions for credit losses on securities for which an OTTI was not previously recognized	1,714

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	(349)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$2,498

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

Geographic Location	June 30, 2015 Outstanding Face Amount	June 30, 2015 Percentage of Total Outstanding		December 31, 2014 Outstanding Face Amount	December 31, 2014 Percentage of Total Outstanding	
Western U.S.	$823,659	34.7	%	$779,930	41.1	%
Southeastern U.S.	604,140	25.5	%	409,755	21.6	%
Northeastern U.S.	445,557	18.8	%	344,716	18.2	%
Midwestern U.S.	232,262	9.8	%	190,480	10.0	%
Southwestern U.S.	261,190	11.0	%	170,829	9.0	%
Other[(A)]	3,394	0.2	%	440	0.1	%
	$2,370,202	100.0	%	$1,896,150	100.0	%

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

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments. For securities acquired during the six months ended June 30, 2015, excluding residual and interest-only securities, the face amount of these real estate securities was $191.7 million, with total expected cash flows of $221.7 million and a fair value of $137.6 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 interest-only securities:

	Outstanding Face Amount	Carrying Value
June 30, 2015	$580,296	$366,155
December 31, 2014	536,342	414,298

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

	Six Months Ended June 30, 2015	
Balance at December 31, 2014	$181,671	
Adoption of ASU No. 2014-11	146,741	
Additions	84,044	
Accretion	(13,372	)
Reclassifications from (to) non-accretable difference	(27,602	)
Disposals	(97,991	)
Balance at June 30, 2015	$273,491	

See Note 18 for recent activities related to New Residential's investments in real estate securities.

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8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

During the six months ended June 30, 2015, New Residential acquired and sold several portfolios of reperforming and non-performing residential mortgage loans as discussed below:

- On February 27, 2015, New Residential sold a portfolio of non-performing residential mortgage loans with a UPB of approximately $135.2 million and a carrying value of approximately $102.4 million at a price of $102.8 million and recorded a gain of $0.4 million.
- On March 19, 2015, New Residential sold a portfolio of reperforming residential mortgage loans with a UPB of approximately $176.5 million and a carrying value of approximately $142.1 million at a price of $148.6 million and recorded a gain of $6.5 million.
- On March 26, 2015, New Residential sold a portfolio of reperforming residential mortgage loans with a UPB of approximately $6.4 million and a carrying value of approximately $5.1 million at a price of $5.3 million and recorded a gain of $0.2 million.
- On March 27, 2015, New Residential sold a portfolio of non-performing residential mortgage loans and REO with a UPB of approximately $469.6 million and a carrying value of approximately $362.0 million at a price of $373.0 million and recorded a gain of $11.0 million.
- On April 2, 2015, New Residential sold a portfolio of performing residential mortgage loans with a carrying value of approximately $270.4 million at a price of $278.9 million and recorded a gain of $8.5 million.
- On April 6, 2015, New Residential acquired a portfolio of non-performing GNMA EBO residential mortgage loans with a UPB of $424.3 million for approximately $418.8 million as a part of the HLSS Acquisition (Note 1).
- On April 8, 2015, New Residential sold a portfolio of reperforming residential mortgage loans with a carrying value of approximately $16.8 million at a price of $19.5 million and recorded a gain of $2.7 million.
- On June 16, 2015, New Residential sold $99.8 million in UPB of this EBO portfolio with a carrying value of approximately $98.3 million at a price of $98.8 million and recorded a gain of $0.5 million.
- On June 25, 2015, New Residential exercised its call rights related to eighteen Non-Agency RMBS trusts and purchased performing and non-performing loans with a UPB of approximately $369.0 million at a price of approximately $388.8 million, contained in such trusts prior to their termination. New Residential securitized approximately $334.5 million in UPB of performing loans, which was recorded as a sale for accounting purposes, recognized a loss on settlement of investments of approximately $2.8 million, and paid approximately $14.9 million to acquire interest only notes representing a beneficial interest in the securitization. New Residential retained non-performing loans with a UPB of approximately $34.5 million at a price of $31.7 million. Additionally, New Residential acquired $1.3 million of real estate owned.

Loans are accounted for based on management’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:
  Reverse Mortgage Loans
  Performing Loans
  Purchased Credit Impaired (“PCI”) Loans
- Loans Held-for-Sale (“HFS”)
- Real Estate Owned (“REO”)

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

	June 30, 2015									December 31, 2014
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)[(A)]	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV")[(B)]	Weighted Avg. Delinquency[(C)]	Weighted Average FICO[(D)]	Carrying Value
Loan Type										
Reverse Mortgage Loans[(E)(F)]	$39,475	$21,601	165	10.0 %	4.1	21.5 %	110.4 %	75.6 %	N/A	$24,965
Performing Loans[(G)]	22,887	21,140	699	8.9 %	5.7	17.9 %	77.8 %	10.8 %	628	22,873
Total Residential Mortgage Loans, held-for-investment	$62,362	$42,741	864	9.6 %	4.7	20.1 %	98.4 %	51.9 %	628	$47,838
Performing Loans, held-for-sale[(G)]	$—	$—	—	— %	—	— %	— %	— %	—	$388,485
Non-performing Loans, held-for-sale[(H)(I)]	599,610	523,018	3,680	5.3 %	3.0	14.7 %	107.8 %	93.3 %	574	737,954
Residential Mortgage Loans, held-for-sale	$599,610	$523,018	3,680	5.3 %	3.0	14.7 %	107.8 %	93.3 %	574	$1,126,439

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
(C) Represents the percentage of the total principal balance that are 60+ days delinquent.
(D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.
(E) Represents a 70% interest that New Residential holds in reverse mortgage loans. The average loan balance outstanding based on total UPB is $0.3 million. 74% of these loans have reached a termination event. As a result, the borrower can no longer make draws on these loans. Each loan matures upon the occurrence of a termination event.
(F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
(G) Includes loans that are current or less than 30 days past due at acquisition where New Residential expects to collect all contractually required principal and interest payments. Presented net of unamortized discounts of $1.6 million.
(H) 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. As of June 30, 2015, New Residential has placed all of these loans on nonaccrual status, except as described in (I) below.
(I) Includes $293.2 million UPB of GNMA EBO non-performing loans on accrual status as contractual cash flows are guaranteed by the FHA.

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

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

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of June 30, 2015		December 31, 2014	
New Jersey	17.8	%	7.0	%
New York	16.5	%	12.2	%
Florida	8.4	%	6.3	%
California	6.4	%	15.0	%
Maryland	4.1	%	3.4	%
Illinois	3.7	%	4.4	%
Pennsylvania	3.4	%	3.9	%
Massachusetts	3.3	%	2.4	%
Washington	2.9	%	3.0	%
Oregon	2.7	%	1.5	%
Other U.S.	30.8	%	40.9	%
	100.0	%	100.0	%

Reverse Mortgage Loans

In February 2013, New Residential, through a subsidiary, entered into an agreement to co-invest in a portfolio of 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.

Performing Loans

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

June 30, 2015

Days Past Due	Delinquency Status[(A)]	
Current	29.3	%
30-59	59.9	%
60-89	9.2	%
90-119[(B)]	0.7	%
120+[(C)]	0.9	%
	100.0	%

(A) Represents the percentage of the total principal balance that corresponds to loans that are in each delinquency status.
(B) Includes loans 90-119 days past due and still accruing interest because they are generally placed on nonaccrual status at 120 days or more past due.
(C) Represents nonaccrual loans.

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

	For the Six Months Ended June 30, 2015	
	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2014	$24,965	$22,873
Purchases/additional fundings	—	—
Proceeds from repayments	(99)	(1,514)
Accretion of loan discount (premium) and other amortization	2,720	(101)
Provision for loan losses	(186)	(118)
Transfer of loans to other assets	(5,762)	—
Transfer of loans to real estate owned	(37)	—
Balance at June 30, 2015	$21,601	$21,140

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

	For the Six Months Ended June 30, 2015	
	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2014	$1,518	$1,447
Allowance for loan losses(A)	186	118
Charge-offs(B)	—	(1,371)
Balance at June 30, 2015	$1,704	$194

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

(B) Loans, other than PCI loans, are generally charged off or charged down to the net realizable value of the collateral (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.

Purchased Credit Impaired Loans

All of New Residential’s PCI loans were classified as held-for-sale at December 31, 2014 and throughout the six months ended June 30, 2015, and therefore, are not subject to the accounting in ASC No. 310-30.

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Loans Held-for-Sale

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

	For the Six Months Ended June 30, 2015 Loans Held-for-Sale
Balance at December 31, 2014	$1,126,439
Purchases(A)	807,579
Sales	(1,352,158)
Transfer of loans to real estate owned	(20,034)
Adoption of ASU No. 2014-11(B)	1,831
Proceeds from repayments	(37,903)
Valuation provision on loans	(2,736)
Balance at June 30, 2015	$523,018

(A) Represents loans acquired with the intent to sell, including loans acquired in the HLSS Acquisition (Note 1).
(B) Represents loans financed with the selling counterparty that were previously accounted for as linked transactions.

Real estate owned (REO)

During the six months ended June 30, 2015, New Residential received properties in satisfaction of non-performing residential mortgage loans. As a result, New Residential has recognized REO assets totaling approximately $20.6 million during the six months ended June 30, 2015. In addition, New Residential has recognized $66.4 million in claims receivable from FHA on GNMA EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim (Note 2). As of June 30, 2015, New Residential had non-performing residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $376.6 million.

Linked Transactions

See Note 10 for a discussion of transactions formerly accounted for as linked transactions.

9. INVESTMENTS IN CONSUMER LOANS, EQUITY METHOD INVESTEES

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, Springleaf acquired 47% and an affiliate of Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. Springleaf 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, Springleaf became the servicer of the loans and provides all servicing and advancing functions for the portfolio.

On October 3, 2014, the Consumer Loan Companies refinanced the 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 has discontinued recording its share of the underlying earnings of the Consumer Loan Companies until such time as their cumulative earnings exceed their cumulative distributions. During the six months ended June 30, 2015, the Consumer Loan Companies

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distributed $19.0 million to New Residential in excess of its basis, resulting in corresponding gains, and made $0.6 million in tax withholding payments on behalf of New Residential. The tax withholding payments were considered a non-cash distribution.

The following tables summarize the investment in the Consumer Loan Companies held by New Residential:

	June 30, 2015	December 31, 2014
Consumer loan assets (amortized cost basis)	$1,880,054	$2,088,330
Other assets	78,643	92,051
Debt	(2,145,948)	(2,411,421)
Other liabilities	(5,479)	(12,340)
Equity	$(192,730)	$(243,380)
New Residential's investment	$—	$—
New Residential's ownership	30.0%	30.0%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income	$116,271	$135,629	$238,140	$278,444
Interest expense	(22,188)	(18,106)	(45,295)	(40,301)
Provision for finance receivable losses	(17,719)	(27,663)	(37,355)	(61,819)
Other expenses, net	(14,798)	(19,279)	(30,762)	(39,731)
Change in fair value of debt	—	535	—	(16,332)
Net income	$61,566	$71,116	$124,728	$120,261
New Residential's equity in net income (through October 3, 2014)	$—	$21,335	$—	$37,695
New Residential's ownership	30.0%	30.0%	30.0%	30.0%

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

	Unpaid Principal Balance(A)	Interest in Consumer Loan Companies	Carrying Value(B)	Weighted Average Coupon(C)	Weighted Average Yield	Weighted Average Expected Life (Years)(D)
June 30, 2015	$2,329,736	30.0%	$1,880,054	18.2%	17.8%	3.5
December 31, 2014	$2,589,748	30.0%	$2,088,330	18.1%	16.1%	3.6

(A) Represents the May 31, 2015 and November 30, 2014 balances, respectively.
(B) Represents the carrying value of the consumer loans held by the Consumer Loan Companies.
(C) Substantially all of the cash flows received on the loans is required to be used to make payments on the notes described above.
(D) Weighted Average Expected Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

10. DERIVATIVES

As of June 30, 2015, 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.

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As of June 30, 2015, New Residential held to-be-announced forward contract positions ("TBAs") of $954.0 million 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 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.

As of June 30, 2015, New Residential separately held TBAs of $200 million 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 setoff with the TBA counterparty. New Residential purchased these TBAs during the second quarter, but as the specific securities were not identified as of June 30, 2015, the positions are recorded as a derivative within the Accrued expenses and other liabilities line in the condensed financial statements. 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.

As a result of ASU No. 2014-11 (Note 2), New Residential determined that, as of January 1, 2015, its linked transactions are accounted for as secured borrowings. As a result, $32.4 million carrying amount of derivatives was removed from the balance sheet and replaced with $116.8 million carrying amount of Non-Agency RMBS, $1.8 million carrying amount of Residential Mortgage Loans, Held-for-Investment, $86.0 million of Repurchase Agreements, and $0.2 million of other liabilities.

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

	Balance Sheet Location	June 30, 2015	December 31, 2014
Derivative assets			
Real Estate Securities(A)	Derivative assets	$—	$32,090
Non-Performing Loans(A)	Derivative assets	—	312
Interest Rate Caps	Derivative assets	1,701	195
		$1,701	$32,597
Derivative liabilities			
TBAs	Accrued expenses and other liabilities	$1,800	$4,985
Interest Rate Swaps	Accrued expenses and other liabilities	14,324	9,235
		$16,124	$14,220

(A) For December 31, 2014, investments purchased from, and financed by, the selling counterparty that New Residential accounted for as linked transactions are reflected as derivatives. Upon the adoption of ASU No. 2014-11 on January 1, 2015, these transactions are accounted for as secured borrowings.

The following table summarizes notional amounts related to derivatives:

	June 30, 2015	December 31, 2014
Non-Performing Loans(A)	$—	$2,931
Real Estate Securities(B)	—	186,694
TBAs, short position(C)	954,000	1,234,000

TBAs, long position(C)	200,000	—
Interest Rate Caps(D)	2,560,000	210,000
Interest Rate Swaps, short positions(E)	2,144,000	1,107,000

(A) For December 31, 2014, represents the UPB of the underlying loans of the non-performing loan pools within linked transactions.
(B) For December 31, 2014, represents the face amount of the real estate securities within linked transactions.
(C) Represents the notional amount of Agency RMBS, classified as derivatives.
(D) Caps LIBOR at 3.0%.

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(E) Receive LIBOR and pay a fixed rate.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Other income (loss)				
Non-Performing Loans[(A)]	$—	$(985)	$—	$(314)
Real Estate Securities[(A)]	—	—	—	26
TBAs	1,754	(132)	(1,800)	230
Interest Rate Swaps	(1,737)	(2,276)	(5,089)	(2,386)
U.S.T. Short Positions	—	(408)	—	—
Interest Rate Caps	(1,246)	—	(1,370)	—
	(1,229)	(3,801)	(8,259)	(2,444)
Gain (loss) on settlement of investments				
Real Estate Securities[(A)]	—	—	—	43
TBAs	12,529	(3,824)	(3,504)	(4,002)
Interest Rate Swaps	1,240	—	(5,317)	—
U.S.T. Short Positions	—	176	—	176
	13,769	(3,648)	(8,821)	(3,783)
Total gains (losses)	$12,540	$(7,449)	$(17,080)	$(6,227)

(A) For December 31, 2014, investments purchased from, and financed by, the selling counterparty that New Residential accounted for as linked transactions are reflected as derivatives. Upon the adoption of ASU No. 2014-11 on January 1, 2015, these transactions are accounted for as secured borrowings.

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11. DEBT OBLIGATIONS

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

	June 30, 2015									
							Collateral			
Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value(A)	Final Stated Maturity	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weigh Averag Life (Years
Repurchase Agreements(B)										
Agency RMBS(C)	Various	$1,172,422	$1,172,422	Jul-15 to Aug-15	0.40 %	0.1	$1,167,997	$1,206,770	$1,204,179	1.0
Non-Agency RMBS (D)	Various	659,567	659,567	Jul-15 to Sep-15	1.87 %	0.1	2,281,029	901,082	910,802	7.4
Residential Mortgage Loans(E)	Various	447,940	447,012	Aug-15 to Aug-16	2.95 %	0.6	618,216	543,131	540,415	2.7
Real Estate Owned(F)(G)	Various	82,946	82,784	Aug-15 to Aug-16	3.15 %	0.6	N/A	N/A	89,168	N/A
Consumer Loan Investment(H)	Apr-15	42,976	42,832	Oct-15	3.77 %	0.3	N/A	N/A	—	3.5
Total Repurchase Agreements		2,405,851	2,404,617		1.44 %	0.2				
Notes Payable										
Secured Corporate Note(I)	May-15	195,590	193,561	Apr-17	5.43 %	1.8	101,243,511	1230,282	268,951	4.8
Servicer Advances(J)	Various	7,687,572	7,667,067	Oct-15 to Jun-18	2.88 %	1.1	8,278,685	8,081,258	8,182,400	4.3
Residential Mortgage Loans(K)	Oct-14	22,433	22,433	Oct-15	3.07 %	0.3	39,475	23,305	21,601	4.1
Real Estate Owned	N/A	—	—		— %	—	N/A	N/A	—	N/A
Total Notes Payable		7,905,595	7,883,061		2.94 %	1.1				
Total/ Weighted Average		$10,311,446	$10,287,678		2.59 %	0.9				

(A) Net of deferred financing costs associated with the adoption of ASU No. 2015-03.

(B) These repurchase agreements had approximately $2.5 million of associated accrued interest payable as of June 30, 2015.

(C) The counterparties of these repurchase agreements are Citibank ($232.2 million), Morgan Stanley ($77.0 million), Barclays ($96.8 million), Daiwa ($377.2 million) and Jefferies ($389.2 million) and were subject to customary margin call provisions. All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include related trade and other receivables.

(D) The counterparties of these repurchase agreements are Barclays ($5.4 million), Credit Suisse ($263.7 million), Royal Bank of Canada ($10.2 million), Bank of America, N.A. ($88.7 million), Citibank ($60.6 million), Goldman Sachs ($70.1 million) and UBS ($160.8 million) and were subject to customary margin call provisions. All of the Non-Agency repurchase agreements have LIBOR-based floating interest rates.

(E) The counterparties on these repurchase agreements are Barclays ($263.4 million maturing in January 2016), Bank of America N.A. ($61.4 million maturing in August 2016), Nomura ($60.5 million maturing in May 2016), Citibank ($2.7 million maturing in August 2015) and Credit Suisse ($60.0 million maturing in November 2015). All of these repurchase agreements have LIBOR-based floating interest rates.

(F) The counterparties of these repurchase agreements are Barclays ($68.2 million), Credit Suisse ($0.9 million), Bank of America, N.A. ($3.5 million), Citibank ($0.6 million) and Nomura ($9.8 million). All of these repurchase agreements have LIBOR-based floating interest rates.

(G) Includes financing collateralized by receivables including claims from FHA on GNMA EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

(H) The repurchase agreement is payable to Bank of America, N.A. and bears interest equal to three-month LIBOR plus 3.50% and is collateralized by New Residential's interest in consumer loans (Note 9).

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(I) The loan bears interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 5.25%. The outstanding face of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure this corporate loan.
(J) $3.1 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.0% to 2.0%.
(K) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.875%.

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, such collateral is not available to other creditors of New Residential.

New Residential has margin exposure on $2.4 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

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

	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loan Investment	Other	Total
Balance at December 31, 2014[(A)]	$2,890,230	$2,246,651	$925,418	$—	$—	$6,062,299
Repurchase Agreements:						
Borrowings	—	2,222,172	386,439	42,976	—	2,651,587
Modified retrospective adjustment for the adoption of ASU No. 2014-11	—	84,649	1,306	—	—	85,955
Repayments	—	(2,721,483)	(759,298)	—	—	(3,480,781)
Adoption of ASU No. 2015-03	—	—	(1,090)	(144)	—	(1,234)
Notes Payable:						
Retrospective adjustment for the adoption of ASU No. 2015-03	(4,446)	—	—	—	—	(4,446)
Borrowings	7,210,317	—	1,632	—	852,419	8,064,368
Repayments	(2,412,975)	—	(2,178)	—	(658,810)	(3,073,963)
Adoption of ASU No. 2015-03	(16,059)	—	—	—	(48)	(16,107)
Balance at June 30, 2015	$7,667,067	$1,831,989	$552,229	$42,832	$193,561	$10,287,678

(A) Excludes debt related to linked transactions (Note 10).

Servicer Advances

During the six months ended June 30, 2015, the Buyer entered into agreements to increase financing pursuant to one servicer advance facility and one of the notes, which settled in March 2015. The facility increased capacity from $500.0 million to $1.0 billion, and the note increased from $650.0 million to $800.0 million with a fixed interest rate

equal to 2.50% and an expected repayment date of March 2017.

In connection with the HLSS Acquisition, New Residential funded the purchase of servicer advances with notes issued under the HSART and HSART II facilities with a number of financial institutions consisting of (i) variable funding notes (“VFNs”) with a borrowing capacity of up to $5.0 billion and (ii) $2.5 billion of term notes (“Term Notes”) issued to institutional investors. The VFNs generally bear interest at a rate equal to the sum of (i) LIBOR or a cost of funds rate plus (ii) a spread of 1.0% to 1.6% depending on the class of the notes. The VFNs in the HSART II facility have expected repayment dates in December 2015 and the VFNs in the HSART facility have expected repayment dates in April 2016. The Term Notes generally bear interest at

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approximately 2.0% and have and expected repayment dates from October 2015 through June 2018. The VFN and the Term Notes are secured by servicer advances, and the financing is nonrecourse, except for customary recourse provisions.

During the second quarter of 2015, New Residential repaid a portion of the VFNs pursuant to the HSART facility with proceeds of new notes issued under a new servicer advance facility. This facility issued a VFN with a borrowing capacity of $0.4 billion. The VFN has an expected repayment date of April 2017. The VFN bears interest at a rate equal to the sum of (i) LIBOR or a cost of funds rate plus (ii) a spread of 1.95%. The VFN is secured by servicer advances, and the financing is nonrecourse, except for customary recourse provisions.

Residential Mortgage Loans

During the second quarter of 2015, as a part of the HLSS Acquisition, New Residential acquired a portfolio of non-performing GNMA EBO residential mortgage loans with a UPB of $424.3 million for approximately $418.8 million, financed with a $393.0 million repurchase agreement with Barclays. Borrowings on this facility bear interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 2.77% and have an expected repayment date in January 2016. This facility contains customary covenants and event of default provisions.

Consumer Loan Investment

During the second quarter of 2015, New Residential entered into a $43.0 million repurchase agreement with Bank of America, N.A. Borrowings on this facility bear interest equal to the sum of (i) a floating rate index rate equal to three-month LIBOR and (ii) a margin of 3.50%. This facility contains customary covenants and event of default provisions.

Other

During the second quarter of 2015, New Residential entered into an agreement to increase financing on a $100.0 million secured corporate loan with Credit Suisse First Boston Mortgage Capital LLC, an affiliate of Credit Suisse Securities (USA) LLC. The agreement increased capacity from $100.0 million to $205.0 million. The loan bore interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 3.75%. The loan agreement contained customary covenants and event of default provisions. The loan was repaid in May 2015.

During the second quarter of 2015, New Residential entered into a $165.0 million secured corporate loan with Barclays maturing in April 2016. The loan agreement contained customary covenants and event of default provisions. The loan was repaid in May 2015.

During the second quarter of 2015, New Residential entered into $265.0 million of secured corporate debt with Credit Suisse maturing in July 2015. The loan contained customary covenants and event of default provisions. The loan was repaid in June 2015.

During the second quarter of 2015, New Residential issued a $219.4 million secured corporate note maturing in April 2017. The loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 5.25% until May 2016, after which the loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 7.25%. The loan agreement contains customary covenants and event

of default provisions.

Maturities

New Residential’s debt obligations as of June 30, 2015 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
July 1 through December 31, 2015	$1,203,382	$1,961,575	$3,164,957
2016	4,386,775	396,462	4,783,237
2017	1,654,662	195,590	1,850,252
2018	513,000	—	513,000
	$7,757,819	$2,553,627	$10,311,446

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Borrowing Capacity

The following table represents New Residential's borrowing capacity as of June 30, 2015:

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Real Estate Loans	$2,275,000	$465,992	$1,809,008
Notes Payable				
Servicer Advances[(A)]	Servicer Advances	11,163,000	7,687,572	3,475,428
		$13,438,000	$8,153,564	$5,284,436

(A) 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 0.4% fee on the unused borrowing capacity.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by a 50% equity decline over any 12-month period or a 35% decline over any 3-month period and a 4:1 indebtedness to tangible net worth provision. New Residential was in compliance with all of its debt covenants as of June 30, 2015.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and fair values of New Residential's financial assets recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of June 30, 2015 were as follows:

			Fair Value			
	Principal Balance or Notional Amount	Carrying Value	Level 1	Level 2	Level 3	Total
Assets:						
Investments in:						
Excess mortgage servicing rights, at fair value[(A)]	$335,643,658	$1,504,422	$—	$—	$1,504,422	$1,504,422
Excess mortgage servicing rights, equity method investees, at fair value[(A)]	79,731,703	216,112	—	—	216,112	216,112
Servicer advances	8,278,685	8,182,400	—	—	8,182,400	8,182,400
Real estate securities, available-for-sale	3,328,343	1,907,961	—	994,030	913,931	1,907,961
Residential mortgage loans, held-for-investment	62,362	42,741	—	—	43,870	43,870
Residential mortgage loans, held-for-sale	599,610	523,018	—	—	524,105	524,105
Non-hedge derivatives	2,560,000	1,701	—	1,701	—	1,701
Cash and cash equivalents	432,007	432,007	432,007	—	—	432,007

Restricted cash	134,735	134,735	134,735	—	—	134,735
		$12,945,097	$566,742	$995,731	$11,384,840	$12,947,313
Liabilities:						
Repurchase agreements	$2,405,851	$2,404,617	$—	$1,831,989	$573,862	$2,405,851
Notes payable	7,905,595	7,883,061	—	—	7,908,842	7,908,842
Derivative liabilities	3,298,000	16,124	—	16,124	—	16,124
		$10,303,802	$—	$1,848,113	$8,482,704	$10,330,817

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

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

	Level 3							
	Excess MSRs(A)		Excess MSRs in Equity Method Investees(A)(B)					
	Agency	Non-Agency	Agency	Non-Agency	Servicer Advances	Non-Agency RMBS	Linked Transactions	Total
Balance at December 31, 2014	$217,519	$200,214	$232,618	$98,258	$3,270,839	$723,000	$32,402	$4,774,850
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 ("OTTI") on securities(D)	—	—	—	—	—	(1,720)	—	(1,720)
Included in change in fair value of investments in excess mortgage servicing rights(D)	5,425	(6,830)	—	—	—	—	—	(1,405)
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees(D)	—	—	8,016	—	—	—	—	8,016
Included in change in fair value of investments in servicer advances	—	—	—	—	16,893	—	—	16,893
	—	—	—	—	—	3,808	—	3,808

Included in gain on settlement of investments, net								
Included in other income[(D)]	1,577	—	—	—	—	—	—	1,577
Gains (losses) included in other comprehensive income, net of tax[(E)]	—	—	—	—	—	(560)	—	(560)
Interest income	13,176	36,221	—	—	150,937	23,196	—	223,530
Purchases, sales, repayments and transfers								
Purchases	129,098	919,531	—	—	11,404,992	490,438	—	12,944,059
Proceeds from sales	—	—	—	—	—	(389,719)	—	(389,719)
Proceeds from repayments	(25,268)	(84,499)	(24,522)	—	(6,661,261)	(51,344)	—	(6,846,894)
De-linked transactions[(F)]	—	—	—	—	—	116,832	(32,402)	84,430
Balance at June 30, 2015	$341,527	$1,162,895	$216,112	$—	$8,182,400	$913,931	$—	$10,816,865

(A) Includes the Recapture Agreement for each respective pool.

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

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

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

(F) See Note 10 for a discussion of transactions formerly accounted for as linked transactions.

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Investments in Excess MSRs and Excess MSRs Equity Method Investees Valuation

The following table summarizes certain information regarding the weighted average inputs used in valuing the Excess MSRs owned directly and through equity method investees as of June 30, 2015:

	Significant Inputs(A)						
Directly Held (Note 4)	Prepayment Speed(B)		Delinquency(C)		Recapture Rate(D)		Excess Mortgage Servicing Amount (bps)(E)
Agency							
Original and Recaptured Pools	10.6	%	4.2	%	32.7	%	22
Recapture Agreement	7.7	%	4.6	%	20.0	%	24
	10.3	%	4.2	%	31.4	%	22
Non-Agency(F)							
Nationstar and SLS Serviced:							
Original and Recaptured Pools	12.7	%	N/A		10.3	%	21
Recapture Agreement	7.5	%	N/A		20.0	%	20
Ocwen Serviced Pools	9.4	%	N/A		—	%	14
	10.0	%	N/A		2.3	%	17
Total/Weighted Average--Directly Held	10.1	%	4.2	%	7.9	%	18
Held through Equity Method Investees (Note 5)							
Agency							
Original and Recaptured Pools	12.7	%	6.4	%	33.4	%	19
Recapture Agreement	7.7	%	4.5	%	20.0	%	23
Total/Weighted Average--Held through Investees	11.9	%	6.1	%	31.2	%	19
Total/Weighted Average--All Pools	10.4	%	4.6	%	12.4	%	18

(A) Weighted by amortized cost basis of the mortgage loan portfolio.
(B) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(C) Projected percentage of mortgage loans in the pool that will miss their mortgage payments.
(D) Percentage of voluntarily prepaid loans that are expected to be refinanced by Nationstar.
(E) Weighted average total mortgage servicing amount in excess of the basic fee.
(F) 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.

As of June 30, 2015, a weighted average discount rate of 9.8% was used to value New Residential’s investments in Excess MSRs (directly and through equity method investees).

Investments in Servicer Advances Valuation

The following table summarizes certain information regarding the inputs used in valuing the servicer advances:

	Significant Inputs Weighted Average Outstanding Servicer Advances to UPB of Underlying Residential Mortgage Loans		Prepayment Speed		Delinquency		Mortgage Servicing Amount[(A)]		Discount Rate	
June 30, 2015	2.4	%	10.6	%	14.2	%	19.5	bps	5.5	%

(A) Mortgage servicing amount excludes the amounts New Residential pays its servicers as a monthly servicing fee.

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Real Estate Securities Valuation

As of June 30, 2015, New Residential's securities valuation methodology and results are further detailed as follows:

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Fair Value			Level
			Multiple Quotes[(A)]	Single Quote[(B)]	Total	
Agency RMBS	$958,141	$991,514	$994,030	$—	$994,030	2
Non-Agency RMBS[(C)]	2,370,202	902,005	901,377	12,554	913,931	3
Total	$3,328,343	$1,893,519	$1,895,407	$12,554	$1,907,961	

(A) Management 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. Management selected one of the quotes received as being most representative of the fair value and did 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 management 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. Management 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, management selects one of the quotes which is believed to more accurately reflect fair value. New Residential never adjusts quotes received. 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.

(B) Management was unable to obtain quotations from more than one source on these securities. The one source was the party that sold New Residential the security.

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

At June 30, 2015 and December 31, 2014, assets measured at fair value on a nonrecurring basis were $259.2 million and $666.6 million, respectively. The $259.2 million and the $666.6 million include approximately $233.9 million and $610.1 million of residential mortgage loans held-for-sale and $25.3 million and $56.5 million of REO, respectively. The fair value of New Residential's mortgage loans held-for-sale are estimated based on a discounted cash flow model analysis using internal pricing models and categorized within Level 3 of the fair value hierarchy. The following table summarizes the inputs used in valuing these residential mortgage loans as of June 30, 2015:

June 30, 2015	Fair Value	Discount Rate	CDR[(B)]

				Weighted Average Life (Years)[A]	Prepayment Rate			Loss Severity[C]	
Non-performing Loans	$233,881	5.6	%	3.1	2.1	%	N/A	29.4	%

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

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

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

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

The total change in the recorded value of assets for which a fair value adjustment was included in the Consolidated Statements of Income for the six months ended June 30, 2015 was a reduction of approximately $2.7 million and $2.9 million for residential mortgage loans held-for-sale and REO, respectively.

Residential Mortgage Loans for Which Fair Value is Only Disclosed

The fair value of New Residential's residential mortgage loans are 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 residential mortgage loans as of June 30, 2015:

	Carrying Value	Fair Value	Valuation Provision/ (Reversal) In Current Year	Discount Rate	Weighted Average Life (Years)[(A)]	Prepayment Rate	CDR[(B)]	Loss Severity[(C)]
Reverse Mortgage Loans[(D)]	$21,601	$21,601	$186	10.0 %	4.1	N/A	N/A	6.9 %
Performing Loans	21,140	22,269	118	7.9 %	5.7	5.6 %	2.9 %	56.9 %
Non-performing Loans	289,137	290,224	N/A	5.0 %	3.0	— %	N/A	— %
Total/Weighted Average	$331,878	$334,094	$304	5.5 %	3.2			4.1 %

(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% interest New Residential holds in the reverse mortgage loans.

Derivative Valuation

New Residential enters into economic hedges including interest rate swaps and TBAs, which are categorized as Level 2 in the valuation hierarchy. Management 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 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 payable have an estimated fair value equal to their carrying value due to their short duration and generally floating interest rates. Longer-term notes payable are valued based on internal models utilizing both observable and unobservable inputs. As of June 30, 2015, the notes payable have an estimated fair value of $7,908.8 million and a carrying value of $7,883.1 million.

13. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

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 2015, New Residential issued the New Residential Acquisition Common Stock in connection with the HLSS Acquisition (Note 1).

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. For the purpose of compensating 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 to purchase 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. For the purpose of compensating the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager to purchase 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 6.2 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.

In July 2015, one former employee of the Manager exercised an aggregate of 37,500 options and received 20,227 shares of New Residential's common stock in a cashless exercise.

On December 18, 2014, New Residential's board of directors declared a fourth quarter 2014 dividend of $0.38 per common share or $53.7 million, which was paid on January 30, 2015 to stockholders of record as of December 30, 2014.

On March 16, 2015, New Residential's board of directors declared a first quarter 2015 dividend of $0.38 per common share or $53.7 million, which was paid on April 30, 2015 to stockholders of record as of March 26, 2015.

On May 14, 2015, New Residential's board of directors declared a second quarter 2015 dividend of $0.45 per common share or $89.5 million, which was paid on July 24, 2015 to stockholders of record as of May 26, 2015.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, and its principals at June 30, 2015.

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Option Plan

As of June 30, 2015, New Residential's outstanding options were summarized as follows:

	Issued Prior to 2011	Issued in 2011-2015	Total
Held by the Manager	343,440	10,557,860	10,901,300
Issued to the Manager and subsequently transferred to certain of the Manager's employees	90,560	1,421,747	1,512,307
Issued to the independent directors	1,000	4,000	5,000
Total	435,000	11,983,607	12,418,607

The following table summarizes New Residential's outstanding options as of June 30, 2015. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended June 30, 2015 was $15.24 per share.

Recipient	Date of Grant/ Exercise(A)	Number of Options	Options Exercisable as of June 30, 2015	Weighted Average Exercise Price(B)	Intrinsic Value as of June 30, 2015 (millions)
Directors	Various	6,000	5,000	$17.54	$—
Manager(C)	2003 - 2007	1,226,555	434,000	31.36	—
Manager(C)	Mar-11	838,417	—	6.58	—
Manager(C)	Sep-11	1,269,917	—	4.98	—
Manager(C)	Apr-12	948,750	17,500	6.82	0.10
Manager(C)	May-12	1,150,000	21,750	7.34	0.20
Manager(C)	Jul-12	1,265,000	23,250	7.34	0.20
Manager(C)	Jan-13	2,875,000	759,866	10.24	3.80
Manager(C)	Feb-13	1,150,000	1,073,331	11.48	4.00
Manager(C)	Apr-14	1,437,500	670,833	12.20	2.00
Manager(C)	Apr-15	2,828,698	188,580	15.25	—
Manager(C)	Apr-15	2,921,302	194,753	15.25	—
Manager(C)	Jun-15	2,793,539	—	15.88	—
Exercised(D)	2013-2015	(7,499,518)	N/A	7.60	N/A
Expired unexercised	2013-2015	(792,553)	N/A	N/A	N/A
Outstanding		12,418,607	3,388,863		

(A) Options expire on the tenth anniversary from date of grant.
(B) The strike prices are subject to adjustment in connection with return of capital dividends.
(C) The Manager assigned certain of its options to Fortress's employees as follows:

Date of Grant	Range of Strike Prices	Total Unexercised Inception to Date
2005-2007	$29.92 to $33.80	90,560
2012	$6.82 to $7.34	62,501
2013	$10.24 to $11.48	1,100,496

2014	$12.20	258,750
Total		1,512,307

(D) Exercised by employees of Fortress, subsequent to their assignment, or by directors. The options exercised had an intrinsic value of $60.0 million.

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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 stock options. During the three and six months ended June 30, 2015, based on the treasury stock method, New Residential had 4,259,059 and 3,869,894 dilutive common stock equivalents outstanding, respectively. During the three and six months ended June 30, 2014, based on the treasury stock method, New Residential had 3,202,674 and 3,228,568 dilutive common stock equivalents outstanding, respectively.

Noncontrolling Interests

Noncontrolling interests is comprised of the interests held by third parties in consolidated entities that hold New Residential’s investments in servicer advances (Note 6).

14. COMMITMENTS AND CONTINGENCIES

Litigation – New Residential may, from time to time, be a defendant in legal actions from transactions conducted in the ordinary course of business. As of June 30, 2015, New Residential is not subject to any material litigation, individually or in the aggregate, nor, to management’s knowledge, is any material litigation currently threatened against New Residential, except as described below.

Following the HLSS Acquisition (see Note 1 for related defined terms), material potential claims, lawsuits, 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 management does not believe there is probable and reasonably estimable loss.

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 three lawsuits were consolidated into a single action, which is referred to as the “New York Action.” On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the New York Action. On July 17, 2015, lead plaintiffs filed a consolidated class action complaint.

The New York 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 New York Action asserts causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 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 New York Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. New Residential intends to vigorously defend the New York Action.

Two shareholder derivative actions have been filed purportedly on behalf of Ocwen Financial Corporation naming as defendants HLSS and certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, entitled (i) Sokolowski v. Erbey, et al., No. 9:14-CV-81601 (S.D. Fla.), filed on December 24, 2014 (the "Sokolowski Action"), and (ii) Moncavage v. Faris, et al., No. 2015CA003244 (Fla. Palm Beach Cty. Ct.), filed on March 20, 2015 (collectively, with the Sokolowski Action, the "Ocwen Derivative Actions"). The original complaint in the Sokolowski Action named as defendants certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey. On February 11, 2015, plaintiff in the Sokolowski Action filed an amended complaint naming additional defendants, including HLSS. The Ocwen Derivative Actions assert a cause of action for aiding and abetting certain alleged breaches of fiduciary duty under Florida law against HLSS and others, and claim that HLSS (i) substantially assisted Ocwen's alleged wrongful conduct by purchasing Ocwen's mortgage servicing rights and (ii) received improper benefits as a result of its business dealings with Ocwen due to Mr. Erbey's

purported control over both HLSS and Ocwen. Additionally, the Sokolowski Action asserts a cause of action for unjust enrichment against HLSS and others.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled Rattner v. Van Vlack, et al., No. 2015CA002833 (Fla. Palm Beach Cty. Ct.) (the "HLSS Derivative Action"). The lawsuit names as defendants HLSS directors John P. Van Vlack, Robert J. McGinnis, Kerry Kennedy, Richard J. Lochrie, and David B. Reiner (collectively, the "Director Defendants"), New Residential Investment Corp., and Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS's shareholders, (ii) included unfair deal protection devices, (iii) and was the result of an inadequate process due to conflicts of interest. On July 8, 2015, the complaint was voluntarily dismissed without prejudice.

On September 15, 2014, HLSS received a subpoena from the SEC requesting that it provide certain information related to HLSS's prior accounting conventions for and valuations of its Notes receivable - Rights to MSRs that resulted in the restatement of HLSS's consolidated financial statements for the years ended December 31, 2013 and 2012 and for the quarter ended March 31, 2014 during August 2014. On December 22, 2014, HLSS received a subpoena from the SEC requesting that it provide information related to certain governance documents and transactions and certain communications regarding the same. New Residential and HLSS are cooperating with the SEC in these matters.

HLSS has been and continues to be subject to other inquiries by government and other entities, as disclosed in HLSS's filings with the SEC. New Residential is, from time to time, subject to inquiries by government entities in the ordinary course of business. 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 Newcastle's and its own experience, New Residential expects the risk of material loss to be remote.

Capital Commitments — As of June 30, 2015, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 18 for additional capital commitments entered into subsequent to June 30, 2015):

Excess MSRs — As of June 30, 2015, New Residential had outstanding capital commitments related to the acquisition of Excess MSRs on portfolios of Agency residential mortgage loans as discussed in Note 18. See Notes 4 and 5 for information on New Residential's investments in Excess MSRs.
Servicer Advances — New Residential and third-party co-investors agreed to purchase future servicer advances related to Non-Agency mortgage loans. 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 Note 6 for information on New

Residential's investments in servicer advances.

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.
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 Newcastle under applicable U.S. federal income tax rules, and if Newcastle fails to qualify as a REIT, New Residential could be prohibited from electing to be a REIT. Accordingly, Newcastle has (i) represented that it has 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 Newcastle'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 Newcastle's taxable years ending on or before December 31, 2014 (unless Newcastle obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Newcastle'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. 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 Newcastle 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.

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, earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, and gains (or losses) from debt restructuring and gains (or losses) from sales of property and other assets, 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 Newcastle 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 Newcastle'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.

Due to affiliates is comprised of the following amounts:

	June 30, 2015	December 31, 2014
Management fees	$3,114	$1,710
Incentive compensation	6,084	54,334
Expense reimbursements and other	472	1,380
	$9,670	$57,424

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Affiliate expenses and fees were comprised of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Management fees	$8,371	$4,915	$13,497	$9,401
Incentive compensation	2,391	18,863	6,084	22,201
Expense reimbursements(A)	125	125	250	250
Total	$10,887	$23,903	$19,831	$31,852

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

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, 5, 6, 7, 8, 11, 14 and 18 for a discussion of transactions with Nationstar. As of June 30, 2015, 63.0% and 35.6% of the UPB of the loans underlying New Residential's investments in Excess MSRs and servicer advances, respectively, was serviced or master serviced by Nationstar. As of June 30, 2015, a total face amount of $2.3 billion of New Residential's Non-Agency RMBS portfolio and approximately $29.0 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 $8.8 billion as of June 30, 2015. New Residential holds a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar with an aggregate UPB of underlying mortgage loans of approximately $86.0 billion whereby, when the outstanding balance falls below a pre-determined threshold, it can effectively purchase the underlying mortgage loans by repaying all of the outstanding securitization financing at par, in exchange for a fee paid to Nationstar. 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 mortgage loans on which New Residential can successfully exercise call rights and realize the benefits therefrom may differ materially from its initial assumptions. As of June 30, 2015, $309.9 million UPB of New Residential's residential mortgage loans and $19.3 million of New Residential's REO were being serviced by Nationstar. As a result of these relationships, New Residential routinely has receivables from, and payables to, Nationstar, which are included in Other Assets and Accrued Expenses and Other Liabilities, respectively.

See Note 9 for a discussion of a transaction with Springleaf and Note 5 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	Three Months Ended June 30,		Six Months Ended June 30,	
		2015	2014	2015	2014

Reclassification of net realized (gain) loss on securities into earnings	Gain on settlement of investments, net	$17,921	$(57,284)	$(6,776)	$(61,776)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	649	615	1,720	943
Total reclassifications		$18,570	$(56,669)	$(5,056)	$(60,833)

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2015
(dollars in tables in thousands, except share data)

17. INCOME TAXES

Income tax expense (benefit) consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Current:				
Federal	$(106)	$2,236	$630	$2,453
State and Local	64	1,514	(1,092)	1,584
Total Current Income Tax Expense (Benefit)	(42)	3,750	(462)	4,037
Deferred:				
Federal	13,281	13,236	11,958	13,236
State and Local	1,067	4,409	(617)	4,409
Total Deferred Income Tax Expense (Benefit)	14,348	17,645	11,341	17,645
Total Income Tax Expense (Benefit)	$14,306	$21,395	$10,879	$21,682

New Residential intends to qualify as a REIT for the tax years ending December 31, 2014 and 2015. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

New Residential operates a securitization vehicle and has made certain investments, particularly its investments in 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 expected to be taken on the income tax returns. As a result of information received from local tax authorities, New Residential has determined that the reserve for unrecognized tax benefits is no longer needed and has 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.

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 $186.8 million. The deferred tax asset primarily relates to the difference in the book basis and tax basis of New Residential’s investment in servicer advances. Management 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 June 30, 2015.

New Residential has recorded a net deferred tax asset of approximately $159.2 million as of June 30, 2015.

18. RECENT ACTIVITIES

These financial statements include a discussion of material events that have occurred subsequent to June 30, 2015 (referred to as "subsequent events") through the issuance of these condensed consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

Excess MSRs

On July 16, 2015, New Residential invested approximately $2.4 million to acquire a 33.3% interest in the Excess MSRs on a portfolio of Freddie Mac residential mortgage loans with an aggregate UPB of $0.8 billion. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer agreed to perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of

the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

Servicer Advances

Subsequent to June 30, 2015 and prior to August 10, 2015, the Buyer purchased a total of $277.4 million of servicer advances and recovered $457.5 million of existing servicer advances. Notes payable outstanding decreased by $162.0 million and restricted cash decreased approximately $0.4 million in relation to these fundings. Additionally, the Buyer paid $3.8 million to Nationstar as a contractual incentive fee.

Subsequent to June 30, 2015 and prior to August 10, 2015, New Residential purchased a total of $25.8 million of SLS servicer advances and recovered $44.9 million of existing SLS servicer advances. Notes payable outstanding decreased by $16.9 million and restricted cash decreased approximately $0.05 million in relation to these fundings.

Subsequent to June 30, 2015 and prior to August 10, 2015, New Residential purchased a total of $1.3 billion of Ocwen servicer advances and recovered $1.7 billion of existing Ocwen servicer advances. Notes payable outstanding decreased by $271.5 million and restricted cash decreased approximately $15.5 million in relation to these fundings.

Real Estate Securities

Subsequent to June 30, 2015, New Residential acquired Non-Agency RMBS with an aggregate face amount of approximately $157.2 million for approximately $114.1 million, financed with repurchase agreements. New Residential sold no Agency or Non-Agency RMBS.

Subsequent to June 30, 2015, New Residential financed an additional $942.0 million of Agency RMBS within various repurchase facilities as a result of the closing of prior purchases. Additionally, New Residential paid down $955.1 million of Agency RMBS repurchase facilities with proceeds from the outstanding open trades receivable. Finally, New Residential rolled $206.9 million within various repurchase facilities to mature August 2015.

Subsequent to June 30, 2015, New Residential financed an additional $69.2 million of Non-Agency RMBS within various repurchase facilities as a result of purchases. New Residential also rolled $490.8 million of its Non-Agency RMBS repurchase facilities to mature between August 2015 and November 2015.

Derivatives

Subsequent to June 30, 2015, New Residential entered into one separate interest rate swap agreement with a single counterparty with a $300 million notional amount to further hedge a portion of its interest rate exposure.

Corporate Activities

On May 14, 2015, New Residential’s board of directors declared a second quarter 2015 dividend of $0.45 per common share or $89.5 million, which was paid on July 24, 2015 to stockholders of record as of May 26, 2015.

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

Management’s discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Residential. The following should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein, and with Part II, Item 1A, “Risk Factors.”

GENERAL

New Residential is a publicly traded REIT (NYSE: NRZ) 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 and advised by an affiliate of Fortress pursuant to a 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. We aim to generate attractive returns for our stockholders without the excessive use of financial leverage.

Our portfolio is currently composed of mortgage servicing related assets and other related opportunistic investments. Our asset allocation and target assets may change over time, depending on our Manager’s investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below under “—Our Portfolio.”

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.

MARKET CONSIDERATIONS

Various market factors, which are outside of our control, affect our results of operations and financial condition. One such factor is developments in the U.S. residential housing market. The residential mortgage industry continues to undergo major structural changes that are transforming the way mortgages are originated, owned and serviced. Historically, the majority of the approximately $10 trillion mortgage market has been serviced by large banks, which generally focus on conventional mortgages with low delinquency rates. This has allowed for low-cost routine payment processing and required minimal borrower interaction. Following the credit crisis, the need for “high-touch” specialty servicers, such as Nationstar and Ocwen, 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.

Since 2010, banks have sold or committed to sell MSRs totaling more than $3 trillion. An MSR provides a mortgage servicer with the right to service a pool of mortgages in exchange for a portion of the interest payments made on the underlying mortgages. This amount typically ranges from 25 to 50 bps multiplied by the UPB of the mortgages. Approximately 73% of MSRs were owned by banks as of the first quarter of 2015, 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 more challenging servicing environment, among other reasons. As a result, we believe the volume of MSR sales is likely to be elevated for some period of time.

We estimate that MSRs covering up to $150 billion of mortgages are currently for sale, which would require a capital investment of approximately $1 to 1.5 billion based on current pricing dynamics. We believe that non-bank servicers who are constrained by capital limitations will continue to sell a portion of the Excess MSRs or other servicing assets, such as advances. In addition, approximately $1.2 trillion of new loans are expected to be originated in 2015, according to the Mortgage Bankers Association. We believe this creates an opportunity to enter into "flow arrangements," whereby loan originators agree to sell Excess MSRs on newly originated loans on a recurring basis (often monthly or quarterly). Given this combined dynamic, we believe $2 trillion of MSRs could be sold or available over the next few years. We believe that MSRs are being sold at a discount to historical pricing levels, although increased competition for these assets has driven prices higher recently. There can be no assurance that we will make additional investments in Excess MSRs or that any future investment in Excess MSRs will generate returns similar to the returns on our original investments in Excess MSRs.

Interest rates have been volatile. In periods of rising interest rates, the rates of prepayments and delinquencies with respect to mortgage loans generally decline. Generally, the value of our Excess MSRs is expected to increase when interest rates rise or delinquencies decline, and the value is expected to decrease when interest rates decline or delinquencies increase, due to the effect

of changes in interest rates on prepayment speeds and delinquencies. Prepayment speeds and delinquencies could increase in the current interest rate environment as a result of, among other things, a general economic recovery, government programs intended to foster refinancing activity or other reasons, which could reduce the value of our investments. Moreover, the value of our Excess MSRs is subject to a variety of factors, as described under “Risk Factors.” In the second quarter of 2015, the fair value of our investments in Excess MSRs (directly and through equity method investees) decreased by $1.1 million and the weighted average discount rate of the portfolio increased to 9.8%, primarily as a result of the HLSS Acquisition since the Excess MSRs acquired from HLSS were valued using a higher discount rate.

The timing, size and potential returns of future investments in Excess MSRs may be less attractive than our prior investments in this sector due to a number of factors, most of which are beyond our control. In addition to changes in interest rates, such factors include, but are not limited to, recent increased competition for Excess MSRS, which we believe is causing a related increase in the price for these assets. In addition, regulatory and GSE approval processes have been more extensive and taken longer than the process and timelines we experienced in prior periods, which has increased the amount of time and effort required to complete transactions.

Beginning in April 2012, we began to invest in RMBS as a complement to our Excess MSR portfolio. As of the first quarter of 2015, approximately $7 trillion of the $10 trillion of residential mortgages outstanding had been securitized, according to Inside Mortgage Finance. Approximately $6 trillion were Agency RMBS according to Inside Mortgage Finance, which are securities issued or guaranteed by a U.S. Government agency, such as Ginnie Mae, or by a GSE, such as Fannie Mae or Freddie Mac. The balance has been securitized by either public trusts or PLS, and are referred to as Non-Agency RMBS.

The onset of the financial crisis in 2007 led to significant volatility in the prices for Non-Agency RMBS. The crisis resulted in a widespread contraction in capital available for this asset class, deteriorating housing fundamentals, and an increase in forced selling by institutional investors (often in response to rating agency downgrades). While the prices of these assets have recovered from their lows, from time to time there may be opportunities to acquire Non-Agency RMBS at attractive risk-adjusted yields, with the potential for upside if the U.S. economy and housing market continue to strengthen. We believe the value of existing Non-Agency RMBS may also rise if the number of buyers returns to pre-2007 levels. Furthermore, we believe that in many Non-Agency RMBS vehicles there is a discrepancy between the value of the Non-Agency RMBS and the recovery value of the underlying collateral. We intend to pursue opportunities to structure transactions that would enable us to realize this difference, particularly through the exercise of call rights. We actively monitor the market for Non-Agency RMBS and our portfolio to determine when to strategically purchase and sell Non-Agency RMBS from time to time. We currently expect that the size of our Non-Agency portfolio will fluctuate depending primarily on our Manager’s assessment of expected yields and alternative investment opportunities. The primary causes of mark-to-market changes in our RMBS portfolio are changes in interest rates, collateral performance and credit spreads.

We do not expect changes in interest rates to have a meaningful impact on the net interest spread of our Agency and Non-Agency portfolios. Our RMBS are primarily floating rate or hybrid (i.e., fixed to floating rate) securities, which we generally finance with floating rate debt. Therefore, while rising interest rates will generally result in a higher cost of financing, they will also result in a higher coupon payable on the securities. The net interest spread on our Agency RMBS portfolio as of June 30, 2015 was 2.60%, compared to 1.87% as of December 31, 2014. The net interest spread on our Non-Agency RMBS portfolio as of June 30, 2015 was 2.92%, compared to 1.85% as of December 31, 2014. These spreads changed primarily as a result of higher yields from new securities purchased during 2015.

We hold call rights on Non-Agency residential mortgage securitizations which become exercisable once the current collateral balance reduces below a certain threshold of the original balance. We believe a call right is profitable when aggregate loan value is greater than the sum of par on the loans minus any discount from acquired bonds, plus

expenses related to such exercise. Profit with respect to our call rights is generated by selectively retaining loans that meet our return thresholds or re-securitizing or selling performing loans for a gain and, prior to exercise, purchasing certain underlying Non-Agency RMBS tranches at a discount to par. Upon exercise, we are able to realize any remaining accretion to par. As interest rates increase, we expect the value of our call rights could decrease. We continue to evaluate the call rights we acquired from 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."

In November 2013, we made our first investment in non-performing loans. We have continued to invest in the non-performing loan sector, while also opportunistically selling assets. The scope of our involvement will fluctuate depending on our Manager's assessment of relative value compared with alternative investment opportunities, as well as the volume of non-performing loans acquired as a result of calling Non-Agency residential mortgage securitizations.

Credit performance also affects the value of our portfolio. Higher rates of delinquency and/or defaults can reduce the value of our Excess MSRs, Non-Agency RMBS, Agency RMBS and loan portfolios. For our Excess MSRs on Agency portfolios and our Agency RMBS, delinquency and default rates have an effect similar to prepayment rates. Our Excess MSRs on Non-Agency portfolios are not affected by delinquency rates because the servicer continues to advance principal and interest until a default occurs on the applicable loan; defaults have an effect similar to prepayments. For our Non-Agency RMBS and loans, higher default rates can lead to greater loss of principal.

Credit spreads increased, or “widened,” during the second quarter of 2015 relative to the first quarter of 2015, which has had an unfavorable impact on the value of our securities and loan portfolio. Credit spreads measure the yield relative to a specified benchmark that the market demands on securities and loans based on such assets’ credit risk. For a discussion of the way in which interest rates, credit spreads and other market factors affect us, see “—Quantitative and Qualitative Disclosures About Market Risk.”

The cash flow from our consumer loan portfolio is influenced by, among other factors, the U.S. macroeconomic environment, and unemployment rates in particular. We believe that losses are highly correlated to unemployment; therefore, we expect that an improvement in unemployment rates would improve the value of our investment, while deterioration in unemployment rates would result in a decline in its value.

OUR PORTFOLIO

Our portfolio is currently composed of servicing related assets, residential securities and loans and other investments, as described in more detail below. Our asset allocation and target assets may change over time, depending on our Manager’s investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below (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 MSRs[B]	$415,375,361	$1,564,258	12.9	%	$1,720,534	5.8
Servicer Advances[B]	8,278,685	8,081,258	66.6	%	8,182,400	4.3
Agency RMBS[C]	958,141	991,514	8.2	%	994,030	7.5
Non-Agency RMBS[C]	2,370,202	902,005	7.4	%	913,931	7.6
Residential Mortgage Loans	661,972	568,495	4.7	%	565,759	3.2
Real Estate Owned	N/A	23,510	0.2	%	25,327	N/A
Consumer Loans[B]	2,329,736	N/A	N/A		—	3.5
Total/Weighted Average		$12,131,040	100.0	%	$12,401,981	5.0
Reconciliation to GAAP total assets:						
Cash and restricted cash					566,742	
Derivative assets					1,701	
Trade receivable					986,532	
Deferred tax asset					159,232	
Other assets					278,610	
GAAP total assets					$14,394,798	

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

The outstanding face amount of Excess MSRs, servicer advances, and consumer loans is based on 100% of the face amount of the underlying residential mortgage loans, currently outstanding advances, and consumer loans respectively.

(C) Amortized cost basis is net of impairment.

Servicing Related Assets

Excess MSRs

As of June 30, 2015, we had approximately $1.7 billion estimated carrying value of Excess MSRs (held directly and through joint ventures). As of June 30, 2015, our completed investments represent an effective 32.5% to 100.0% interest in the Excess MSRs (held either directly or through joint ventures) on pools of mortgage loans with an aggregate UPB of approximately $415.4 billion.
In our capacity as owner of the Excess MSRs, we do not have any servicing duties, liabilities or obligations associated with the servicing of the portfolios underlying any of our Excess MSRs. 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 MSRs, on the Non-Agency portfolios underlying our Excess MSR investments. See "—Servicer Advances" below.

Nationstar is the servicer of $261.9 billion UPB of the loans underlying our investments in Excess MSRs through June 30, 2015, and our servicers earn a basic fee in exchange for providing all servicing functions. In addition, when Nationstar sells Excess MSRs to us, it generally retains a 20% to 35% interest in the Excess MSRs and all ancillary income associated with the portfolios.

In December 2014, we agreed to acquire 50% of the Excess MSRs, all of the servicer advances and related Advance Fee and a portion of the call rights related to an underlying pool of residential mortgage loans with a UPB of approximately $3.0 billion which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSRs. The aggregate purchase price was approximately $229.7 million. The par amount of the total advance commitments for the SLS Transaction was $219.2 million (with related financing of $195.5 million). As of December 31, 2014, the closed portion of the purchase of $93.8 million included $8.4 million for 50% of the Excess MSRs, $83.8 million for servicer advances and Advance Fee (of which $74.3 million was financed as of December 31, 2014), and $1.6 million to fund a portion of the call rights on 57 of the 99 underlying securitization trusts. The remaining portion of the purchase price of $135.9 million included servicer advances and Advance Fee unfunded commitments of approximately $133.8 million that were funded in January 2015 (with approximately $121.2 million of related financing) and $2.1 million to fund the remaining portion of the call rights on 57 of the 99 underlying securitization trusts. SLS continues to service the loans in exchange for a servicing fee of 10.75 bps and an 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 MSRs in connection with the HLSS Acquisition (Note 1 to our Condensed Consolidated Financial Statements included herein).

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 MSRs 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 MSRs 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 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 MSRs completed as of June 30, 2015.

Summary of Direct Excess MSR Investments as of June 30, 2015

			MSR Component(A)			Excess MSR	
	Initial UPB (bn)	Current UPB (bn)(B)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	Interest in Excess MSR (%)	Purchase Price (mm)	Carrying Value (mm)
Agency							
Original and Recaptured Pools	$98.9	$80.9	30 bps	22 bps	32.5% - 66.7%	$332.7	$291.3
Recapture Agreements	—	—	33	24	32.5% - 66.7%	—	50.2
	98.9	80.9	30	22		332.7	341.5
Non-Agency(C)							
Nationstar and SLS Serviced:							
Original and Recaptured Pools	$148.8	$103.8	35 bps	21 bps	33.3% - 80%	$328.8	$258.7
Recapture Agreements	—	—	26	20	33.3% - 80%	—	17.0
Ocwen Serviced Pools	156.4	150.9	43	14	100.0%	919.5	887.2
	305.2	254.7	40	17		1,248.3	1,162.9
Total/Weighted Average	$404.1	$335.6	37	18		$1,581.0	$1,504.4

(A) The MSR is a weighted average as of June 30, 2015, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant). The average is weighted by the amortized cost basis of the mortgage loan portfolio.

(B) As of June 30, 2015.

(C) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of June 30, 2015 (Note 6 to our Condensed Consolidated Financial Statements included herein).

Summary Excess MSR Investments Through Equity Method Investees as of June 30, 2015

			MSR Component(A)					
	Initial UPB (bn)	Current UPB (bn)(B)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	NRZ Interest in Investee (%)	Investee Interest in Excess MSR (%)	NRZ Effective Ownership (%)	Investee Carrying Value (mm)
Agency								
Original and Recaptured Pools	$125.2	$79.7	32 bps	19 bps	50.0 %	66.7 %	33.3 %	$344.9
Recapture Agreements	—	—	32	23	50.0 %	66.7 %	33.3 %	76.8
Total/Weighted Average	$125.2	$79.7	32	19				$421.7

(A) The MSR is a weighted average as of June 30, 2015, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) As of June 30, 2015.

(C) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of June 30, 2015 (Note 6 to our Condensed Consolidated Financial Statements included herein).

The following table summarizes our Excess MSR investments closed subsequent to June 30, 2015:

Summary of Excess MSR Investments closed subsequent to June 30, 2015

				MSR Component[(A)]			
	Commitment Date	Initial UPB (bn)	Current UPB (bn)[(B)]	MSR (bps)	Excess MSR (bps)	Direct Interest in Excess MSR (%)	NRZ Excess MSR Initial Investment (mm)
Agency	May-15	$0.8	$0.8	29 bps	22 bps	33.3 %	$2.4
Total/Weighted Average		$0.8	$0.8				$2.4

(A) The MSR is a weighted average as of the date the transaction closed and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).
(B) As of the date the transaction closed.

As of June 30, 2015, we have remaining commitments to purchase approximately $28.9 billion UPB of legacy Agency Excess MSRs, subject to the completion of definitive documentation between the servicer and the applicable seller of the related MSR and definitive documentation between us and with the servicer.

The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of June 30, 2015 (dollars in thousands):

	Collateral Characteristics												
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score[A]	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %[B]	One Month CPR[C]	One Month CRR[D]	One Month CDR[E]	One Month Recapt Rate
Agency													
Original Pools	$241,135	$98,862,438	$74,744,375	474,220	706	4.3%	285	79	11.5%	19.8%	18.5%	1.6%	17.2%
Recaptured Loans	50,153	—	6,152,125	35,352	723	4.5%	303	18	0.3 %	12.0%	8.0 %	0.7%	13.3%
Recapture Agreement	50,239	—	—	—	—	— %	—	—	— %	— %	— %	— %	— %
	$341,527	$98,862,438	$80,896,500	509,572	708	4.4%	287	72	10.6%	19.0%	17.4%	1.5%	17.1%
Non-Agency[F]													
Nationstar and SLS Serviced:													
Original Pools	248,394	148,839,262	102,622,982	531,442	669	4.4%	274	114	46.5%	16.5%	10.5%	6.7%	9.6 %
Recaptured Loans	10,335	—	1,189,320	5,180	743	4.2%	294	13	4.0 %	11.8%	11.3%	— %	23.0%
Recapture Agreement	16,952	—	—	—	—	— %	—	—	— %	— %	— %	— %	— %
Ocwen Serviced Pools[H]	887,214	156,374,134	150,934,856	990,508	639	4.7%	255	117	20.6%	10.1%	6.0 %	4.3%	— %
	$1,162,895	$305,213,396	$254,747,158	1,527,130	647	4.6%	260	116	31.0%	11.7%	7.1 %	4.9%	2.7 %
Total/Weighted Average	$1,504,422	$404,075,834	$335,643,658	2,036,702	657	4.6%	264	109	26.1%	12.9%	8.8 %	4.4%	6.3 %

	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	4.1 %	1.2 %	0.8 %	2.3 %	0.6 %	0.5 %
Recaptured Loans	1.4 %	0.3 %	0.2 %	0.4 %	0.1 %	— %
Recapture Agreement	—	—	—	—	—	—
	3.8 %	1.1 %	0.7 %	2.1 %	0.6 %	0.5 %
Non-Agency[F]						
Nationstar and SLS Serviced:						

Original Pools	8.3	%	2.2	%	2.9	%	11.8	%	2.1	%	3.0	%
Recaptured Loans	0.7	%	0.1	%	—	%	0.1	%	—	%	—	%
Recapture Agreement	—		—		—		—		—		—	
Ocwen Serviced Pools[(H)]	7.7	%	4.0	%	6.4	%	9.5	%	2.0	%	2.4	%
	7.8	%	3.5	%	5.5	%	10.1	%	2.0	%	2.5	%
Total/Weighted Average	7.2	%	3.2	%	4.8	%	8.9	%	1.8	%	2.2	%

(A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score on a monthly basis. Weighted averages exclude collateral information for which collateral data was not available as of the report date.

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(B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
(C) One Month CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the month as a percentage of the total principal balance of the pool.
(D) One Month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the month as a percentage of the total principal balance of the pool.
(E) One Month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the month as a percentage of the total principal balance of the pool.
(F) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of June 30, 2015 (Note 6 to our condensed consolidated financial statements included herein).
(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 $4.0 billion of UPB are as of May 31, 2015.

The following table summarizes the collateral characteristics as of June 30, 2015 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	NRZ Effective Ownership of Principal Balance	Number of Loans	WA FICO Score(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %(B)	One Month CPR(C)	One Month CRR(D)	One Month CDR(E)	One Month Recapture Rate
Agency Original Pools	$279,680	$125,191,420	$68,929,723	33.3%	535,540	685	5.0%	286	87	10.5%	26.7%	21.7%	3.1%	25.6%
Recaptured Loans	65,176	—	10,801,980	33.3%	68,113	697	4.4%	304	21	0.6 %	9.6 %	9.0 %	0.3%	36.4%
Recapture Agreement	76,817	—	—	33.3%	—	—	— %	—	—	— %	— %	— %	— %	— %
Total/ Weighted Average	$421,673	$125,191,420	$79,731,703		603,653	686	4.9%	288	78	9.2 %	24.8%	20.2%	2.8%	26.2%

	Collateral Characteristics					
	Delinquency 30 Days(F)	Delinquency 60 Days(F)	Delinquency 90+ Days(F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency Original Pools	5.3 %	1.5 %	1.2 %	4.6 %	1.4 %	0.9 %
Recaptured Loans	2.8 %	0.7 %	0.4 %	0.5 %	— %	0.1 %
Recapture Agreement	—	—	—	—	—	—
Total/Weighted Average	5.0 %	1.4 %	1.1 %	4.0 %	1.2 %	0.7 %

(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) One Month CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the month as a percentage of the total principal balance of the pool.

(D) One Month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the month as a percentage of the total principal balance of the pool.

(E) One Month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the month 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.

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 MSRs 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 MSRs related to these loans. See above "—Our Portfolio—Servicing Related Assets—Excess MSRs."

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 letters required for a formal change of the named servicer. In exchange for Nationstar's performance of servicing duties, the Buyer pays Nationstar the Nationstar Servicing Fee and, in the event that the aggregate cash flows from the advances and the basic fee generate the Targeted Return on the Buyer's invested equity, the 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 completed the SLS Transaction, as described under "–Excess MSRs" above.

On April 6, 2015, we acquired servicer advances in connection with the HLSS Acquisition (Note 1 to our Condensed Consolidated Financial Statements included herein).

The following is a summary of the investments in servicer advances, including the right to the basic fee component of the related MSRs (dollars in thousands):

	June 30, 2015					Six Months Ended June 30, 2015
	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
Servicer Advances	$8,081,258	$8,182,400	5.5 %	5.6 %	4.3	$16,893

(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.

The following is additional information regarding our servicer advances, and related financing, as of June 30, 2015 (dollars in thousands):

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Notes Payable	Loan-to-Value		Cost of Funds[(B)]	
					Gross	Net[(A)]	Gross	Net
June 30, 2015								

Servicer advances[(C)]	$238,526,743	$8,278,685	3.5 %	$7,687,572	92.9 %	91.6 %	3.0 %	2.2 %

(A) Ratio of face amount of borrowings to value of servicer advance collateral, net of any interest reserve.
(B) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.

(C) The following types of advances comprise the investment in servicer advances:

	June 30, 2015
Principal and interest advances	$2,467,831
Escrow advances (taxes and insurance advances)	4,135,900
Foreclosure advances	1,674,954
Total	$8,278,685

The following table sets forth information specifically regarding the Buyer (and excludes the SLS Transaction and HLSS Acquisition) (dollars in thousands):

	As of June 30, 2015	
Advances Purchased	$5,184,860	
Activity Since Purchase	(2,643,108	)
Ending Advance Balance	$2,541,752	
Net Debt[(A)]	$2,392,986	
Total Equity Invested[(B)]	$702,359	
Distributions Since Purchase	$470,958	
Net Equity Invested[(B)]	$231,401	
New Residential's Equity % in Buyer[(C)]	44.5	%
Co-investors' Equity % in Buyer[(C)]	55.5	%

(A) Outstanding debt net of restricted cash.
(B) Includes working capital.
(C) Based on cash basis equity.

Subsequent to June 30, 2015 and prior to August 10, 2015, the Buyer funded a total of $277.4 million of servicer advances and recovered $457.5 million of existing servicer advances. Notes payable outstanding decreased by $162.0 million and restricted cash decreased approximately $0.4 million in relation to these fundings. Additionally, we paid $3.8 million of contractual incentive fees.

Subsequent to June 30, 2015 and prior to August 10, 2015, we funded a total of $25.8 million of SLS servicer advances and recovered $44.9 million of existing SLS servicer advances. Notes payable outstanding decreased by $16.9 million and restricted cash decreased approximately $0.05 million in relation to these fundings.

Subsequent to June 30, 2015 and prior to August 10, 2015, we purchased a total of $1.3 billion of Ocwen servicer advances and recovered $1.7 billion of existing Ocwen servicer advances. Notes payable outstanding decreased by $271.5 million and restricted cash decreased approximately $15.5 million in relation to these fundings.

The Buyer

We, through a wholly owned subsidiary, are the managing member of the Buyer. As of June 30, 2015, we owned approximately 44.5% of the Buyer.

In the event that any member 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 mortgage loans. The Buyer, or the related NRZ 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 letters required for a formal change of the named servicer. In exchange for their services, we pay Nationstar, SLS and Ocwen a monthly servicing fee representing a portion of the amounts from the purchased basic fee.

The Nationstar Servicing Fee is equal to a fixed percentage (the "Servicing Fee Percentage") of the amounts from the purchased basic fee. The Servicing Fee Percentage as of June 30, 2015 is equal to approximately 9.3%, which is equal to (i) 2 basis points divided by (ii) the basic fee, which is 21.5 basis points on a weighted average basis as of June 30, 2015. 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 24.8 bps, based on the servicing fee collections of the underlying loans.

Targeted Return/Incentive fee

The Targeted Return and the 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 Targeted Return implements these objectives by allocating payments in respect of the purchased basic fee between the Buyer and Nationstar. The SLS Incentive Fee functions in the same fashion with respect to the SLS Transaction. Ocwen also receives a performance-based incentive fee (the "Ocwen Incentive Fee") based on the ratio of the outstanding servicer advances to the UPB of the underlying loans.

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

The 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 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 Targeted Return.

The Performance Fee is calculated as follows. Pursuant to a Master Servicing Rights Purchase Agreement and related Sale Supplements, Net Collections is divided into two subsets: the "Retained Amount" and the "Surplus Amount." If the amount necessary to achieve the 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 Performance Fee. If the amount necessary to achieve the Targeted Return is greater than the Retained Amount but less than Net Collections, then 100% of the excess Surplus Amount is paid to Nationstar as a Performance Fee. Performance Fee payments were made to Nationstar in the amount of $25.5 million during the six months ended June 30, 2015.

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.

Residential Securities and Loans

Real Estate Securities

As of June 30, 2015, we had approximately $3.3 billion face amount of real estate securities, including $958.1 million of Agency RMBS and $2.4 billion of Non-Agency RMBS. These investments were financed with repurchase agreements with an aggregate face amount of approximately $217.2 million for Agency RMBS and approximately $0.7 billion for Non-Agency RMBS. As of June 30, 2015, a total face amount of $2.3 billion of our Non-Agency portfolio and approximately $29.0 million of our Agency portfolio was serviced or master serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately $8.8 billion as of June 30, 2015. We hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar with an aggregate UPB of underlying mortgage loans of approximately $86.0 billion whereby, when the outstanding balance falls below a pre-determined threshold, it can effectively purchase the underlying mortgage loans by repaying all of the outstanding securitization financing at par, in exchange for a fee paid to Nationstar. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts master

serviced by SLS with an aggregate UPB of underlying mortgage loans of approximately $1.9 billion. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Ocwen with an aggregate UPB of underlying mortgage loans of approximately $107.1 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 mortgage loans on which we can successfully exercise call rights and realize the benefits therefrom may differ materially from our initial assumptions.

On June 25, 2015, we exercised our call rights related to eighteen Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans contained in such trusts prior to their termination. We owned $13.7 million face amount of securities issued by these trusts and received par on these securities, which had an amortized cost basis of $9.1 million prior to the repayment. See Note 8 for further details on this transaction.

Subsequent to June 30, 2015, we acquired Non-Agency RMBS with an aggregate face amount of approximately $157.2 million for approximately $114.1 million, financed with repurchase agreements. We sold no Agency or Non-Agency RMBS.

Subsequent to June 30, 2015, we financed an additional $942.0 million of Agency RMBS within various repurchase facilities as a result of the closing of prior purchases. Additionally, we paid down $955.1 million of Agency RMBS repurchase facilities with proceeds from the outstanding open trades receivable. Finally, we rolled $206.9 million within various repurchase facilities to mature August 2015.

Subsequent to June 30, 2015, we financed an additional $69.2 million of Non-Agency RMBS within various repurchase facilities as a result of purchases. We also rolled $490.8 million of our Non-Agency RMBS repurchase facilities to mature between August 2015 and November 2015.

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of June 30, 2015 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Outstanding Repurchase Agreements
Agency ARM RMBS	$204,341	$220,238	$91	$(2,683)	$217,646	$217,325
Agency Specified Pools	753,800	771,276	5,108	—	776,384	—
Agency RMBS	$958,141	$991,514	$5,199	$(2,683)	$994,030	$217,325

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

The following table summarizes the reset dates of our Agency ARM RMBS portfolio as of June 30, 2015 (dollars in thousands):

Months to Next Reset(A)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized	Carrying Value	Weighted Average Coupon	Weighted Average Margin	Periodic Cap 1st Coupon Adjustment(B)	Periodic Cap Subsequent Coupon Adjustment(C)	Lifetime Cap(D)	Months to Reset(E)

				Cost Basis						
1 - 12	25	$ 204,341	$ 220,238	100.0 %	$ 217,646	2.4 %	1.8 %	5.0 %	2.0 %	8.9 %	5

(A) Of these investments, 96.0% reset based on 12 month LIBOR index, 2.0% reset based on 1 month LIBOR, and 2.0% reset based on the 1 year Treasury Constant Maturity Rate. After the initial fixed period, 98.0% of these securities will reset annually and 2.0% will reset semi-annually.

(B) Represents the maximum change in the coupon at the end of the fixed rate period for 5 securities (21.1% of the current face of this category). The remaining 20 securities (78.9% of the current face of this category) are not applicable, as they 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 June 30, 2015 (dollars in thousands):

	Agency RMBS Characteristics						Collateral Characteristics
Vintage[A]	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	$10,879	$11,727	1.2 %	$11,530	5.5	12.4 %
2006	1	2,518	2,699	0.3 %	2,697	5.3	0.3 %
2007	2	4,005	4,342	0.4 %	4,272	5.7	17.5 %
2008	3	6,792	7,432	0.7 %	7,225	5.3	20.3 %
2009	3	19,122	20,684	2.1 %	20,392	5.2	12.2 %
2010	10	99,771	107,673	10.9 %	106,492	5.4	20.4 %
2011	1	4,663	4,663	0.5 %	4,687	6.3	10.4 %
2012 and later	5	810,391	832,294	83.9 %	836,735	7.9	1.9 %
Total/Weighted Average	28	$958,141	$991,514	100.0 %	$994,030	7.5	4.5 %

(A) The year in which the securities were issued.
(B) Three month average constant prepayment rate.

The following table summarizes the net interest spread of our Agency RMBS portfolio as of June 30, 2015:

Net Interest Spread[A]	
Weighted Average Asset Yield	3.00 %
Weighted Average Funding Cost	0.40 %
Net Interest Spread	2.60 %

(A) The Agency RMBS portfolio consists of 22.2% floating rate securities and 77.8% fixed rate securities. See table above for details on rate resets of the floating rate securities.

Non-Agency RMBS

The following table summarizes our Non-Agency RMBS portfolio as of June 30, 2015 (dollars in thousands):

			Gross Unrealized			
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value[A]	Outstanding Repurchase Agreements
Non-Agency RMBS	$2,370,202	$902,005	$18,668	$(6,742)	$913,931	$659,567

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

The following tables summarize the characteristics of our Non-Agency RMBS portfolio and of the collateral underlying our Non-Agency RMBS as of June 30, 2015 (dollars in thousands):

	Non- Agency RMBS Characteristics									
Vintage(A)	Average Minimum Rating(B)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Principal Subordination(C)	Excess Spread(D)	Weighted Average Life (Years)	Weighted Average Coupon
Pre 2004	B	85	$171,537	$128,312	14.2 %	$130,453	23.2 %	3.1 %	3.1	4.9 %
2004	B-	35	149,587	102,975	11.4 %	109,846	11.9 %	1.7 %	6.7	3.4 %
2005	CC	23	345,257	266,511	29.6 %	269,000	14.2 %	3.0 %	10.7	0.7 %
2006 and later	BB-	24	1,703,821	404,207	44.8 %	404,632	7.6 %	1.9 %	7.2	2.8 %
Total/Weighted Average	B-	167	$2,370,202	$902,005	100.0 %	$913,931	12.7 %	3.2 %	7.6	2.6 %

	Collateral Characteristics(E)				
Vintage(A)	Average Loan Age (years)	Collateral Factor(F)	3 month CPR(G)	Delinquency(H)	Cumulative Losses to Date
Pre 2004	14.5	0.10	6.8 %	9.6 %	6.7 %
2004	11.4	0.18	6.5 %	14.6 %	3.7 %
2005	10.2	0.12	9.5 %	17.8 %	15.2 %
2006 and later	7.6	0.62	10.0 %	14.9 %	17.6 %
Total/Weighted Average	9.8	0.35	9.0 %	15.0 %	13.7 %

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

(B) 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 46 bonds 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 June 30, 2015.

(C) The percentage of the outstanding face amount of securities and residual interests that is subordinate to our investments. This excludes interest-only bonds.

(D) The current amount of interest received on the underlying loans in excess of the interest paid on the securities, as a percentage of the outstanding collateral balance for the quarter ended June 30, 2015.

(E) The weighted average loan size of the underlying collateral is $170.8 thousand.

(F) The ratio of original UPB of loans still outstanding.

(G) Three month average constant prepayment rate and default rates.

(H) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

The following table sets forth the geographic diversification of the loans underlying our Non-Agency RMBS as of June 30, 2015 (dollars in thousands):

Geographic Location	Outstanding Face Amount	Percentage of Total Outstanding
Western U.S.	$823,659	34.7 %
Southeastern U.S.	604,140	25.5 %
Northeastern U.S.	445,557	18.8 %
Midwestern U.S.	232,262	9.8 %
Southwestern U.S.	261,190	11.0 %
Other(A)	3,394	0.2 %

	$2,370,202	100.0	%

(A) Represents collateral for which we were unable to obtain geographical information.

The following table summarizes the net interest spread of our Non-Agency RMBS portfolio as of June 30, 2015:

Net Interest Spread(A)		
Weighted Average Asset Yield	4.79	%
Weighted Average Funding Cost	1.87	%
Net Interest Spread	2.92	%

(A) The Non-Agency RMBS portfolio consists of 68.3% floating rate securities and 31.7% fixed rate securities.

Residential Mortgage Loans

As of June 30, 2015, we had approximately $662.0 million outstanding face amount of residential mortgage loans. These investments were financed with repurchase agreements with an aggregate face amount of approximately $447.9 million and notes payable with an aggregate face amount of approximately $22.4 million.

During the six months ended June 30, 2015, we acquired and sold several portfolios of reperforming and non-performing residential mortgage loans as discussed below:

- On February 27, 2015, we sold a portfolio of non-performing residential mortgage loans with a UPB of approximately $135.2 million and a carrying value of approximately $102.4 million at a price of $102.8 million and recorded a gain of $0.4 million.
- On March 19, 2015, we sold a portfolio of reperforming residential mortgage loans with a UPB of approximately $176.5 million and a carrying value of approximately $142.1 million at a price of $148.6 million and recorded a gain of $6.5 million.
- On March 26, 2015, we sold a portfolio of reperforming residential mortgage loans with a UPB of approximately $6.4 million and a carrying value of approximately $5.1 million at a price of $5.3 million and recorded a gain of $0.2 million.
- On March 27, 2015, we sold a portfolio of non-performing residential mortgage loans and REO with a UPB of approximately $469.6 million and a carrying value of approximately $362.0 million at a price of $373.0 million and recorded a gain of $11.0 million.
- On April 2, 2015, we sold a portfolio of performing residential mortgage loans with a carrying value of approximately $270.4 million at a price of $278.9 million and recorded a gain of $8.5 million.
- On April 6, 2015, we acquired a portfolio of non-performing GNMA EBO residential mortgage loans with a UPB of $424.3 million for approximately $418.8 million as a part of the HLSS Acquisition (Note 1 to our Condensed Consolidated Financial Statements included herein).
- On April 8, 2015, we sold a portfolio of reperforming residential mortgage loans with a carrying value of approximately $16.8 million at a price of $19.5 million and recorded a gain of $2.7 million.
- On June 16, 2015, we sold $99.8 million in UPB of this EBO portfolio with a carrying value of approximately $98.3 million at a price of $98.8 million and recorded a gain of $0.5 million.
- On June 25, 2015, we exercised our call rights related to eighteen Non-Agency RMBS trusts and purchased performing and non-performing loans with a UPB of approximately $369.0 million at a price of approximately $388.8 million, contained in such trusts prior to their termination. We securitized approximately $334.5 million in UPB of performing loans, which was recorded as a sale for accounting purposes, recognized a loss on settlement of investments of approximately $2.8 million, and paid approximately $14.9 million to acquire interest only notes representing a beneficial interest in the securitization. We retained non-performing loans with a UPB of approximately $34.5 million at a price of $31.7 million. Additionally, we acquired $1.3 million of real estate owned.

The following table presents the total residential mortgage loans outstanding by loan type at June 30, 2015.

	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV")(B)	Weighted Avg. Delinquency(C)	Weighted Average FICO(D)
Loan Type									
Reverse Mortgage Loans(E)(F)	$ 39,475	$ 21,601	165	10.0 %	4.1	21.5 %	110.4 %	75.6 %	N/A
Performing Loans(G)	22,887	21,140	699	8.9 %	5.7	17.9 %	77.8 %	10.8 %	628
Total Residential Mortgage Loans, held-for-investment	$ 62,362	$ 42,741	864	9.6 %	4.7	20.1 %	98.4 %	51.9 %	628
Performing Loans, held-for-sale(G)	$ —	$—	—	— %	—	— %	— %	— %	—
Non-performing Loans, held-for-sale(H)(I)	599,610	523,018	3,680	5.3 %	3.0	14.7 %	107.8 %	93.3 %	574
Residential Mortgage Loans, held-for-sale	$ 599,610	$ 523,018	3,680	5.3 %	3.0	14.7 %	107.8 %	93.3 %	574

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
(C) Represents the percentage of the total principal balance that are 60+ days delinquent.
(D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.
(E) Represents a 70% interest we hold in reverse mortgage loans. The average loan balance outstanding based on total UPB is $0.3 million. 74% of these loans have reached a termination event. As a result, the borrower can no longer make draws on these loans. Each loan matures upon the occurrence of a termination event.
(F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
(G) Includes loans that are current or less than 30 days past due at acquisition where we expect to collect all contractually required principal and interest payments. Presented net of unamortized discounts of $1.6 million.
(H) Includes loans with evidence of credit deterioration since origination where it is probable that we will not collect all contractually required principal and interest payments. As of June 30, 2015, we have placed all of these loans on nonaccrual status, except as described in (I) below.
(I) Includes $293.2 million UPB of GNMA EBO non-performing loans 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

In April 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, Springleaf, which is majority-owned by Fortress funds managed by our Manager, acquired 47% and an affiliate of Blackstone Tactical Opportunities Advisors LLC acquired 23%. Springleaf acts as the managing member of the Consumer Loan Companies. After a servicing transition period, Springleaf 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 for approximately $2.6 billion. The proceeds in excess of the refinanced debt were distributed to the respective 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 have discontinued recording our share of the underlying earnings of the Consumer Loan Companies until such time as their cumulative earnings exceed their cumulative distributions.

The table below summarizes the collateral characteristics of the consumer loans as of June 30, 2015 (dollars in thousands):

	Collateral Characteristics													
	UPB[(A)]	Personal Unsecured Loans %	Personal Homeowner Loans %	Number of Loans	Weighted Average Original FICO Score[(B)]	Weighted Average Coupon	Adjustable Rate Loan %	Average Loan Age (months)	Average Expected Life (Years)	Delinquency 30 Days[(C)]	Delinquency 60 Days[(C)]	Delinquency 90+ Days[(C)]	CRR[(D)]	CDR[(E)]
Consumer Loans	$2,329,736	67.2 %	32.8 %	257,169	635	18.2 %	10.8 %	121	3.5	2.6 %	1.4 %	2.5 %	17.7 %	6.2 %

(A) As of May 31, 2015.
(B) Weighted average original FICO score represents the FICO score at the time the loan was originated.
(C) 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.
(D) 3 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.
(E) 3 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.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates. Management believes that the estimates and assumptions utilized in the preparation of the condensed consolidated financial statements are prudent and reasonable. Actual results historically have been in line with management's estimates and judgments used in applying each of the accounting policies described below, as modified periodically to reflect current market conditions. The following is a summary of our accounting policies that are most affected by judgments, estimates and assumptions.

Excess MSRs

Upon acquisition, we elected to record each investment in Excess MSRs at fair value. We elected to record our investments in Excess MSRs 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 MSRs.

Our Excess MSRs are categorized as Level 3 under the GAAP hierarchy. The inputs used in the valuation of Excess MSRs include prepayment speed, 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. Management validates 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. Any changes to the valuation methodology will be reviewed by management to ensure the changes are appropriate.

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

Investments in Excess MSRs are aggregated into pools as applicable; each pool of Excess MSRs is accounted for in the aggregate. Interest income for Excess MSRs is accreted using an effective yield or “interest” method, based upon the expected income from the Excess MSRs 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 MSRs in existing eligible underlying mortgages.

Under the fair value election, the difference between the fair value of Excess MSRs 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.

The following table summarizes the estimated change in fair value of our interests in the Excess MSRs owned directly as of June 30, 2015 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2015	$1,504,422			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$1,622,274	$1,561,044	$1,451,928	$1,403,157
Change in estimated fair value:				
Amount	$117,852	$56,622	$(52,494)	$(101,265)
%	7.8%	3.8%	(3.5)%	(6.7)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$1,631,440	$1,565,899	$1,446,694	$1,392,416
Change in estimated fair value:				
Amount	$127,018	$61,477	$(57,728)	$(112,006)
%	8.4%	4.1%	(3.8)%	(7.4)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$1,509,259	$1,506,843	$1,502,002	$1,499,582
Change in estimated fair value:				
Amount	$4,837	$2,421	$(2,420)	$(4,840)
%	0.3%	0.2%	(0.2)%	(0.3)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$1,490,319	$1,497,326	$1,511,604	$1,518,882
Change in estimated fair value:				
Amount	$(14,103)	$(7,096)	$7,182	$14,460
%	(0.9)%	(0.5)%	0.5%	1.0%

The following table summarizes the estimated change in fair value of our interests in the Excess MSRs owned through equity method investees as of June 30, 2015 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2015	$216,112			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$234,794	$225,051	$207,890	$200,306
Change in estimated fair value:				
Amount	$18,682	$8,939	$(8,222)	$(15,806)
%	8.6%	4.1%	(3.8)%	(7.3)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$233,544	$224,586	$208,096	$200,511
Change in estimated fair value:				
Amount	$17,432	$8,474	$(8,016)	$(15,601)
%	8.1%	3.9%	(3.7)%	(7.2)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$220,684	$218,399	$213,827	$211,540
Change in estimated fair value:				
Amount	$4,572	$2,287	$(2,285)	$(4,572)
%	2.1%	1.1%	(1.1)%	(2.1)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$208,059	$212,062	$220,212	$224,364
Change in estimated fair value:				
Amount	$(8,053)	$(4,050)	$4,100	$8,252
%	(3.7)%	(1.9)%	1.9%	3.8%

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.

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, because we are not a licensed mortgage 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 its fair value determinations, management engages an independent valuation firm to separately measure the fair value of its 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 $1.1 billion per year on average over the weighted average life of the investment held as of June 30, 2015, (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 the applicable servicer 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 fee owed to the applicable servicer.

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 speeds, 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. Management validates 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. Any changes to the valuation methodology will be reviewed by management 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 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 a 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 PCI 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 PCI 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 Impaired (PCI) 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 principal and interest payments, are purchase credit impaired, or PCI loans. Recognition of income and accrual status on PCI loans is dependent on having a reasonable expectation about the timing and amount of cash flows to be collected. At acquisition, we aggregate PCI 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 PCI loans is referred to as the accretable yield. This amount is not reported on our Condensed 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 Condensed 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 PCI loans is subject to significant judgment and uncertainty. Actual cash flows could be materially different than management’s estimates.

The liquidation of PCI 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 PCI 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 PCI 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 PCI pool's allowance for loan losses.

Real Estate Owned (REO)

REO assets are those individual properties where we receive 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 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 in "Other Income" on the Condensed Consolidated Statements of Income. The assets underlying linked transactions include loans and securities, whose valuation is subject to significant judgment and uncertainty as described above.

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 the assumptions of management, 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 MSRs. 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 MSRs, 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 June 30, 2015, we owned an approximately 44.5% 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.

Investments in Equity Method Investees

We account for our investment in the Consumer Loan Companies pursuant to the equity method of accounting because we can exercise significant influence over the Consumer Loan Companies, but the requirements for consolidation are not met. Our share of earnings and losses in these equity method investees is recorded in “Earnings from investments in consumer loans, equity method investees” on the Condensed Consolidated Statements of Income. Equity method investments are included in “Investments in consumer loans, equity method investees” on the Condensed Consolidated Balance Sheets.

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 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.

We account for our investments in equity method investees that are invested in Excess MSRs pursuant to the equity method of accounting because we can exercise significant influence over the investees, but the requirements for consolidation are not met. We have elected to measure our investments in equity method investees which are invested in Excess MSRs at fair value. The equity method investees have also elected to measure their investments in Excess MSRs at fair value.

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 servicer advances, through TRSs and are subject to regular corporate income taxes on these investments.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued 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 2017. Early adoption is not permitted. 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 is currently evaluating the new guidance to determine the impact it may have on its condensed 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 changes the accounting for repurchase-to-maturity transactions and linked repurchase financing transactions to secured borrowing accounting. ASU No. 2014-11 also expands 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. Early adoption is not permitted. Disclosures are not required for comparative periods presented before the effective date. New Residential has determined that, as of January 1, 2015, its formerly linked transactions are accounted for as secured borrowings as further described in Note 10 of our condensed consolidated financial statements.

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. Early adoption is permitted. New Residential is currently evaluating the new guidance to determine the impact that it may have on its condensed consolidated financial statements.
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 is effective for New Residential in the first quarter of 2016. Early adoption is permitted. New Residential does not expect the adoption of this new guidance to have an impact on its condensed consolidated financial statements.

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. We have adopted ASU No. 2015-03 in June 2015 and have determined that the adoption of ASU No. 2015-03 resulted in an immaterial reclassification of our Deferred Financing Costs, Net to an offset of our Notes Payable.

The FASB has recently issued or discussed a number of proposed standards on such topics as financial statement presentation, financial instruments and hedging. Some of the proposed changes are significant and could have a material impact on our reporting. We have not yet fully evaluated the potential impact of these proposals, but will make such an evaluation as the standards are finalized.

RESULTS OF OPERATIONS

The following table summarizes the changes in our results of operations for the three and six months ended June 30, 2015 compared to the three and six months ended June 30, 2014 (dollars in thousands). Our results of operations are not necessarily indicative of our future performance.

	Three Months Ended June 30,		Increase (Decrease)	Six Months Ended June 30,		Increase (Decrease)
	2015	2014	Amount	2015	2014	Amount
Interest income	$178,177	$92,656	$85,521	$262,550	$164,146	$98,404
Interest expense	81,871	36,512	45,359	115,850	75,509	40,341
Net Interest Income	96,306	56,144	40,162	146,700	88,637	58,063
Impairment						
Other-than-temporary impairment (“OTTI”) on securities	649	615	34	1,720	943	777
Valuation provision on loans and real estate owned	4,772	293	4,479	5,749	457	5,292
	5,421	908	4,513	7,469	1,400	6,069
Net interest income after impairment	90,885	55,236	35,649	139,231	87,237	51,994
Other Income						
Change in fair value of investments in excess mortgage servicing rights	356	5,502	(5,146)	(1,405)	12,104	(13,509)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	3,095	12,743	(9,648)	8,016	19,117	(11,101)
Change in fair value of investments in servicer advances	24,562	82,877	(58,315)	16,893	82,877	(65,984)
Earnings from investments in consumer loans, equity method investees	—	21,335	(21,335)	—	37,695	(37,695)
Gain on settlement of investments, net	1,201	52,539	(51,338)	15,968	56,896	(40,928)
Other income	8,436	2,893	5,543	10,473	4,250	6,223
	37,650	177,889	(140,239)	49,945	212,939	(162,994)
Operating Expenses						
General and administrative expenses	21,239	5,397	15,842	29,799	7,383	22,416
Management fee to affiliate	8,371	4,915	3,456	13,497	9,401	4,096
Incentive compensation to affiliate	2,391	18,863	(16,472)	6,084	22,201	(16,117)
Loan servicing expense	2,951	347	2,604	7,842	436	7,406
	34,952	29,522	5,430	57,222	39,421	17,801
Income (Loss) Before Income Taxes	93,583	203,603	(110,020)	131,954	260,755	(128,801)
Income tax expense (benefit)	14,306	21,395	(7,089)	10,879	21,682	(10,803)
Net Income (Loss)	$79,277	$182,208	$(102,931)	$121,075	$239,073	$(117,998)
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	$4,158	$58,705	$(54,547)	$9,981	$66,798	$(56,817)
Net Income (Loss) Attributable to Common Stockholders	$75,119	$123,503	$(48,384)	$111,094	$172,275	$(61,181)

Interest Income

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Interest income increased by $85.5 million, primarily attributable to incremental interest income of (i) $23.4 million from Excess MSR investments, (ii) $51.5 million from servicer advance investments, and (iii) $5.7 million from real estate loans, in all of which we made additional investments subsequent to June 30, 2014, primarily through the HLSS transaction discussed in Note 1. Interest income further increased by (iv) $3.9 million, largely due to accelerated accretion on real estate securities owned in

Non-Agency RMBS trusts that were terminated upon exercise of call rights, and (v) $1.0 million related to interest income on GNMA EBO servicer advances funded by HLSS and accounted for as a financing transaction.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Interest income increased by $98.4 million, primarily attributable to incremental interest income of (i) $24.6 million from Excess MSR investments, (ii) $48.1 million from servicer advance investments, and (iii) $17.7 million from real estate loans, in all of which we made additional investments subsequent to June 30, 2014, primarily through the HLSS transaction discussed in Note 1. Interest income further increased by (iv) $7 million, largely due to both additional investments and accelerated accretion on real estate securities owned in Non-Agency RMBS trusts that were terminated upon exercise of call rights, and (v) $1.0 million related to interest income on GNMA EBO servicer advances funded by HLSS and accounted for as a financing transaction.

Interest Expense

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Interest expense increased by $45.4 million primarily attributable to increases of (i) $33.6 million on interest and financings related to servicer advances primarily through the HLSS transaction discussed in Note 1, (ii) $4.1 million from repurchase agreements and financings on real estate loans in which we made additional levered investments subsequent to June 30, 2014, and (iii) $9 million on interest and financings from secured corporate loans issued in January and May 2015, partially offset by (iv) $1.4 million decrease in interest from repurchase agreements on our consumer loans portfolio that we paid off subsequent to June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Interest expense increased by $40.3 million primarily attributable to increases of (i) $25.3 million on interest and financings related to servicer advances primarily through the HLSS transaction discussed in Note 1, (ii) $10 million from repurchase agreements and financings on real estate loans in which we made additional levered investments subsequent to June 30, 2014, and (iii) $9.7 million on interest and financings from secured corporate loans issued in January and May 2015, partially offset by (iv) $2.8 million decrease in interest from repurchase agreements on our consumer loans portfolio that we paid off subsequent to June 30, 2014 and (v) $1.8 million decrease in interest and financings on excess MSR investments.

Other than Temporary Impairment (“OTTI”) on Securities

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

The other-than-temporary impairment on securities increased by $0.03 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014 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 June 30, 2015.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

The other-than-temporary impairment on securities increased by $0.8 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014 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 June 30, 2015.

Valuation Provision on Loans and Real Estate Owned

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

The $4.5 million increase in the valuation provision on residential mortgage loans, held-for-sale and real estate owned resulted from a substantial increase in the average carrying values for those assets subject to valuation allowances during the three months ended June 30, 2015 compared to the same period during 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

The $5.3 million increase in the valuation provision on residential mortgage loans, held-for-sale and real estate owned resulted from a substantial increase in the average carrying values for those assets subject to valuation allowances during the six months ended June 30, 2015 when compared to the same period during 2014.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

The change in fair value of investments in excess mortgage servicing rights decreased by $5.1 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. This decrease primarily relates to mark-to-market fair value adjustments of $0.4 million during the three months ended June 30, 2015 compared to adjustments of $5.5 million during the three months ended June 30, 2014. The mark-to-market adjustments during the three months ended June 30, 2015 are due to slower prepayment speeds and decreased delinquency assumptions. The mark-to-market adjustments during the three months ended June 30, 2014 are primarily driven by slower prepayment speeds, decreased delinquency rates, and a decrease in the weighted average discount rate from 12.5% to 12.0% during the three months ended June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

The change in fair value of investments in excess mortgage servicing rights decreased by $13.5 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. This decrease primarily relates to mark-to-market fair value adjustments of $(1.4) million during the six months ended June 30, 2015 compared to adjustments of $12.1 million during the six months ended June 30, 2014. The mark-to-market adjustments during the six months ended June 30, 2015 are primarily driven by decreased prepayment speeds and decreased delinquency rates. The mark-to-market adjustments during the six months ended June 30, 2014 are primarily driven by a decrease in the weighted average discount rate from 12.8% to 12.0%.

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

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

The change in fair value of investments in excess mortgage servicing rights, equity method investees decreased by $9.6 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. This decrease primarily relates to mark-to-market fair value adjustments of $3.1 million during the three months ended June 30, 2015 compared to adjustments of $12.7 million during the three months ended June 30, 2014. The mark-to-market adjustments during the three months ended June 30, 2015 are primarily due to slower prepayment speeds. The mark-to-market adjustments during the three months ended June 30, 2014 are primarily driven by slower prepayment speeds, decreased delinquency rates, and a decrease in the weighted average discount rate from 12.5% to 12.0% during the three months ended June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

The change in fair value of investments in excess mortgage servicing rights, equity method investees decreased by $11.1 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. This decrease primarily relates to mark-to-market fair value adjustments of $8.0 million during the six months ended June 30, 2015 compared to adjustments of $19.1 million during the six months ended June 30, 2014. The mark-to-market adjustments during the six months ended June 30, 2015 are primarily driven by slower prepayment speeds, decreased

delinquency rates and increased recapture rates. The mark-to-market adjustments during the six months ended June 30, 2014 are primarily driven by a decrease in prepayment speeds, increase in recapture rates, and a decrease in the discount rate from 12.8% to 12.0% during the six months ended June 30, 2014.

Change in Fair Value of Investments in Servicer Advances

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

The change in fair value of investments in servicer advances decreased by $58.3 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. This decrease primarily relates to mark-to-market adjustments of $24.6 million during the three months ended June 30, 2015 compared to $82.9 million during the three months ended June 30, 2014. The net increase in value during the three months ended June 30, 2015 was primarily due to a higher performance fee adjustment related to HLSS servicing advances resulting from a higher forward LIBOR curve as compared to purchase price projections. The

change in fair value of investments in servicer advances for the three months ended June 30, 2014 was primarily due to a decrease in the advance-to-UPB ratio during the three months ended June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

The change in fair value of investments in servicer advances decreased by $66.0 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. This decrease primarily relates to mark-to-market adjustments of $16.9 million during the six months ended June 30, 2015 compared to $82.9 million during the six months ended June 30, 2014. The change in fair value of investments in servicer advances for the six months ended June 30, 2015 was due to the acquisition of HLSS servicing advances in April 2015 and subsequent net increase in value. The net increase in value was primarily due to a higher performance fee adjustment related to HLSS servicing advances resulting from a higher forward LIBOR curve as compared to initial projections. The change in fair value of investments in servicer advances for the six months ended June 30, 2014 was primarily due to a decrease in the advance-to-UPB ratio during the six months ended June 30, 2014.

Earnings from Investments in Consumer Loans, Equity Method Investees

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Earnings from investments in consumer loans, equity method investees decreased by $21.3 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.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Earnings from investments in consumer loans, equity method investees decreased by $37.7 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.

Gain on Settlement of Investments, Net

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Gain on settlement of investments decreased by $51.3 million, primarily related to (i) decreased net gains of $60.4 million on real estate securities sold, and (ii) $2.6 million increase in other losses primarily related to losses on re-securitization and write-off of financing fees, partially offset by increased net gains of (iii) $11.8 million on the sale or liquidation of residential mortgage loans during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Gain on settlement of investments decreased by $40.9 million, primarily related to (i) decreased net gains of $62.6 million on real estate securities sold, (ii) $2.8 million increase in other losses primarily related to losses on re-securitization and write-off of financing fees, and (iii) $2.8 million loss on extinguishment of debt at the Buyer, partially offset by (iv) increased net gains of $27.3 million on the sale or liquidation of residential mortgage loans during the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Other Income

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Other income increased by $5.5 million, primarily attributable to (i) realized gains of $8.5 million on our consumer loans investment, (ii) $2.3 million net decrease in unrealized losses on non-hedge derivative instruments, (iii) a $0.8 million increase on our excess mortgage servicing recapture rights, and, partially offset by (iv) a $6.3 million decrease in gains on transfer of loans to REO, and, (v) $1.2 million unrealized loss on interest rate caps related to servicer advance financing partially offset by a $0.8 million reimbursement from servicer for a net decrease of $0.4 million.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Other income increased by $6.2 million, primarily attributable to (i) realized gains of $19 million on our consumer loans investment, and, (ii) a $1.6 million realized gain on our excess mortgage servicing recapture rights partially offset by (iii) $5.1 million net

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increase in unrealized losses of on non-hedge derivative instruments, (iv) a $6.9 million loss on transfer of loans to REO, (v) a net increase in REO expense of $1.7 million, and (vi) $0.6 million net decrease in servicer advance gains.

General and Administrative Expenses

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

General and administrative expenses increased by $15.8 million, partially attributable to $5.1 million payroll and benefits, retention bonus, and severance related to HLSS employees, triggered by our acquisition of HLSS. Legal deal expenses and securitization fees increased $1.6 million and $1.7 million, respectively, primarily as a result of the HLSS Acquisition, and $2.3 million higher professional fees and other expenses were incurred to maintain and monitor our increasing asset base and general expenses. In addition, $5.1 million of expenses of HLSS Ltd. were recorded based on our consolidation of this entity; however, such expenses were offset by the related non-controlling interests of the shareholders of HLSS Ltd.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

General and administrative expenses increased by $22.4 million, partially attributable to $5.1 million payroll and benefits, retention bonus, and severance related to HLSS employees, triggered by our acquisition of HLSS. Legal deal expenses and securitization fees increased $6.9 million and $1.7 million, respectively, primarily as a result of the HLSS Acquisition, and $3.6 million higher professional fees and other expenses incurred to maintain and monitor our increasing asset base and general expenses. In addition, $5.1 million of expenses of HLSS Ltd. were recorded based on our consolidation of this entity; however, such expenses were offset by the related non-controlling interests of the shareholders of HLSS Ltd.

Management Fee to Affiliate

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Management fee to affiliate increased by $3.5 million as a result of increases to our gross equity subsequent to June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Management fee to affiliate increased by $4.1 million as a result of increases to our gross equity subsequent to June 30, 2014.

Incentive Compensation to Affiliate

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Incentive compensation to affiliate decreased by $16.5 million primarily attributable to less realized gains on sales of investments during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Incentive compensation to affiliate decreased by $16.1 million primarily attributable to less realized gains on sales of investments during the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Loan Servicing Expense

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Loan servicing expense increased by $2.6 million due to the acquisition of additional residential mortgage loans subsequent to June 30, 2014.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Loan servicing expense increased by $7.4 million due to the acquisition of additional residential mortgage loans subsequent to June 30, 2014.

Income Tax Expense (Benefit)

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Income tax expense (benefit) decreased by $7.1 million primarily due to a $2.3 million reduction in the reserve for unrecognized tax benefits to zero and to the tax impact from the reduction of fair value of investments in servicer advances.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Income tax expense (benefit) decreased by $10.8 million primarily due to a $2.3 million reduction in the reserve for unrecognized tax benefits to zero and to the deferred tax impact from the reduction of mark-to-market fair value adjustments on investments in servicer advances.

Noncontrolling Interests in Income of Consolidated Subsidiaries

Three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Noncontrolling interests in income of consolidated subsidiaries decreased by $54.5 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 of the Buyer's assets, and (iii) HLSS shareholders' interests in the net loss of HLSS Ltd.

Six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Noncontrolling interests in income of consolidated subsidiaries decreased by $56.8 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 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 to zero during the six months ended June 30, 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 of 1986, as amended (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 MSRs, 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 primary uses of funds are the payment of interest, management fees, incentive compensation, outstanding commitments (including margins) and other operating expenses, and the repayment of

borrowings and hedge obligations, as well as dividends.

Our primary sources of financing currently are notes payable and repurchase agreements, although we may also pursue other sources of financing such as securitizations and other secured and unsecured forms of borrowing. As of June 30, 2015, we had outstanding repurchase agreements with an aggregate face amount of approximately $2.4 billion to finance residential mortgage loans, real estate owned, consumer loans, Non-Agency RMBS and Agency RMBS. 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, 15%-50% for Non-Agency RMBS, and 8%-38% 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. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls resulting from decreases in value related to a reasonably possible (in the opinion of management) 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. 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 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. While it is inherently more difficult to forecast 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 such a 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) accretion of discount or premium on our residential securities and loans, (ii) the difference between (a) accretion and unrealized gains and losses recorded with respect to our Excess MSR (direct and indirect) and servicer advance investments and (b) cash received therefrom, (iii) unrealized gains and losses on our derivatives and OTTI if any, and (iv) deferred taxes.

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.

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Debt Obligations

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

June 30, 2015										
							Collateral			
Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value(A)	Final Stated Maturity	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)
Repurchase Agreements(B)										
Agency RMBS(C)	Various	$1,172,422	$1,172,422	Jul-15 to Aug-15	0.40 %	0.1	$1,167,997	$1,206,770	$1,204,179	1.0
Non-Agency RMBS(D)	Various	659,567	659,567	Jul-15 to Sep-15	1.87 %	0.1	2,281,029	901,082	910,802	7.4
Residential Mortgage Loans(E)	Various	447,940	447,012	Aug-15 to Aug-16	2.95 %	0.6	618,216	543,131	540,415	2.7
Real Estate Owned(F)(G)	Various	82,946	82,784	Aug-15 to Aug-16	3.15 %	0.6	N/A	N/A	89,168	N/A
Consumer Loan Investment(H)	Apr-15	42,976	42,832	Oct-15	3.77 %	0.3	N/A	N/A	—	3.5
Total Repurchase Agreements		2,405,851	2,404,617		1.44 %	0.2				
Notes Payable										
Secured Corporate Note(I)	May-15	195,590	193,561	Apr-17	5.43 %	1.8	101,243,511	230,282	268,951	4.8
Servicer Advances(J)	Various	7,687,572	7,667,067	Oct-15 to Jun-18	2.88 %	1.1	8,278,685	8,081,258	8,182,400	4.3
Residential Mortgage Loans(K)	Oct-14	22,433	22,433	Oct-15	3.07 %	0.3	39,475	23,305	21,601	4.1
Real Estate Owned	N/A	—	—		— %	—	N/A	N/A	—	N/A
Total Notes Payable		7,905,595	7,883,061		2.94 %	1.1				
Total/Weighted Average		$10,311,446	$10,287,678		2.59 %	0.9				

(A) Net of deferred financing costs associated with the adoption of ASU No. 2015-03.

(B) These repurchase agreements had approximately $2.5 million of associated accrued interest payable as of June 30, 2015.

(C) The counterparties of these repurchase agreements are Citibank ($232.2 million), Morgan Stanley ($77.0 million), Barclays ($96.8 million), Daiwa ($377.2 million) and Jefferies ($389.2 million) and were subject to customary margin call provisions. All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include related trade and other receivables.

(D) The counterparties of these repurchase agreements are Barclays ($5.4 million), Credit Suisse ($263.7 million), Royal Bank of Canada ($10.2 million), Bank of America, N.A. ($88.7 million), Citibank ($60.6 million), Goldman Sachs ($70.1 million) and UBS ($160.8 million) and were subject to customary margin call provisions. All of the Non-Agency repurchase agreements have LIBOR-based floating interest rates.

(E)

The counterparties on these repurchase agreements are Barclays ($263.4 million maturing in January 2016), Bank of America N.A. ($61.4 million maturing in August 2016), Nomura ($60.5 million maturing in May 2016), Citibank ($2.7 million maturing in August 2015) and Credit Suisse ($60.0 million maturing in November 2015). All of these repurchase agreements have LIBOR-based floating interest rates.

(F) The counterparties of these repurchase agreements are Barclays ($68.2 million), Credit Suisse ($0.9 million), Bank of America, N.A. ($3.5 million), Citibank ($0.6 million) and Nomura ($9.8 million). All of these repurchase agreements have LIBOR-based floating interest rates.

(G) Includes financing collateralized by receivables including claims from FHA on GNMA EBO loans for which foreclosure has been completed and for which we have made or intend to make a claim on the FHA guarantee.

(H) The repurchase agreement is payable to Bank of America, N.A. and bears interest equal to three-month LIBOR plus 3.50% and is collateralized by our interest in consumer loans.

(I) The loan bears interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 5.25%. The outstanding face of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure this corporate loan.

(J) $3.1 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.0% to 2.0%.

(K) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.875%.

Certain of the debt obligations included above are obligations of our consolidated subsidiaries, which own the related collateral. In some cases, including servicer advances, such collateral is not available to other creditors of ours.

We have margin exposure on $2.4 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 tables provide additional information regarding our short-term borrowings (dollars in thousands).

	Six Months Ended June 30, 2015			
	Outstanding Balance at June 30, 2015	Average Daily Amount Outstanding(A)	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
Repurchase Agreements				
Agency RMBS	$1,172,422	$1,321,785	$1,707,602	0.37 %
Non-Agency RMBS	659,567	516,660	659,567	1.82 %
Residential Mortgage Loans	386,562	513,855	675,589	2.71 %
Real Estate Owned	79,430	56,563	94,721	2.94 %
Consumer Loans	42,976	42,976	42,976	3.77 %
Notes Payable				
Servicer Advances	4,008,078	2,460,535	4,948,046	2.03 %
Residential Mortgage Loans	22,433	23,127	24,006	3.07 %
Total/Weighted Average(B)	$6,371,468	$4,935,501	$8,152,507	1.77 %

(A) Represents the average for the period the debt was outstanding.
(B) Shown for all balances outstanding at June 30, 2015.

	Average Daily Amount Outstanding(A)	
	Three Months Ended March 31, 2015	Three Months Ended June 30, 2015
Repurchase Agreements		
Agency RMBS	$1,262,870	$1,380,052
Non-Agency RMBS	521,272	512,100
Residential Mortgage Loans	359,567	464,283
Real Estate Owned	2,935	84,582
Consumer Loans	—	42,976

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

Activities related to the carrying value of our debt obligations were as follows:

	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loan Investment	Other	Total
Balance at December 31, 2014[(A)]	$2,890,230	$2,246,651	$925,418	$—	$—	$6,062,299
Repurchase Agreements:						
Borrowings	—	2,222,172	386,439	42,976	—	2,651,587
Modified retrospective adjustment for the adoption of ASU No. 2014-11	—	84,649	1,306	—	—	85,955
Repayments	—	(2,721,483)	(759,298)	—	—	(3,480,781)
Adoption of ASU No. 2015-03	—	—	(1,090)	(144)	—	(1,234)
Notes Payable:						
Retrospective adjustment for the adoption of ASU No. 2015-03	(4,446)	—	—	—	—	(4,446)
Borrowings	7,210,317	—	1,632	—	852,419	8,064,368
Repayments	(2,412,975)	—	(2,178)	—	(658,810)	(3,073,963)
Adoption of ASU No. 2015-03	(16,059)	—	—	—	(48)	(16,107)
Balance at June 30, 2015	$7,667,067	$1,831,989	$552,229	$42,832	$193,561	$10,287,678

(A) Excludes debt related to linked transactions (Note 10 to our Condensed Consolidated Financial Statements included herein).

During the six months ended June 30, 2015, the Buyer entered into agreements to increase financing pursuant to one servicer advance facility and one of the notes, which settled in March 2015. The facility increased capacity from $500.0 million to $1.0 billion, and the note increased from $650.0 million to $800.0 million with a fixed interest rate equal to 2.50% with an expected repayment date of March 2017.

In connection with the HLSS Acquisition, we funded the purchase of servicer advances with notes issued under the HSART and HSART II facilities with a number of financial institutions consisting of (i) variable funding notes (“VFNs”) with a borrowing capacity of up to $5.0 billion and (ii) $2.5 billion of term notes (“Term Notes”) issued to institutional investors. The VFNs generally bear interest at a rate equal to the sum of (i) LIBOR or a cost of funds rate plus (ii) a spread of 1.0% to 1.6% depending on the class of the notes. The VFNs in the HSART II facility have expected repayment dates in December 2015 and the VFNs in the HSART facility have expected repayment dates in April 2016. The Term Notes generally bear interest at approximately 2.0% and have and expected repayment dates from October 2015 through June 2018. The VFN and the Term Notes are secured by servicer advances, and the financing is nonrecourse, except for customary recourse provisions.

During the second quarter of 2015, we repaid a portion of the VFNs pursuant to the HSART facility with proceeds of new notes issued under a new servicer advance facility. This facility issued a VFN with a borrowing capacity of $0.4 billion. The VFN has an expected repayment date of April 2017. The VFN bears interest at a rate equal to the sum of (i) LIBOR or a cost of funds rate plus (ii) a spread of 1.95%. The VFN is secured by servicer advances, and the financing is nonrecourse, except for customary recourse provisions.

During the second quarter of 2015, as a part of the HLSS Acquisition, we acquired a portfolio of non-performing GNMA EBO residential mortgage loans with a UPB of $424.3 million for approximately $418.8 million, financed with a $393.0 million repurchase agreement with Barclays. Borrowings on this facility bear interest equal to the sum

of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 2.77% and have an expected repayment date in January 2016. This facility contains customary covenants and event of default provisions.

During the second quarter of 2015, we entered into a $43.0 million repurchase agreement with Bank of America, N.A. Borrowings on this facility bear interest equal to the sum of (i) a floating rate index rate equal to three-month LIBOR and (ii) a margin of 3.50%. This facility contains customary covenants and event of default provisions.

During the second quarter of 2015, we entered into an agreement to increase financing on a $100.0 million secured corporate loan with Credit Suisse First Boston Mortgage Capital LLC, an affiliate of Credit Suisse Securities (USA) LLC. The agreement increased

capacity from $100.0 million to $205.0 million. The loan bore interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 3.75%. The loan contained customary covenants and event of default provisions. The loan was repaid in May 2015.

During the second quarter of 2015, we entered into a $165.0 million secured corporate loan with Barclays maturing in April 2016. The loan agreement contained customary covenants and event of default provisions. The loan was repaid in May 2015.

During the second quarter of 2015, we entered into $265.0 million of secured corporate debt with Credit Suisse maturing in July 2015. The loan contains customary covenants and event of default provisions. The loan was repaid in June 2015.

During the second quarter of 2015, we issued a $219.4 million secured corporate note maturing in April 2017. The loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 5.25% until May 2016, after which the loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 7.25%. The loan agreement contains customary covenants and event of default provisions.

Maturities

Our debt obligations as of June 30, 2015, as summarized in Note 11 to our Condensed Consolidated Financial Statements, had contractual maturities as follows (in thousands):

Year	Nonrecourse	Recourse	Total
July 1 through December 31, 2015	$1,203,382	$1,961,575	$3,164,957
2016	4,386,775	396,462	4,783,237
2017	1,654,662	195,590	1,850,252
2018	513,000	—	513,000
	$7,757,819	$2,553,627	$10,311,446

The repurchase agreements with full recourse to us include the $1,172.4 million of financing of Agency RMBS, $659.6 million of financing of the Non-Agency RMBS, $387.4 million of financing of the Residential Mortgage Loans, $73.2 million of financing of Real Estate Owned and $43.0 million of financing of the Consumer Loan Investment, while the $60.5 million face amount of the Residential Mortgage Loans repurchase agreements and $9.8 million of financing of Real Estate Owned is non-recourse debt. 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 trade receivable) and Non-Agency RMBS repurchase agreements were 2.6% and 27.6%, respectively, and for Residential Mortgage Loans and Real Estate Owned were 16.1% and 9.2%, respectively, during the six months ended June 30, 2015. The notes payable with full recourse to us include the financing of $22.4 million face amount of Residential Mortgage Loans as well as the $195.6 million face amount Secured Corporate Note, while $7,687.6 million face amount of Servicer Advances notes payable are non-recourse debt.

Borrowing Capacity

The following table represents our borrowing capacity as of June 30, 2015 (in thousands):

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Real Estate Loans	$2,275,000	$465,992	$1,809,008
Notes Payable				

Servicer Advances[(A)]	Servicer Advances	11,163,000	7,687,572	3,475,428
		$13,438,000	$8,153,564	$5,284,436

(A) Our unused borrowing capacity is available to us if we have additional eligible collateral to pledge and meet other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate. We pay a 0.4% fee on the unused borrowing capacity.

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Covenants

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by a 50% equity decline over any 12-month period or a 35% decline over any 3-month period and a 4:1 indebtedness to tangible net worth provision. We were in compliance with all of our debt covenants as of June 30, 2015.

Stockholders' Equity

Common Stock

Approximately 2.4 million shares of our common stock were held by Fortress, through its affiliates, and its principals as of June 30, 2015.

As of June 30, 2015, our outstanding options corresponding to Newcastle options issued prior to 2011 had a weighted average strike price of $31.36 and our outstanding options corresponding to Newcastle options issued in 2011, 2012 and 2013, as well as options issued by us in 2013 and thereafter, had a weighted average strike price of $14.29. Our outstanding options as of June 30, 2015 were summarized as follows:

	June 30, 2015		
	Issued Prior to 2011	Issued in 2011 - 2014	Total
Held by the Manager	343,440	10,557,860	10,901,300
Issued to the Manager and subsequently transferred to certain of the Manager's employees	90,560	1,421,747	1,512,307
Issued to the independent directors	1,000	4,000	5,000
Total	435,000	11,983,607	12,418,607

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.

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

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. For the purpose of compensating 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 to purchase 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. For the purpose of compensating the Manager for its

successful efforts in raising capital for us, in connection with this offering, we granted options to the Manager to purchase 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 6.2 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 July 2015, one former employee of the Manager exercised an aggregate of 37,500 options and received 20,227 shares of our common stock in a cashless exercise.

Accumulated Other Comprehensive Income (Loss)

During the six months ended June 30, 2015, 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, 2014	$28,319
Net unrealized gain (loss) on securities	(6,032)
Reclassification of net realized (gain) loss on securities into earnings	(5,056)
Accumulated other comprehensive income, June 30, 2015	$17,231

Our GAAP equity changes as our real estate securities portfolio is marked to market each quarter, among other factors. The primary causes of mark to market changes are changes in interest rates and credit spreads. During the six months ended June 30, 2015, we recorded unrealized losses on our real estate securities primarily caused by a net widening of credit spreads. We recorded OTTI charges of $1.7 million with respect to real estate securities and realized gains of $6.8 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, and non-deductible general and administrative expenses. 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	Amount Per Share
December 31, 2014	January 2015	$0.38
March 31, 2015	April 2015	$0.38
June 30, 2015	July 2015	$0.45

Cash Flow

Operating Activities

Net cash flow provided by operating activities increased approximately $487.3 million for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. Operating cash inflows for the six months ended June 30, 2015 primarily consisted of proceeds from sales of purchased residential mortgage loans, held-for-sale of $723.0 million and principal repayments received on residential mortgage loans, held-for-sale of $34.6 million, collections on receivables acquired through the HLSS Acquisition of $165.9 million, net interest income received of $73.1 million, distributions of earnings from equity method investees of $19.9 million, and distributions from equity method investees in excess of our basis of $18.9 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of $388.8 million, increased restricted cash of $32.7 million, incentive compensation and management fees paid to the Manager of $66.4 million, income taxes paid of $0.5 million and other outflows of approximately $29.7 million that primarily consist of general and administrative costs.

Investing Activities

Cash flows provided by investing activities were $419.4 million for the six months ended June 30, 2015. Investing activities during the six months ended June 30, 2015 consisted primarily of the acquisition of servicer advances and excess mortgage servicing rights acquired through the HLSS Acquisition, real estate securities, net of principal repayments from servicer advances, Agency RMBS and Non-Agency RMBS as well as proceeds from the sale of real estate securities and loans, and derivative cash flows.

Financing Activities

Cash flows used in financing activities were approximately $717.7 million during the six months ended June 30, 2015. Financing activities during the six months ended June 30, 2015 consisted primarily of borrowings under debt obligations and refinancing of existing debt facilities related to the HLSS Acquisition as well as repayments under debt obligations net of borrowings, capital distributions to noncontrolling interests in the equity of a consolidated subsidiary, and payment of dividends.

INTEREST RATE, CREDIT AND SPREAD RISK

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

OFF-BALANCE SHEET ARRANGEMENTS

On April 1, 2013, we completed, through the Consumer Loan Companies, a co-investment in a portfolio of consumer loans. 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. These notes were subordinate to the debt issued in April 2013. We have 30% membership interests in each of the Consumer Loan Companies and do not consolidate them. On October 3, 2014, the Consumer Loan Companies refinanced all of the outstanding asset-backed notes with an asset-backed securitization for approximately $2.6 billion. The excess proceeds were distributed to the respective 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.

We did not have any other off-balance sheet arrangements as of June 30, 2015. 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 joint venture entities. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment and do not intend to provide additional funding to any such entities.

CONTRACTUAL OBLIGATIONS

Our contractual obligations as of June 30, 2015 included all of the material contractual obligations referred to in our annual report on Form 10-K for the year ended December 31, 2014, excluding debt that was repaid as described in “—Liquidity and Capital Resources—Debt Obligations.”

In addition, we executed the following material contractual obligations during the six months ended June 30, 2015:

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- Derivatives – as described in Note 10 to our condensed consolidated financial statements, we have altered the composition of our economic hedges during the period.
- Debt obligations – as described in Note 11 to our condensed consolidated financial statements, we repaid certain debt obligations and borrowed additional amounts under other agreements, including borrowings to fund the HLSS Acquisition, fund servicer advances, and purchase loans and securities.

See Notes 14 and 18 to our condensed consolidated financial statements included in this report for information regarding commitments and contracts entered into subsequent to June 30, 2015.

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 Disclosure 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 incurred under the debt incurred to finance our investments, (iii) our operating expenses and (iv) our realized and unrealized gains or losses, including any impairment and deferred tax, on our investments. "Core earnings" is a non-GAAP measure of our operating performance excluding the fourth variable above and adjusting the earnings from the consumer loan investment to a level yield basis. It is used by management to gauge our current 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 only 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. 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. These costs are recorded as "General and administrative expenses" in our Condensed Consolidated Statements of Income.

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 deferred taxes are not representative of current operations. This modification was applied prospectively due to only

immaterial impacts in prior periods.

Management believes that the adjustments to compute "core earnings" specified above allow investors and analysts to readily identify 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 performance using the same measure that management uses to operate the business.

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.

Core earnings does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of our liquidity and is not necessarily indicative of cash available to fund cash needs. For a further description of the difference between cash flow provided by operations and net income, see "—Liquidity and Capital Resources" above. Our calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited. Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss) attributable to common stockholders	$75,119	$123,503	$111,094	$172,275
Impairment	5,421	908	7,469	1,400
Other Income adjustments:				
Other Income (excluding service fees)	(36,850)	(177,889)	(49,145)	(212,939)
Other Income attributable to non-controlling interests	(3,294)	44,741	(7,823)	44,741
Total Other Income Adjustments	(40,144)	(133,148)	(56,968)	(168,198)
Incentive compensation to affiliate	2,391	18,863	6,084	22,201
Non-capitalized transaction-related expenses	9,341	1,825	14,890	1,825
Deferred taxes	14,348	16,303	11,341	16,303
Interest income on residential mortgage loans, held-for-sale	3,648	—	17,083	—
Core earnings of equity method investees:				
Excess mortgage servicing rights	4,597	8,646	10,435	17,871
Consumer loans	17,458	19,465	34,216	34,452
Core Earnings	$92,179	$56,365	$155,644	$98,129

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices, equity prices and other market based risks. The primary market risks that we are exposed to are interest rate risk, prepayment speed risk, credit spread risk and credit risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and derivative positions (other than TBAs) are for non-trading purposes only. For a further discussion of how market risk may affect our financial position or results of operations, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies."

Interest Rate Risk

Changes in interest rates, including changes in expected interest rates or "yield curves," affect our investments in two distinct ways, each of which is discussed below.

First, 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 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 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 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 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 the reset terms and "Management's Discussion and Analysis of Financial Conditions as Results of Operations – Liquidity and Capital Resources – Debt Obligations" for information about related debt.

As of June 30, 2015, an immediate 100 basis point increase in short term interest rates, based on a shift in the yield curve, would decrease our cash flows by approximately $28.0 million in the next twelve months, and a 100 basis point decrease in short term interest rates would increase our cash flows by approximately $12.8 million in the next twelve months, based solely on our current net floating rate exposure assuming a static portfolio of investments (including fixed rate repurchase agreements that mature within 60 days of June 30, 2015 and assuming a LIBOR floor of 0.0%).

As of June 30, 2015, an immediate 100 basis point increase in short term interest rates, based on a shift in the yield curve, would increase our net book value by approximately $281.8 million, and a 100 basis point decrease in short term interest rates would decrease our net book value by approximately $277.6 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.

Second, changes in the level of interest rates also affect the yields required by the marketplace on interest bearing instruments. Increasing interest rates would decrease the value of the fixed rate assets we hold at the time because higher required yields result in lower prices on existing fixed rate assets in order to adjust their yield upward to meet the market.

Changes in unrealized gains or losses resulting from changes in market interest rates do not directly affect our cash flows, or our ability to pay a dividend, to the extent the related assets are expected to be held, as their fair value is not relevant to their underlying cash flows. As long as these fixed rate assets continue to perform as expected, our cash flows from these assets would not be affected by increasing interest rates. 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.

Our Excess MSRs, servicer advances (including the basic fee component of the related MSRs, and the related financing) and loans, including consumer loans, are subject to interest rate risk. Generally, in a declining interest rate environment, prepayment speeds increase which in turn would cause the value of Excess MSRs and basic fees to decrease and the value of loans to increase. Conversely, in an increasing interest rate environment, prepayment speeds decrease which in turn would cause the value of Excess MSRs and basic fees to increase and the value of loans 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, Excess MSRs, basic fees and loans 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 Speed 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 and affect our ability to refinance such assets upon the maturity of the related financings, adversely impacting our rate of return on such securities.

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control.

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

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 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 resulting from decreases in value related to a reasonably possible (in the opinion of management) change in interest rates but there can be no assurance that our cash reserves will be sufficient.

Prepayment Speed Exposure

Prepayment speeds significantly affect the value of Excess MSRs, the basic fee component of MSRs (which we own as part of our investment in servicer advances) and loans, including consumer loans. Prepayment speed 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 speeds is a significant assumption underlying those cash flow projections. If the fair value of Excess MSRs 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 speeds could materially reduce the ultimate cash flows we receive from Excess MSRs or our right to the basic fee component of MSRs, and we could ultimately receive substantially less than what we paid for such assets. Conversely, a significant decrease in prepayment speeds with respect to our loans 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 Excess MSR investments, we seek to enter into "Recapture Agreements" whereby we will receive a new Excess MSR with respect to a loan that was originated by the servicer and used to repay a loan underlying an Excess MSR that we previously acquired from that same servicer. In lieu of receiving an Excess MSR with respect to the loan used to repay a prior loan, the servicer may supply a similar Excess MSR. We seek to enter into such Recapture Agreements in order to protect our returns in the event of a rise in voluntary prepayment rates.

Please refer to the table in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Application of Critical Accounting Policies — Excess MSRs" for an analysis of the sensitivity of these investments to changes in certain market factors.

Credit Spread Risk

Credit spreads measure the yield demanded on financial instruments by the market based on their credit relative to U.S. Treasuries, for fixed rate credit, or LIBOR, for floating rate credit. Excessive supply of such financial instruments combined with reduced demand will generally cause the market to require a higher yield on such financial instruments, resulting in the use of a higher (or "wider") spread over the benchmark rate to value them.

Widening credit spreads would result in higher yields being required by the marketplace on financial instruments. This widening would reduce the value of the financial instruments we hold at the time because higher required yields result in lower prices on existing financial instruments in order to adjust their yield upward to meet the market. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed above under "—Interest Rate Risk."

As of June 30, 2015, a 25 basis point increase in credit spreads would decrease our net book value by approximately $89.6 million, and a 25 basis point decrease in credit spreads would increase our net book value by approximately $87.2 million, based on a static portfolio of investments, but would not directly affect our earnings or cash flow.

In an environment where spreads are tightening, if spreads tighten on the assets we purchase to a greater degree than they tighten on the liabilities we issue, our net spread will be reduced.

Credit Risk

We are subject to varying degrees of credit risk in connection with our assets. Credit risk refers to the ability of each individual borrower underlying our investments in 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. We also invest in loans and Non-Agency RMBS which represent "first loss" pieces; in other words, they do not benefit from credit support although we believe they predominantly benefit from underlying collateral value in excess of their carrying amounts. Although we do not expect to encounter credit risk in our Agency RMBS, we do anticipate credit risk related to Non-Agency RMBS, residential mortgage loans and consumer loans.

We seek to reduce credit risk through prudent asset selection, actively monitoring our asset portfolio and the underlying credit quality of our holdings and, where appropriate and achievable, repositioning our investments to upgrade their credit quality. Our pre-acquisition due diligence and processes for monitoring performance include the evaluation of, among other things, credit and risk ratings, principal subordination, prepayment rates, delinquency and default rates, and vintage of collateral.

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.

ITEM 4. CONTROLS AND PROCEDURES

(a) 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 Securities Exchange Act of 1934, as amended (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 not effective for the reasons described below.

In connection with the HLSS Acquisition, the Company determined that it had a material weakness related to management's failure to implement appropriate controls over the review and validation of certain assumptions used in establishing new models in connection with the valuation of certain assets we acquired. The Company has plans to strengthen and supplement its review process with respect to such models. The Company anticipates the resulting improvements in controls will address the related material weakness.

(b)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, except as disclosed below.

On April 6, 2015, the Company completed the HLSS Acquisition. As a result, the Company's internal control over financial reporting is being broadened to include the assets acquired, liabilities assumed and related processes. In order to broaden its internal control over financial reporting to include the assets acquired, liabilities assumed and related processes, the Company is in the process of hiring additional personnel, modifying existing systems and controls to accommodate the HLSS Acquisition, including modifications resulting from the involvement of a new servicer, and adding controls with regards to certain new processes.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are or may be involved in various disputes and litigation matters that arise in the ordinary course of business. Following the HLSS Acquisition, material potential claims, lawsuits, and other proceedings, of which we are currently aware, are as follows. We have not accrued any material losses in connection with these legal contingencies because management does not believe there is probable and reasonably estimable loss.

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 three lawsuits were consolidated into a single action, which is referred to as the "New York Action." On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the New York Action. On July 17, 2015, lead plaintiffs filed a consolidated class action complaint.

The New York 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 New York Action asserts causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 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 New York Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. We intend to vigorously defend the New York Action.

Two shareholder derivative actions have been filed purportedly on behalf of Ocwen Financial Corporation naming as defendants HLSS and certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, entitled (i) Sokolowski v. Erbey, et al., No. 9:14-CV-81601 (S.D. Fla.), filed on December 24, 2014 (the "Sokolowski Action"), and (ii) Moncavage v. Faris, et al., No. 2015CA003244 (Fla. Palm Beach Cty. Ct.), filed on March 20, 2015 (collectively, with the Sokolowski Action, the "Ocwen Derivative Actions"). The original complaint in the Sokolowski Action named as defendants certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey. On February 11, 2015, plaintiff in the Sokolowski Action filed an amended complaint naming additional defendants, including HLSS. The Ocwen Derivative Actions assert a cause of action for aiding and abetting certain alleged breaches of fiduciary duty under Florida law against HLSS and others, and claims that HLSS (i) substantially assisted Ocwen's alleged wrongful conduct by purchasing Ocwen's mortgage servicing rights and (ii) received improper benefits as a result of its business dealings with Ocwen due to Mr. Erbey's purported control over both HLSS and Ocwen. Additionally, the Sokolowski Action asserts a cause of action for unjust enrichment against HLSS and others.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled Rattner v. Van Vlack, et al., No. 2015CA002833 (Fla. Palm Beach Cty. Ct.) (the "HLSS Derivative Action"). The lawsuit names as defendants HLSS directors John P. Van Vlack, Robert J. McGinnis, Kerry Kennedy, Richard J. Lochrie, and David B. Reiner (collectively, the "Director Defendants"), New Residential Investment Corp., and

Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS's shareholders, (ii) included unfair deal protection devices, (iii) and was the result of an inadequate process due to conflicts of interest. On July 8, 2015, the complaint was voluntarily dismissed without prejudice.

On September 15, 2014, HLSS received a subpoena from the SEC requesting that it provide certain information related to HLSS's prior accounting conventions for and valuations of its Notes receivable - Rights to MSRs that resulted in the restatement of HLSS's consolidated financial statements for the years ended December 31, 2013 and 2012 and for the quarter ended March 31, 2014 during August 2014. On December 22, 2014, HLSS received a subpoena from the SEC requesting that it provide information related to certain governance documents and transactions and certain communications regarding the same. We and HLSS are cooperating with the SEC in these matters.

HLSS has been and continues to be subject to other inquiries by government and other entities, as disclosed in HLSS's filings with the SEC. New Residential is, from time to time, subject to inquiries by government entities in the ordinary course of business. New Residential currently does not believe any of these inquiries would result in a material adverse effect on New Residential's business.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully read and consider the following risk factors and all other information contained in this report. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, financial condition or results of operations could be materially and adversely affected. The risk factors summarized below are categorized as follows: (i) Risks Related to Our Business, (ii) Risks Related to Our Manager, (iii) Risks Related to the Financial Markets, (iv) Risks Related to Our Taxation as a REIT, (v) Risks Related to Our Common Stock and (vi) Risks Related to the HLSS Acquisition. However, these categories do overlap and should not be considered exclusive.

Risks Related to Our Business

We have limited operating history as an independent company and may not be able to successfully operate our business strategy or generate sufficient revenue to make or sustain distributions to our stockholders. Any financial information included in this report for periods prior to our spin-off in May 2013 may not be indicative of the results we would have achieved as a separate stand-alone company and are not a reliable indicator of our future performance or results.

We have limited experience operating as an independent company and cannot assure you that we will be able to successfully operate our business or implement our operating policies and strategies. We were formed in September 2011 as a subsidiary of Newcastle and spun-off from Newcastle on May 15, 2013. We completed our first investment in Excess MSRs in December 2011, and our Manager has limited experience with transactions involving Government Sponsored Enterprises ("GSEs"), such as Fannie Mae or Freddie Mac. The timing, terms, price and form of consideration that we and servicers pay in future transactions may vary meaningfully from prior transactions.

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.

Any financial information included in this report for periods prior to our spin-off in May 2013 has been derived from Newcastle's historical financial statements for the periods prior to the spin-off. Therefore, any financial information in this report for the periods prior to the spin-off does not necessarily reflect what our financial condition, results of operations or cash flows would have been had we been a separate, stand-alone public company prior to our separation from Newcastle. This is primarily a result of the following factors:

- Any financial information in this report for the periods prior to the spin-off does not reflect all of the expenses we incur as a public company;
- The working capital requirements and capital for general corporate purposes for our assets were satisfied prior to the spin-off as part of Newcastle's corporate-wide cash management policies. Following the spin-off, Newcastle does not provide us with funds to finance our working capital or other cash requirements, so we are required to satisfy our liquidity needs by obtaining financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements; and

- Our cost structure, management, financing and business operations following the spin-off are significantly different as a result of operating as an independent public company. These changes result in increased costs, including, but not limited to, fees paid to our Manager, legal, accounting, compliance and other costs associated with being a public company with equity securities traded on the NYSE.

The value of our investments in Excess MSRs and servicer advances is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results.

When we invest in Excess MSRs and servicer advances, we base the price we pay and the rate of amortization of those assets on, among other things, our projection of the cash flows from the related pool of mortgage loans. We record Excess MSRs and servicer advances on our balance sheet at fair value, and we measure their fair value on a recurring basis. Our projections of the cash flow from Excess MSRs and servicer advances, and the determination of the fair value of Excess MSRs and servicer advances, are based on assumptions about various factors, including, but not limited to:

- rates of prepayment and repayment of the underlying mortgage loans;
- interest rates;
- rates of delinquencies and defaults; and
- recapture rates (in the case of Excess MSRs only) and the amount and timing of servicer advances (in the case of servicer advances only).

Our assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values for such assets, 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 Excess MSRs and servicer advances may be materially different than the fair values of such assets as reflected in our condensed consolidated statement of financial position as of any particular date.

When mortgage loans underlying our Excess MSRs are prepaid as a result of a refinancing or otherwise, the related cash flows payable to us cease (unless the loans are recaptured by the related servicer upon a refinancing). Borrowers under residential mortgage loans are generally permitted to prepay their loans at any time without penalty. Our expectation of prepayment speeds is a significant assumption underlying our cash flow projections. Prepayment speed 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 Excess MSRs 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 speeds could materially reduce the ultimate cash flows we receive from Excess MSRs, and we could ultimately receive substantially less than what we paid for such assets. Consequently, the price we pay to acquire Excess MSRs may prove to be too high.

The values of Excess MSRs and our servicer advances are highly sensitive to changes in interest rates. Historically, the value of MSRs, which underpin the value of our Excess MSRs and servicer advances, has increased when interest rates rise and decreased when interest rates decline due to the effect of changes in interest rates on prepayment speeds. However, prepayment speeds could increase in spite of the current interest rate environment, as a result of a general economic recovery or other factors, which would reduce the value of our interests in MSRs.

Moreover, delinquency rates have a significant impact on the value of Excess MSRs. When delinquent loans are resolved through foreclosure (or repurchased by the GSEs), the UPB of such 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 Excess MSR or basic fee, cease. An increase in delinquencies will generally result in lower revenue because typically we will only collect on our Excess MSRs 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. If delinquencies are significantly greater than expected, the estimated fair value of the Excess MSRs and servicer advances 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 "recapture agreements" whereby we receive a new Excess MSR with respect to a loan that was originated by the servicer and used to repay a loan underlying an Excess MSR that we previously acquired from that same servicer. In lieu of receiving an Excess MSR with respect to the loan used to repay a prior loan, the servicer may supply a similar Excess MSR. We believe that recapture agreements will mitigate the impact on our returns in the event of a rise in voluntary prepayment rates. There are no assurances, however, that servicers will enter into recapture agreements with us in connection with any future investment in Excess MSRs.

If the 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 Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for each of our current recapture agreements is stated in the table in Note 12 to our Condensed Consolidated Financial Statements included herein. 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, together with certain third-party investors, to purchase from Nationstar 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 (including Nationstar) 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 mortgage loan (including liquidation, insurance and condemnation proceeds) or, if the related servicing agreement provided for a “general collections backstop”, from collections on other mortgage loans to which such servicing agreement relates. The rate and timing of payments on the servicer advances and the 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 mortgage loan, while others are also reimbursable out of principal and interest collections with respect to all mortgage loans serviced under the related servicing agreement, and as a consequence, the timing of such reimbursement is highly uncertain);
- the length of time necessary to obtain liquidation proceeds may be affected by conditions in the real estate market or the financial markets generally, the availability of financing for the acquisition of the real estate and other factors, including, but not limited to, government intervention;
- the length of time necessary to effect a foreclosure may be affected by variations in the laws of the particular jurisdiction in which the related mortgaged property is located, including whether or not foreclosure requires judicial action;
- the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of servicer advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and
- the ability of the related servicer to sell delinquent mortgage loans to third parties prior to liquidation, resulting in the early reimbursement of outstanding unreimbursed servicer advances in respect of such 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 mortgage loan defaults or becomes delinquent, the repayment of the advance may be delayed until the 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 mortgage loans unless the servicer determines in good faith that the servicer advance would not be ultimately recoverable from the proceeds of the related mortgage loan, mortgaged property or mortgagor. In many cases, if the servicer determines that a servicer advance previously made would not be recoverable from these sources, the servicer is entitled to withdraw funds from the related custodial account in respect of payments on the related pool of serviced mortgages to reimburse the related servicer advance. This is what is often referred to as a "general collections backstop." The timing of when a servicer may utilize a general collections backstop can vary (some contracts require actual liquidation of the related loan first, while others do not), and contracts vary in terms of the types of servicer advances for which reimbursement from

a general collections backstop is available. Accordingly, a servicer may not ultimately be reimbursed if both (i) the payments from related loan, property or mortgagor payments are insufficient for reimbursement, and (ii) a general collections backstop is not available or is insufficient. Also, if a servicer improperly makes a servicer advance, it would not be entitled to reimbursement. Historically, according to information made available to us, Nationstar and Ocwen have each recovered more than 99% of the advances that they have made. While we do not expect recovery rates to vary materially during the term of our investments, there can be no assurance regarding future recovery rates related to our portfolio.

We rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance.

The value of our investments in Excess MSRs, servicer advances and Non-Agency RMBS 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, or Pooling and Servicing Agreements in the case of private-label securities (collectively, the “Servicing Guidelines”). Our investment in Excess MSRs is subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or a majority of the bondholders of a residential mortgage backed securitization). Under the GSE Servicing Guidelines, the servicer may be terminated by the applicable GSE for any reason, “with” or “without” cause, for all or any portion of the loans being serviced for such GSE. In the event mortgage owners (or bondholders) terminate the servicer, the related Excess MSRs 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 Excess MSRs will be extinguished and our investment in such Excess MSRs 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 mortgage loans while assuming responsibility for the origination and prior servicing of the mortgage loans. In addition, any payment received from a successor servicer will be applied first to pay the GSE for all of its claims and costs, including claims and costs against the servicer that do not relate to the mortgage loans for which we own the Excess MSRs. A termination could also result in an event of default under our financings for servicer advances. 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 and Ocwen are the servicers of most of the loans underlying our investments in Excess MSRs and servicer advances, and Nationstar is 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 and Springleaf, and are subject to other counterparty concentration and default risks.” As a result, we could be materially and adversely affected if Nationstar, Ocwen 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;
- a GSE’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, in connection with Nationstar's recent growth, certain operational issues, and certain alleged recent complaints from certain New York consumers. Other servicers, including Ocwen, 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" for more information on heightened regulatory scrutiny of Ocwen.

Loss mitigation techniques are intended to reduce the probability that borrowers will default on their loans and to minimize losses when defaults occur, and they may include the modification of mortgage loan rates, principal balances and maturities. If any of our servicers or subservicers fails to adequately perform its loss mitigation obligations, we could be required to purchase servicer advances in excess of those that we might otherwise have had to purchase, and the time period for collecting servicer advances may extend. Any increase in servicer advances or material increase in the time to resolution of a defaulted loan could result in increased capital requirements and financing costs for us and our co-investors and could adversely affect our liquidity and net income. In the event that Nationstar is required by the applicable Servicing Guidelines to make advances in excess of amounts that we or the co-investors is willing or able to fund, Nationstar 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 Nationstar. 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 mortgage loan, which could cause us to suffer losses.

Favorable ratings from third-party rating agencies such as Standard & Poor’s, Moody’s and 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 Excess 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.

In addition, a bankruptcy by any mortgage servicer that services the mortgage loans underlying our Excess MSRs 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 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.”

Ocwen has been and is subject to certain federal and state regulatory matters.

Ocwen has publicly 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, 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 regard 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. If Ocwen fails to fulfill its $2.0 billion commitment before the deadline,

Ocwen will be required to pay a cash penalty in an amount equal to the unmet commitment amount, unless the parties to the settlement negotiate an extension or other modification of the terms of the commitment.

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 twelve 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 MSRs.

On January 23, 2015, Ocwen announced that it had reached a settlement with the California Department of Business Oversight (the "CA DBO") in relation to an administrative action dated October 3, 2014 in California. According to Ocwen's disclosure, the key elements of the settlement are as follows:

- Payment of $2.5 million;
- Engagement of an independent auditor to assess Ocwen's compliance with laws and regulations impacting California' borrowers for a period of at least two years; and
- Prevention of Ocwen from acquiring additional MSRs for loans secured in the State of California until the CA DBO is satisfied that Ocwen can satisfactorily respond to the requests for information and documentation made in the course of a regulatory exam.

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.

We have significant counterparty concentration risk in Nationstar, Ocwen and Springleaf, 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.

Prior to the HLSS Acquisition, all of our co-investments in Excess MSRs and servicer advances related to loans serviced by Nationstar. If Nationstar is terminated as the servicer of some or all of these portfolios, or in the event that it files for bankruptcy, our expected returns on these investments would be severely impacted. In addition, the vast majority of the loans underlying our Non-Agency RMBS are serviced by Nationstar. We closely monitor Nationstar's

mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with Nationstar that enable us to monitor Nationstar's financial and operating performance and credit quality, which we periodically evaluate and discuss with Nationstar's management.

However, we have no direct ability to influence Nationstar's performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of a Nationstar servicing agreement.

Furthermore, Nationstar is subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions, 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, in connection with Nationstar's recent growth, certain operational issues, and certain alleged recent complaints from certain New York consumers.

Nationstar has no 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 other than Nationstar from which to acquire 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 Nationstar (or any other applicable servicer or subservicer) breaches any of its obligations under the related servicing agreements, including, without limitation, any failure of Nationstar (or any other applicable servicer or subservicer) to perform its servicing and advancing functions in accordance with the terms of such servicing agreements. If Nationstar (or any other 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 to Nationstar, Ocwen 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). 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, cross-default to other Ocwen indebtedness, Ocwen insolvency, Ocwen change of control and/or Ocwen judgment default) 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 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;

- If Ocwen fails to ensure its servicer advances comply with the terms of its 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 the HSART facility, including the allegations of certain events of default related to the Ocwen servicer downgrade and other regulatory matters by BlueMountain. See “—Failure to favorably resolve alleged events of default by BlueMountain may have a material adverse effect on our business, financial condition, liquidity and results of operations.”

In addition, the consumer loans in which we have invested are serviced by Springleaf. If Springleaf is terminated as the servicer of some or all of these portfolios, or in the event that it files for bankruptcy, 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 (such as Lehman Brothers) 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.

A bankruptcy of any of our mortgage servicers could materially and adversely affect us.

If Nationstar, Ocwen 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.

A sale of Excess MSRs, 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 Excess MSRs, servicer advances and any other asset transferred pursuant to a related purchase agreement, including loans, constitutes a sale of such assets, in which case such assets would not be part of such servicer's bankruptcy estate. The servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or any other party in interest, however, might assert in a bankruptcy proceeding that Excess MSRs, servicer advances or any other assets transferred to us pursuant to the related purchase agreement were not sold to us but were instead pledged to us as security for such servicer's obligation to repay amounts paid by us to the servicer pursuant to the related purchase agreement. If such assertion were successful, all or part of the Excess MSRs, servicer advances or any other asset transferred to us pursuant to the related purchase agreement would constitute property of the bankruptcy estate of such servicer, and our rights against the servicer 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 Excess MSRs, servicer advances or other assets could be challenged in a bankruptcy proceeding of such servicer.

If the purchases pursuant to the related purchase agreement are recharacterized as secured financings as set forth above, we nevertheless created and perfected security interests with respect to the Excess MSRs, 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, our security interests may be challenged and ruled unenforceable, ineffective or subordinated by a bankruptcy court. If this were to occur, then the servicer's obligations to us with respect to purchased Excess MSRs, servicer advances and other assets would be deemed unsecured obligations, payable from unencumbered assets to be shared

among all of such servicer's unsecured creditors. In addition, even if the security interests are found to be valid and enforceable, if a bankruptcy court determines that the value of the collateral is less than such servicer's underlying obligations to us, the difference between such value and the total amount of such obligations will be deemed an unsecured "deficiency" claim and the same result will occur with respect to such unsecured claim. In addition, even if the security interest is found to be valid and enforceable, such servicer would have the right to use the proceeds of our collateral subject to either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under U.S. bankruptcy laws. Such servicer also would have the ability to confirm a chapter 11 plan over our objections if the plan complied with the "cramdown" requirements under U.S. bankruptcy laws.

Payments made by a servicer to us could be voided by a court under federal or state preference laws.

If one of our mortgage servicers were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, and our security interest is declared unenforceable, ineffective or subordinated, payments previously made by a servicer to us pursuant to the related purchase agreement may be recoverable on behalf of the bankruptcy estate as preferential transfers. A payment could constitute a preferential transfer if a court were to find that the payment was a transfer of an interest of property of such servicer that:

- Was made to or for the benefit of a creditor;
- Was for or on account of an antecedent debt owed by such servicer before that transfer was made;
- Was made while such servicer was insolvent (a company is presumed to have been insolvent on and during the 90 days preceding the date the company's bankruptcy petition was filed);
- Was made on or within 90 days (or if we are determined to be a statutory insider, on or within one year) before such servicer's bankruptcy filing;
- Permitted us to receive more than we would have received in a chapter 7 liquidation case of such servicer under U.S. bankruptcy laws; and
- Was a payment as to which none of the statutory defenses to a preference action apply.

If the court were to determine that any payments were avoidable as preferential transfers, we would be required to return such payments to such servicer's bankruptcy estate and would have an unsecured claim against such servicer with respect to such returned amounts.

Payments made to us by such servicer, or obligations incurred by it, could be voided by a court under federal or state fraudulent conveyance laws.

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or another party in interest could also claim that such servicer's transfer to us of Excess MSRs, 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, Ocwen (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 Excess MSRs, servicer advances or other assets, including loans, could be rejected in a bankruptcy proceeding of one of our mortgage servicers.

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding) or a bankruptcy trustee appointed in such servicer’s bankruptcy proceeding could seek to reject the related purchase agreement and thereby terminate such servicer’s obligation to service the Excess MSRs, 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 for any damages from the rejection.

A bankruptcy court could stay a transfer of servicing to another servicer.

Our ability 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.

The Subservicing Agreement could be rejected in a bankruptcy proceeding.

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, 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 Excess MSRs, 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 were to file or to become the subject of a bankruptcy proceeding under the United States Bankruptcy Code, such servicer could be terminated as servicer (with bankruptcy court approval) or could discontinue servicing, in which case there is no assurance that we would be able to continue receiving payments and transfers in respect of the Excess MSRs, servicer advances and other assets purchased under the related purchase agreement. Even if we were able to obtain the servicing rights, 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.

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 Excess MSRs, 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. In addition, the HSART facility has cross default provisions to Ocwen's senior secured term facility, and an event of default may occur under Ocwen's senior secured debt facility.

A bankruptcy of any of our servicers defaults our advance financing facilities and negatively impacts our ability to continue to purchase servicer advances.

If any of our servicers were to file or to become the subject of a bankruptcy proceeding, it will result in an event of default under certain of our advance financing facilities that would terminate the revolving period of such facilities. In this scenario, our advance financing facilities would not have the ability to continue funding the purchase of servicer advances under the related purchase agreement. Notwithstanding this inability to fund, such servicer may try to force us to continue making such purchases. If it is determined that we are in breach of our obligation to purchase servicer advances, any claims that we may have against such servicer may be subject to offset against claims such servicer may have against us by reason of this breach.

GSE initiatives and other actions may adversely affect returns from investments in Excess MSRs.

On January 17, 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 the GSEs, including 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 MSRs 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 Excess MSRs 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 Excess MSRs 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 Excess MSRs. 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 Excess MSRs and servicer advances may involve complex or novel structures.

Investments in Excess MSRs and servicer advances are 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 Excess MSRs on Agency pools, GSEs may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in Excess MSRs on Agency pools. GSE conditions may diminish or eliminate the investment potential of Excess MSRs on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from Excess MSRs on Agency pools.

It is possible that a GSE’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. A GSE’s evolving posture toward an acquisition or disposition structure through which we invest in or dispose of Excess MSRs on Agency pools may cause such GSE to impose new conditions on our existing investments in Excess MSRs on Agency pools, including the owner’s ability to hold such Excess MSRs 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 MSRs 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.

We do not have legal ownership of our acquired mortgage servicing rights.

We do not have legal ownership of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire advances, and are subject to increased risks as a result of the 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.

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.

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 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 Excess MSRs and servicer advances are new types of transaction, 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 Excess MSRs or servicer advances. There is some risk that we will be required to dispose of 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 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 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 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;
- 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 speeds, delinquency rates and legislative/regulatory changes with respect to our investments in Excess MSRs, 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.

Changes in these factors are difficult to predict, and a change in one factor can affect other factors. For example, during 2007, 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. These conditions worsened during 2008, and intensified meaningfully during the fourth quarter of 2008 as a result of the global credit and liquidity crisis, resulting in extraordinarily challenging market conditions. Since then, market conditions have generally improved, but they could

deteriorate in the future as a result of a variety of factors beyond our control.

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 Excess MSRs, servicer advances, Non-Agency RMBS and consumer loans, exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased energy costs; unemployment; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; and changes in interest rates.

As of June 30, 2015, 24.0% of the total UPB of the residential mortgage loans underlying our Excess MSRs was secured by properties located in California and 8.9% was secured by properties located in Florida. As of June 30, 2015, 34.7% of the collateral securing our Non-Agency RMBS was located in the Western U.S., 25.5% was located in the Southeastern U.S., 18.8% was located in the Northeastern U.S., 9.8% was located in the Midwestern U.S. and 11.0% was located in the Southwestern U.S. We were unable to obtain geographical information for 0.2% of the collateral. 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 increased 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 Excess MSRs, servicer advances and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so-called “robo signing”), inadequate

documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Justice Department and 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 and our other servicers, advances on certain loan pools. While a 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 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 are critical to the value of the mortgage loan portfolios underlying our Excess MSRs, 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 Excess MSRs, servicer advances and RMBS.

While we believe that the sellers and servicers would be in violation of their servicing contracts to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have

an adverse impact on our results of operations, cash flows and financial condition.

A failure by any or all of the members of Buyer to make capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

Buyer has agreed to purchase all future arising servicing 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 servicing 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, which could adversely affect our ability to realize gains on the sale of such investments.

Real estate related securities are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark.

Fixed rate securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities are valued based on a market credit spread over LIBOR and are affected similarly by changes in LIBOR spreads. As of June 30, 2015, 68.3% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 31.7% consisted of fixed rate securities, and 22.2% of our Agency RMBS portfolio consisted of floating rate securities and 77.8% 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. During 2008 through the first quarter of 2009, credit spreads widened substantially. 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 mortgage loans underlying our real estate related securities may adversely affect our profitability.

In general, the 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 mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such securities. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on the real estate related security may reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on the real estate related security may reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated.

Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments

received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of our real estate related securities may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates.

With respect to Agency RMBS, we intend to purchase securities that have a higher 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 will 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 will have to amortize our premiums on an accelerated 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 on our real estate related securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities.

Our investments in RMBS may be subject to significant impairment charges, which would adversely affect our results of operations.

We will be required to periodically evaluate our investments for impairment indicators. The value of an investment is impaired when our analysis indicates that, with respect to a security, it is probable that the value of the security is other than temporarily impaired. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders.

The lenders under our repurchase agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our investments in RMBS with repurchase agreements, which are short-term financing arrangements. Under the terms of these agreements, we will sell a security to a counterparty for a specified price and concurrently agree to repurchase the same security from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement—which can be as short as 30 days—the counterparty will make funds available to us and hold the security as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we will be required to repurchase the security for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying interest to the counterparty in return for extending financing to us. If we want to continue to finance the security with a repurchase agreement, we ask the counterparty to extend-or "roll"-the repurchase agreement for another term.

Our counterparties are not required to roll our repurchase agreements upon the expiration of their stated terms, which subjects us to a number of risks. Counterparties electing to roll our repurchase agreements may charge higher spread and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a repurchase agreement counterparty elects not to extend our financing, we would be required to pay the counterparty the full repurchase price on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. If we were unable to pay the repurchase price for any security financed with a repurchase agreement, the counterparty has the right to sell the underlying security being held as collateral and require us to compensate it for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). As of June 30, 2015, we had outstanding repurchase agreements with an aggregate face amount of approximately $659.6 million to finance Non-Agency RMBS and approximately $1.2 billion to finance Agency RMBS and related trade receivables. 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 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 dated, which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the servicer advances pledged as collateral.

As of June 30, 2015, certain of the notes issued under our structured servicer advance financing arrangements accrued interest at a floating rate of interest. Servicer advances are non-interest bearing assets. Accordingly, if there is an increase in prevailing interest rates and/or our financing sources increase the interest rate “margins” or “spreads.” the amount of financing that we could obtain against any particular pool of servicer advances may decrease substantially and/or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements.

Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured servicer advance financing arrangements are currently with a limited number of sources. 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 Excess MSRs 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. In addition, it may be particularly challenging to securitize our investments in consumer loans, given that consumer loans are generally riskier than mortgage financing. 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 no established market for financing of investments in Excess MSRs, 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 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 and a partial or total loss of our investment in servicer advances and Excess MSRs.

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.

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 real estate 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 underlying our investments 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 underlying our investments 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 real estate 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 Act (which, among other things, established the Consumer Financial Protection Bureau 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 underlying our investments, 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 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. We currently do not hold any 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. 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 may form 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 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.

Certain 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 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 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 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 our earnings. 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 (the "40% test"). For purposes of the foregoing, we currently treat our interests in our TRSs that hold our 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 our TRSs that hold our 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"). The Section 3(c)(5)(C) exclusion is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries' assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries' assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify some of our

subsidiaries' assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess 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 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 MSRs that prefer to sell MSRs 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 and our other servicers may be unwilling or unable

to act as servicer or subservicer on any acquisitions of Excess MSRs or servicer advances we want to execute. The complexity of these transactions and the additional costs incurred by us if we were to execute future acquisitions of this type could adversely affect our future operating results.

The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market.

There is not anticipated to be an active market for most of the assets in which we will invest. In the absence of market comparisons, we will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price assets may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be

determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset as carried on our books.

Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

As has been widely publicized, the SEC, the Financial Accounting Standards Board (the "FASB") and other regulatory bodies that establish the accounting rules applicable to us have recently proposed or enacted a wide array of changes to accounting rules. Moreover, in the future these regulators may propose additional changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition.

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations.

We believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values, as was the case in 2008. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on the loans underlying our securities, Excess MSRs and servicer advances, if the real estate economy weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our securities in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders.

Compliance with changing regulation of corporate governance and public disclosure has and will continue to result in increased compliance costs and pose challenges for our management team.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us and, more generally, the financial services and mortgage industries. Additionally, we cannot predict whether there will be additional proposed laws or reforms that would affect us, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such changes may affect us. However, the costs of complying with any additional laws or regulations could have a material effect on our financial condition and results of operations.

Stockholder or other litigation against HLSS and/or us could result in the payment of damages and/or may materially and adversely affect our business, financial condition, results of operations and liquidity.

Transactions such as the HLSS Acquisition often give rise to lawsuits by stockholders or other third parties. Stockholders may, among other things, assert claims relating to the parties' mutual agreement to terminate the 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 entitled Chester County Employees' Retirement Fund v. New Residential Investment Corp., C.A. No. 11058-VCP (Del. Ch.) filed May 22, 2015. The lawsuit names the Company, its directors, our Manager, Fortress, and HLSS and alleges breaches of fiduciary duties by the Company's directors, our Manager, and Fortress in connection with the HLSS Acquisition and for allegedly releasing claims of the Company's stockholders related to the termination of the Initial Merger Agreement. In addition, the lawsuit also alleges that all defendants violated Section 312 of the NYSE Listed Company Manual for allegedly issuing stock equal to or in excess of 20% of the Company without a vote of the Company's stockholders. The Complaint seeks declaratory relief, equitable relief, and damages. All defendants have filed motions to dismiss the Complaint. The Company intends to vigorously defend against the lawsuit.

Failure to complete the New Merger may materially and adversely affect our financial condition, results of operations, cash flow and our expected benefits from the HLSS Acquisition.

The completion of the New Merger with HLSS, is subject to the approval of the holders of a majority of HLSS's ordinary shares outstanding at the time, and HLSS filed a preliminary proxy statement on May 1, 2015 in connection with the New Merger. Any delay of or failure to complete such merger may materially and adversely affect our business, financial condition, results of operations or cash flows, as we have agreed with HLSS to be responsible for certain post-closing expenses and liabilities. If the New Merger is not completed, HLSS may remain in existence for a significant period of time and our reimbursement obligations may be significant, which may adversely affect the expected benefits from the HLSS Acquisition.

We may be unable to successfully integrate the acquired assets and assumed liabilities.

Achieving the anticipated benefits of the HLSS Acquisition is subject to a number of uncertainties, including, without limitation, whether we are able to integrate HLSS's assets and manage the assumed liabilities efficiently. HLSS depends on Ocwen for significant accounting and operational support, which could exacerbate the difficulties associated with acquiring these assets and impair our ability to produce accurate financial information on a timely basis, as required by the SEC. It is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees, 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 the HLSS Acquisition. 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 or HLSS conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or HLSS conduct business. We could also be adversely affected by any issues attributable to either company's operations that arise or are based on events or actions that occurred prior to the closing of the HLSS Acquisition. 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.

HLSS does not own any significant assets other than cash, and we are responsible for certain of HLSS's contingent and other corporate liabilities.

Following the HLSS Acquisition, HLSS does not own any significant assets. Stockholders and other third parties that otherwise would have filed lawsuits against HLSS are likely to file lawsuits against us. These lawsuits could result in substantial costs, and the defense or settlement of any lawsuits or claims may materially and adversely affect our business, financial condition, results of operations and cash flows. In addition, we may face a claim that the transfer of assets in the HLSS Acquisition violated a fraudulent transfer law.

Under the Acquisition Agreement, we have assumed and are responsible for the payment of HLSS's contingent and other corporate liabilities of: (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 September 15, 2014, HLSS received a subpoena from the SEC requesting that it provide certain information related to its prior accounting conventions for and valuation of its Notes Receivable-Rights to MSRs, changes to which prior accounting conventions resulted in the restatement in August 2014 of its consolidated financial statements for the years ended December 31, 2013 and 2012 and for the quarter ended March 31, 2014. On December 22, 2014, HLSS received a subpoena from the SEC requesting that it provide information related to certain governance documents and transactions and certain communications in respect of the same. We are cooperating with the SEC in these matters.

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.

Two shareholder derivative actions have been filed purportedly on behalf of Ocwen naming as defendants HLSS and certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, entitled (i) Sokolowski v. Erbey, et al., No. 9:14-CV-81601 (S.D. Fla.), filed on December 24, 2014 (the "Sokolowski Action"), and (ii) Moncavage v. Faris, et al., No. 2015CA003244 (Fla. Palm Beach Cty. Ct.), filed on March 20, 2015 (collectively, with the Sokolowski Action, the "Ocwen Derivative Actions"). The original complaint in the Sokolowski Action named as defendants certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey. On February 11, 2015, plaintiff in the Sokolowski Action filed an amended complaint naming additional defendants, including HLSS. The Ocwen Derivative Actions assert a cause of action for aiding and abetting certain alleged breaches of fiduciary duty under Florida law against HLSS and others, and claim that HLSS (i) substantially assisted Ocwen's alleged wrongful conduct by purchasing Ocwen's MSRs and (ii) received improper benefits as a result of its business dealings with Ocwen due to Mr. Erbey's purported control over both HLSS and Ocwen. Additionally, the Sokolowski Action asserts a cause of action for unjust enrichment against HLSS and others. We intend to vigorously defend these lawsuits.

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 "New York Action." On April 28, 2015, lead plaintiff, lead counsel and liaison counsel were appointed in the New York Action. On July 17, 2015, lead plaintiffs filed a consolidated class action complaint.

The New York 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 New York Action asserts causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 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 New York Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. We intend to vigorously defend the New York Action.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled Rattner v. Van Vlack, et al., No. 2015CA002833 (Fla. Palm Beach Cty. Ct.) (the "HLSS Derivative Action"). The lawsuit names as defendants HLSS directors John P. Van Vlack, Robert J. McGinnis, Kerry Kennedy, Richard J. Lochrie, and David B. Reiner (collectively, the "Director Defendants"), New Residential Investment Corp., and Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS's shareholders, (ii) included unfair deal protection devices,

and (iii) was the result of an inadequate process due to conflicts of interest. On July 8, 2015, the complaint was voluntarily dismissed without prejudice.

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 MSRs 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, as outlined in its periodic reports filed with the SEC, 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. Ocwen disclosed in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 that it received a subpoena from the SEC "requesting production of various documents relating to its business dealings from Altisource Portfolio Solutions, S.A., HLSS, Altisource Asset Management Corporation and Altisource Residential Corporation and the interests of its directors and executive officers in these companies." Ocwen subsequently disclosed in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 that it received an additional subpoena from the SEC related to an amendment to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. Ocwen subsequently disclosed in its Annual Report on Form 10-K for the year ended December 31, 2014 that it received a further subpoena from the SEC requesting certain documents related to Ocwen's agreement with Southwest Business Corporation and related to former HLSS and Ocwen Chairman William C. Erbey's approvals for specifically enumerated board actions, and that it received a letter from the SEC staff dated February 10, 2015 informing it that the SEC was conducting an investigation relating to mortgage loan servicer use of collection agents and requesting voluntary production of documents and information. Adverse developments at Ocwen, including liquidity issues, ratings downgrades, defaults under debt agreements, servicer rating downgrades, failure to comply with the terms of PSAs, termination under PSAs, Ocwen bankruptcy proceedings and additional regulatory issues and settlements, 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."

HLSS failed to timely file its Annual Report on Form 10-K for the year ended December 31, 2014.

On March 3, 2015, HLSS filed a Form 12b-25 with the SEC, stating that HLSS required additional time to complete its Annual Report in order to complete an assessment of recent events related to HLSS's business and determine the impact on HLSS's financial statements and related disclosures. In this filing, HLSS also stated that it expected to file the Annual Report within the fifteen (15) day extension period under Rule 12b-25(b)(ii) of the Exchange Act, or by March 18, 2015. HLSS filed its Annual Report on Form 10-K for the year ended December 31, 2014 on April 6, 2015.

On March 18, 2015, HLSS filed a Current Report on Form 8-K with the SEC that disclosed that HLSS would need additional time to complete its Annual Report "to prepare information relating to its ability to operate as a going concern." Also on March 18, 2015, The Nasdaq Stock Market LLC notified HLSS that it was no longer in compliance with Nasdaq Listing Rule 5250(c)(1) for continued listing because of the failure to timely file its Annual Report, and HLSS was given until May 18, 2015 to submit a plan to regain compliance. On April 20, 2015, HLSS filed a Current Report on Form 8-K with the SEC that disclosed that HLSS had received a letter from The NASDAQ Stock Market LLC notifying HLSS that it would be delisted pursuant to Listing Rule 5101. HLSS did not appeal this decision and was delisted on April 29, 2015.

On March 20, 2015, HLSS entered into an amendment to its term loan in order to extend to April 10, 2015 the deadline thereunder for HLSS to furnish its annual financial statements, and to amend certain terms of the cross-default to HLSS's advance financing facilities. In addition, consent was granted thereunder to permit certain amendments to the Ocwen Subservicing Agreement.

We cannot guarantee that we will not receive further inquiries or be subject to litigation regarding HLSS's failure to timely file its Annual Report on Form 10-K for the year ended December 31, 2014 or that any future inquiries or litigation will not consume internal resources, result in significant legal and consulting costs or negatively impact our stock price.

Failure to favorably resolve alleged events of default by BlueMountain may have a material adverse effect on our business, financial condition, liquidity and results of operations.

On January 23, 2015, counsel for BlueMountain Capital Management, LLC ("BlueMountain"), which has represented that it is the investment manager to certain owners of the HSART facility term notes, sent a letter to HLSS Holdings, HLSS Servicing

Advance Receivables Trust (the "HSART Trust"), as issuer and Deutsche Bank National Trust Company (the "Indenture Trustee"), as among other things indenture trustee, alleging certain events of default had occurred and were continuing under the Sixth Amended and Restated Indenture, dated as of January 17, 2014, by and among the HSART Trust, the Indenture Trustee, HLSS Holdings, Ocwen, Wells Fargo Securities, LLC, Barclays Bank PLC and Credit Suisse AG, New York Branch, which governs HLSS's notes issued by the HSART Trust. On February 17, 2015, HLSS Holdings and wholly-owned subsidiary HLSS Servicer Advance Facility Transferor, LLC, the depositor to the HSART Trust (the "Depositor"), entered into an agreement (the "February 2015 HSART Agreement") with the Indenture Trustee whereby the Indenture Trustee agreed not to commence a judicial proceeding regarding the allegations made in the January 23, 2015 BlueMountain letter, during the term of the agreement, which could not be terminated before April 23, 2015. Further, pursuant to the February 2015 HSART Agreement, HLSS Holdings agreed to allow the Indenture Trustee to withhold from distribution certain excess funds that would otherwise be distributable to the Depositor in an amount up to the Interest Accrual Differential (as defined in the February 2015 HSART Agreement) (or similar amount). The effect of this agreement was to increase the amount deposited and held in debt service accounts by approximately $10.5 million per month. The parties subsequently amended the February 2015 HSART Agreement and extended the earliest termination date of such standstill to July 22, 2015. The parties have not agreed to an additional extension, and any party to the February 2015 HSART Agreement may terminate such agreement.

On February 20, 2015, counsel to BlueMountain sent a second letter alleging that additional events of default under the indenture governing notes issued by the HSART Trust had occurred and were continuing since its previous letter on January 23, 2015. On March 24, 2015, counsel to BlueMountain sent a third letter purporting to describe recent events that confirmed BlueMountain's previous allegations of events of default under the indenture. Finally, on June 22, 2015, counsel to BlueMountain sent another letter alleging that Standard and Poor's Rating Services's downgrade of Ocwen confirmed the continuing existence of the previously alleged events of default under the indenture. Counsel to BlueMountain may have sent additional letters of which we are unaware. The defaults alleged by BlueMountain are related to Ocwen servicer downgrades and other regulatory matters described in "Risk Factors—Risks Related to Our Business—Ocwen has been and is subject to certain federal and state regulatory matters." An event of default under the HSART Trust could result in the revolving facilities within HSART Trust to cease revolving, which would impact HLSS's ability to meet its obligation to purchase advances from Ocwen.

Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under the HSART 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 HSART facility or the existing "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 HSART and HSART II facilities 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 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 fee 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.
According to Ocwen’s public disclosure, on April 28, 2014, Ocwen received a letter from the staff of the New York Regional Office of the SEC informing Ocwen that the SEC was conducting an investigation relating to Ocwen and making a request for voluntary production of documents and information relating to the April 22, 2014 surrender of certain options to purchase its common stock by Mr. Erbey, its former

Executive Chairman, including the 2007 Equity Incentive Plan and the related option grant and surrender documents. On June 12, 2014, Ocwen received a subpoena from the SEC requesting production of various documents relating to its business dealings with HLSS, Altisource, Altisource Asset Management Corporation and Altisource Residential Corporation and the interests of its directors and executive officers in these companies. Ocwen has also disclosed that it received an additional subpoena from the SEC related to its amendments to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. Ocwen subsequently disclosed in its Annual Report on Form 10-K for the year ended December 31, 2014 that it received a further subpoena from the SEC requesting certain documents related to Ocwen's agreement with Southwest Business Corporation and related to former HLSS and Ocwen Chairman William C. Erbey's approvals for specifically enumerated board actions, and that it received a letter from the SEC staff dated February 10, 2015 informing it that the SEC was conducting an investigation relating to mortgage loan servicer use of collection agents and requesting voluntary production of documents and information.

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 MSRs. 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 Purchase Agreement. Ocwen could be subject to further terminations as a result of its failure to maintain required minimum servicer ratings, which could have an adverse effect on our business, financing activities, financial condition and results of operations.

On January 23, 2015, Gibbs & Bruns LLP, on behalf of its clients, issued a press release regarding the notices of nonperformance provided to various trustees in relation to Ocwen's servicing practices under 119 residential mortgage-backed securities trusts. Of these transactions, 90 relate to agreements for MSRs related to the transactions contemplated by the Purchase Agreement. It is possible that Ocwen could be terminated for other servicing agreements related to such MSRs.

On January 29, 2015, Moody's downgraded Ocwen's SQ assessment from SQ3+ to SQ3- as a primary servicer of subprime residential loans and as a special servicer of residential mortgage loans. During February 2015, Fitch Ratings downgraded Ocwen's residential primary servicer rating for subprime products from "RPS3" to "RPS4," and Morningstar downgraded its rating 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."

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 mortgage loans.

HLSS and its subsidiaries acquired by us in the HLSS Acquisition contracted with third parties for the servicing of the mortgage loans in its 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 GNMA 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 GNMA 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 their claim for recourse, it could adversely affect the availability of financing under loan financing facilities or otherwise adversely impact our results of operations and liquidity. From time to time we sell residential mortgage loans pursuant to loan sale agreements. The risks describe in this paragraph relate to any such sale as well.

Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.

Certain servicing contracts permit more than one party to exercise a cleanup call-meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which our servicers acquired MSRs) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Furthermore, certain servicing contracts provide cleanup call rights to a servicer currently subject to bankruptcy proceedings from which our servicers have acquired MSRs. 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.

We may form a captive insurance subsidiary, which we expect will apply for membership in a regional Federal Home Loan Bank ("FHLB"). If membership in the FHLB is granted, we will be exposed to a number of new risks.

We may form a captive insurance subsidiary, which we expect will apply for membership in a regional Federal Home Loan Bank. There are 11 regional FHLBs that provide long-term and short-term secured loans, called "advances," to their members. FHLB members may use a variety of real estate related assets, including RMBS and residential mortgage loans, as collateral for advances.

Membership in the FHLB would permit our captive insurance subsidiary to access a variety of products and services offered by the FHLB and obligate our captive insurance subsidiary to purchase membership stock and activity stock, the latter being a percentage of the advances it obtains from the FHLB. We expect our captive insurance subsidiary will seek advances of both short- and long-term indebtedness from the FHLB.

If we form a captive insurance subsidiary and our captive insurance subsidiary becomes a member in the FHLB, our captive insurance company will be exposed to new risks, and will be subject to new regulation, including, but not limited to, regulations which may limit such subsidiary's ability to make dividends and require us to maintain certain minimum net capital. Violation of these new regulations can result in revocation of its authorization to do business as a captive insurer or result in censures or fines. Under certain circumstances, regulatory actions (such as new rulemakings) impacting the captive could result in limitations on the ability of our captive subsidiary to borrow from the FHLB, or termination of its membership in the FHLB, and thereby impact the FHLB's availability as a source of financing for our operations.

Additionally, if our captive insurance subsidiary's membership is not granted, or is granted but then terminated, we may be at a competitive disadvantage vis-à- vis our competitors with captive insurance company members of a Federal Home Loan Bank and therefore have access to long-term funding with which to acquire their target assets.

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 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.

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 Newcastle, Nationstar and Springleaf—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 Newcastle. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress, including Newcastle, 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. As of June 30, 2015, Fortress has two funds primarily focused on investing in Excess MSRs with approximately $1.6 billion in capital commitments in aggregate. We intend to co-invest with these funds in Excess MSRs. We have broad investment guidelines, and we may co-invest with Fortress funds or portfolio companies of private equity funds managed by our Manager (or an affiliate thereof) in a variety of investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund. Fortress had approximately $72.0 billion of assets under management as of June 30, 2015.

Our Management Agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives. Our Manager intends to engage in additional real estate related management and real estate and other investment opportunities in the future, which may compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge

of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of New Residential and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage (subject to our investment guidelines) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, including Newcastle, Nationstar, Springleaf and Holiday which may include, but are not limited to, certain financing arrangements, purchases of debt, co-investments in Excess MSRs, consumer loans, servicer advances, senior housing 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 twelve-month period preceding such termination. In addition, following any termination of the Management Agreement, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their fair market value (as determined by an

appraisal, taking into account, among other things, the expected future value of the underlying investments) or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Our directors have approved broad investment guidelines for our Manager and do not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager is authorized to follow broad investment guidelines. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our directors will periodically review our investment guidelines and our investment portfolio. However, our board does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, the directors rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are

reviewed by the directors even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short or long-term basis. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions and changes in market conditions may therefore result in changes in the investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity, results of operations or financial condition. A change in our investment strategy may also increase our exposure to interest rate, foreign currency, real estate market or credit market fluctuations and expose us to new legal and regulatory risks. In addition, a change in our investment strategy may increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations, liquidity and financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our board of directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

The ownership by our executive officers and directors of shares of common stock, options, or other equity awards of Springleaf, 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 Springleaf, Nationstar, and other entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager and own such entities' common stock, options to purchase such entities' common stock or other equity awards. Such ownership may create, or may create the appearance of, conflicts of interest when these directors, officers and other employees are faced with decisions that could have different implications for such entities than they do for us.

Risks Related to the Financial Markets

We do not know what impact the Dodd-Frank Act will have on our business.

On July 21, 2010, the U.S. enacted the Dodd-Frank Act. The Dodd-Frank Act affects almost every aspect of the U.S. financial services industry, including certain aspects of the markets in which we operate. The Dodd-Frank Act imposes new regulations on us and how we conduct our business. For example, the Dodd-Frank Act will impose additional disclosure requirements for public companies and generally require issuers or originators of asset-backed securities to retain at least five percent of the credit risk associated with the securitized assets.

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, once the applicable rules have been finalized, will 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.

Even if certain new requirements 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. Moreover, new exchange-trading and trade reporting requirements may lead to reductions in the liquidity of derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Importantly, many key aspects of the changes imposed by the Dodd-Frank Act will continue to be established by various regulatory bodies and other groups over the next several years. As a result, we do not know how significantly the Dodd-Frank Act will affect us. It is possible that the Dodd-Frank Act could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets.

We do not know what impact certain U.S. government programs intended to stabilize the economy and the financial markets will have on our business.

In recent years, the U.S. government has taken a number of steps to attempt to strengthen the financial markets and U.S. economy, including direct government investments in, and guarantees of, troubled financial institutions as well as government-sponsored programs such as the Term Asset-Backed Securities Loan Facility program and the Public Private Investment Partnership Program. The U.S. government continues to evaluate or implement an array of other measures and programs intended to help improve U.S. financial and market conditions. While conditions appear to have improved relative to the depths of the global financial crisis, it is not clear whether this improvement is real or will last for a significant period of time. It is not clear what impact the government’s future actions to improve financial and market conditions will have on our business. We may not derive any meaningful benefit from these programs in the future. Moreover, if any of our competitors are able to benefit from one or more of these initiatives, they may gain a significant competitive advantage over us.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.

The payments we receive on the Agency Securities 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 Securities.

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 Securities 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 Securities 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 Securities. 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 Securities 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 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. 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 Securities and could, therefore, materially and adversely affect the value of our Agency Securities and our business, operations and financial condition.

Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations.

The U.S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor's consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flow (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage backed securities and Excess 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 trading prices 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 Newcastle fails to qualify as a REIT for its taxable years ending on or before December 31, 2014, and we are treated as a successor to Newcastle for U.S. federal income tax purposes. Although, as described under the heading "Certain Relationships and Transactions with Related Persons, Affiliates and Affiliated Entities" in our Form 10-K for the year ended December 31, 2014 Newcastle has (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 Newcastle's taxable years ending on or before December 31, 2014 (unless Newcastle obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Newcastle'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 Newcastle, there can be no assurance that such damages, if any, would appropriately compensate us. In addition, if Newcastle were to fail to qualify as a REIT despite its reasonable best efforts, we would have no claim against Newcastle.

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 MSRs to qualify as real estate assets or the income from our Excess MSRs 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 MSRs 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 Newcastle have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

Dividends payable to domestic stockholders that are individuals, trusts, and estates are generally taxed at reduced tax rates. Dividends payable by REITs, however, generally are not eligible for the reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non-REIT corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

Based on IRS guidance concerning the classification of Excess MSRs, we intend to treat our Excess MSRs as ownership interests in the interest payments made on the underlying 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 mortgage loans underlying the Excess MSR. If the mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize "phantom income" over the life of an Excess MSR.

Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSRs.

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as "market discount" for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are "significant modifications" under the applicable 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 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 taxable income 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 85% 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 currently hold some of our assets through TRSs, such as our investment in servicer advances and we may contribute other non-qualifying investments, such as our investment in consumer loans, to a TRS. Such subsidiaries 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.

Complying with the REIT requirements may negatively impact our investment returns or cause us to forego 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, forego 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 Excess MSRs, interests in consumer loans, servicer advances and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

Complying with the REIT requirements may limit our ability to hedge effectively.

The existing REIT provisions of the Internal Revenue Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions).

As a result, we may have to limit our use of certain hedging techniques or implement those hedges through TRSs. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U.S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax. See also "—Risks Related to Our Business—Any hedging transactions that we enter into may limit our gains or result in losses."

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; and

- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a real estate mortgage investment conduit ("REMIC"), a portion of the distributions paid to a tax exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally

not be adversely affected by the characterization of a securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income/gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT.

We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test. For a particular taxable year, we would treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75% gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying Agency RMBS. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact-based representations and covenants made by our management regarding such TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a "prohibited transaction" is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or Excess MSRs 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 MSRs 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.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in us. The U.S.

federal income tax rules dealing with REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could affect or cause us to change our investments and commitments and affect the tax considerations of an investment in us.

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, 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;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, we completed a reverse stock split in October 2014. There can be no assurance that the reverse stock split will have the anticipated benefits. For instance, there can be no assurance that the market price per share of our common stock after the reverse stock split will rise in proportion to the reduction in the number of shares of our common stock outstanding before the reverse stock split, or that the reverse stock split will result in a market price per share that will attract brokers and investors who do not trade in lower priced stocks. Additionally, the liquidity of our common stock could be adversely affected by the reduced number of shares resulting from the reverse stock split, which, in turn, could result in greater volatility in the price per share of our common stock. The potential volatility in the price per share of our common stock may also make short-selling more attractive, which could put additional downward pressure on the price of our common stock. Furthermore, the reverse stock split may result in some shareholders owning “odd lots” of less than one hundred shares of our common stock on a post-split basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than shares in “round lots” of even multiples of one hundred shares.

Sales or issuances of shares of our common stock could adversely affect the market price of our common stock.

Sales of substantial amounts of shares of our common stock in the public market, or the perception that such sales 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 in public offerings.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act 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. 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 internal controls were 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 controls 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 our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in our share 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. Our board of directors has approved 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 (“SARs”), 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 15,000,000 shares of our common stock for issuance under the Plan. On the first day of each fiscal year beginning during the ten-year term of the Plan and in and after calendar year 2014, 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 (and, in the case of fiscal year 2013, after the effective date of the Plan). For a more detailed description of the Plan, see “—Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities” in our Form 10-K for the year ended December 31, 2014. In connection with any offering of our common stock, we will issue to our Manager options to purchase 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 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.

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 (including limited partnership interests in our operating partnership), warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Any preferred stock issued by us would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future.

We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including actual results of operations, liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our 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. We cannot assure you that we will 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 affect our business, results of operations, liquidity and financial condition as well as the price of our common stock. No assurance can be given that we will pay any dividends on shares of our common stock in the future.

We may in the future choose to pay dividends in our own stock, in which case you could be required to pay income taxes in excess of the cash dividends you receive.

We may in the future distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend 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 dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the dividend, 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 dividends, including in respect of all or a portion of such dividend 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 dividends, it may put downward pressure on the trading price of our common stock.

It is unclear whether and to what extent we will be able to pay taxable dividends in cash and stock in later years. Moreover, various aspects of such a taxable cash/stock dividend 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 dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/stock dividends 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 share price relative to market interest rates. If the market price of our common

stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our variable 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 trading price of our common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- provisions regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;
- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and
- a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
2.1	Separation and Distribution Agreement dated April 26, 2013, between New Residential Investment Corp. and Newcastle Investment Corp. (incorporated by reference to Amendment No. 6 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 29, 2013)
2.2	Purchase Agreement, among the Sellers listed therein, HSBC Finance Corporation and SpringCastle Acquisition LLC, dated March 5, 2013 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed March 11, 2013)
2.3	Master Servicing Rights Purchase Agreement between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.4	Sale Supplement (Shuttle 1) between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.5	Sale Supplement (Shuttle 2) between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.6	Sale Supplement (First Tennessee) between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.7	Agreement and Plan of Merger, dated as of February 22, 2015, by and among New Residential Investment Corp., Hexagon Merger Sub, Ltd. and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on February 24, 2015)
2.8	Termination Agreement, dated as of April 6, 2015, by and among New Residential Investment Corp., Home Loan Servicing Solutions, Ltd. and Hexagon Merger Sub Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
2.9	Share and Asset Purchase Agreement, dated as of April 6, 2015, by and among New Residential Investment Corp., HLSS Advances Acquisition Corp., HLSS MSR-EBO Acquisition LLC and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
3.1	Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference 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 New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
3.3	Amendment to Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K,

	filed on October 17, 2014)
4.1	Amended and Restated Indenture among NRZ Servicer Advance Receivables Trust BC (f/k/a Nationstar Servicer Advance Receivables Trust 2013-BC), as issuer, Wells Fargo Bank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, Advance Purchaser LLC, as administrator, as owner of the rights to the servicing rights and as servicer, Nationstar Mortgage LLC, as subservicer, and as servicer, and Barclays Bank PLC, as administrative agent, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
4.2	Series 2013-VF1 Amended and Restated Indenture Supplement among NRZ Servicer Advance Receivables Trust BC (f/k/a Nationstar Servicer Advance Receivables Trust 2013-BC), as issuer, Wells Fargo Bank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, Advance Purchaser LLC, as administrator and as servicer, Nationstar Mortgage LLC, as subservicer, and as servicer, and Barclays Bank PLC, as administrative agent, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
4.3	Amended and Restated Indenture among NRZ Servicer Advance Receivables Trust CS (f/k/a Nationstar Servicer Advance Receivables Trust 2013-CS), as issuer, Wells Fargo Bank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, Advance Purchaser LLC, as administrator, as owner of the rights to the servicing rights and as servicer, Nationstar Mortgage LLC, as subservicer, and as servicer, and Credit Suisse AG, New York Branch, as administrative agent, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)

Exhibit Number	Exhibit Description
4.4	Series 2013-VF1 Amended and Restated Indenture Supplement among NRZ Servicer Advance Receivables Trust CS (f/k/a Nationstar Servicer Advance Receivables Trust 2013-CS), as issuer, Wells Fargo Bank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, Advance Purchaser LLC, as administrator and as servicer, Nationstar Mortgage LLC, as subservicer, and as servicer, and Credit Suisse AG, New York Branch, as administrative agent, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
4.5	Series 2013-VF2 Amended and Restated Indenture Supplement among NRZ Servicer Advance Receivables Trust CS (f/k/a Nationstar Servicer Advance Receivables Trust 2013-CS), as issuer, Wells Fargo Bank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, Advance Purchaser LLC, as administrator and as servicer, Nationstar Mortgage LLC, as subservicer, and as servicer, and Natixis, New York Branch, as administrative agent, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
4.6	Series 2013-VF3 Amended and Restated Indenture Supplement among NRZ Servicer Advance Receivables Trust CS (f/k/a Nationstar Servicer Advance Receivables Trust 2013-CS), as issuer, Wells Fargo Bank, N.A., as indenture trustee, calculation agent, paying agent and securities intermediary, Advance Purchaser LLC, as administrator and as servicer, Nationstar Mortgage LLC, as subservicer, and as servicer, and Morgan Stanley Bank, N.A., as administrative agent, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
4.7	Sixth Amended and Restated Indenture, dated as of January 17, 2014, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, Barclays Bank PLC, Wells Fargo Securities, LLC and Credit Suisse AG, New York Branch
4.8	Amendment No. 1, dated as of May 5, 2015, to the Sixth Amended and Restated Indenture, dated as of January 17, 2014, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, Barclays Bank PLC, Wells Fargo Securities, LLC and Credit Suisse AG, New York Branch
4.9	Series 2012-T2 Amended and Restated Indenture Supplement, dated as of August 8, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC.
4.10	Amendment No. 2, dated as of April 23, 2014 to the Series 2012-T2 Amended and Restated Indenture Supplement, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC
4.11	Amendment No. 3, dated as of May 5, 2015, to the Series 2012-T2 Amended and Restated Indenture Supplement, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and

	Barclays Bank PLC
4.12	Series 2013-T1 Amended and Restated Indenture Supplement, dated as of August 8, 2013, to Sixth Amended and Restated Indenture, dated as of January 17, 2014, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Wells Fargo Securities, LLC
4.13	Amendment No. 2, dated as of April 23, 2014 to the Series 2013-T1 Amended and Restated Indenture Supplement, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Wells Fargo Securities, LLC
4.14	Series 2013-T2 Amended and Restated Indenture Supplement, dated as of August 8, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Credit Suisse AG, New York Branch
4.15	Amendment No. 2, dated as of May 5, 2015, to the Series 2013-T2 Indenture Supplement, dated as of May 21, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Credit Suisse AG, New York Branch
4.16	Series 2013-T3 Amended and Restated Indenture Supplement, dated as of August 8, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Credit Suisse AG, New York Branch

Exhibit Number	Exhibit Description
4.17	Series 2013-T5 Indenture Supplement, dated as of August 8, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on August 13, 2013)
4.18	Amendment No. 3, dated as of May 5, 2015 to the Series 2013-T5 Indenture Supplement, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC
4.19	Series 2013-T7 Indenture Supplement, dated as of November 26, 2013, to the Fifth Amended and Restated Indenture, dated as of September 26, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Credit Suisse AG, New York Branch (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on November 27, 2013)
4.20	Amendment No. 2, dated as of May 5, 2015 to the Series 2013-T7 Indenture Supplement, dated as of November 26, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Credit Suisse AG, New York Branch
4.21	Series 2014-T2 Indenture Supplement, dated as of January 17, 2014, to the Sixth Amended and Restated Indenture, dated as of January 17, 2014, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on January 23, 2014)
4.22	Amendment No. 1, dated as of May 5, 2015, to the Series 2014-T2 Indenture Supplement, dated as of January 17, 2014, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC
4.23	Series 2014-T3 Indenture Supplement, dated as of June 18, 2014, to the Sixth Amended and Restated Indenture dated as of January 17, 2014, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Credit Suisse AG, New York Branch (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on June 23, 2014)
4.24	Series 2012-VF1 Second Amended and Restated Indenture Supplement, dated as of August 30, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013)
4.25	Amendment No. 4, dated as of July 16, 2014, to the Second Amended and Restated Series 2012-VF1 Indenture Supplement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan

	Servicing, LLC and Barclays Bank PLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on July 17, 2014)
4.26	Amendment No. 5, dated December 5, 2014, to the Second Amended and Restated Series 2012-VF1 Indenture Supplement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on December 5, 2014)
4.27	Amendment No. 6, dated as of January 15, 2015, to the Second Amended and Restated Series 2012-VF1 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Barclays Bank PLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on January 15, 2015)
4.28	Amendment No. 7, dated as of April 6, 2015, to the Second Amended and Restated Series 2012-VF1 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp. and Barclays Bank PLC

Exhibit Number	Exhibit Description
4.29	Amendment No. 8, dated as of May 5, 2015, to the Second Amended and Restated Series 2012-VF1 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp. and Barclays Bank PLC
4.30	Amendment No. 9, dated as of June 11, 2015, to the Second Amended and Restated Series 2012-VF1 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp. and Barclays Bank PLC
4.31	Series 2012-VF2 Second Amended and Restated Indenture Supplement, dated as of August 30, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Wells Fargo Securities LLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013)
4.32	Amendment No. 4, dated as of July 16, 2014, to the Second Amended and Restated Series 2012-VF2 Indenture Supplement dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Wells Fargo Securities LLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on July 17, 2014)
4.33	Amendment No. 5, dated December 5, 2014, to the Second Amended and Restated Series 2012-VF2 Indenture Supplement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC and Wells Fargo Securities LLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on December 5, 2014)
4.34	Amendment No. 6, dated as of January 15, 2015, to the Second Amended and Restated Series 2012-VF2 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, Wells Fargo Securities LLC and Wells Fargo Bank, N.A. (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on January 15, 2015)
4.35	Amendment No. 7, dated as of April 6, 2015, to the Second Amended and Restated Series 2012-VF2 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp., Wells Fargo Securities LLC and Wells Fargo Bank, N.A
4.36	Amendment No. 8, dated as of May 5, 2015, to the Second Amended and Restated Series 2012-VF2 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables

	Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, New Residential Investment Corp., Wells Fargo Securities LLC and Wells Fargo Bank, N.A
4.37	Amendment No. 9, dated as of June 11, 2015, to the Second Amended and Restated Series 2012-VF2 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp., Wells Fargo Securities LLC and Wells Fargo Bank, N.A
4.38	Series 2012-VF3 Second Amended and Restated Indenture Supplement, dated as of August 30, 2013, to the Fourth Amended and Restated Indenture, dated as of August 8, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, and Wells Fargo Securities LLC (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013)
4.39	Amendment No. 4, dated as of July 16, 2014, to the Second Amended and Restated Series 2012-VF3 Indenture Supplement dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, Credit Suisse AG, New York Branch, Credit Suisse AG, Cayman Islands Branch and Alpine Securitization Corp. (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on July 17, 2014)

Exhibit Number	Exhibit Description
4.40	Amendment No. 5, dated December 5, 2014, to the Second Amended and Restated Series 2012-VF3 Indenture Supplement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, Credit Suisse AG, New York Branch, Credit Suisse AG, Cayman Islands Branch and Alpine Securitization Corp. (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on December 5, 2014)
4.41	Amendment No. 6, dated as of January 15, 2015, to the Second Amended and Restated Series 2012-VF3 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, Credit Suisse AG, New York Branch, Credit Suisse AG, Cayman Islands Branch and Alpine Securitization Corp. (incorporated by reference to Home Loan Servicing Solutions, Ltd.'s Current Report on Form 8-K filed on January 15, 2015)
4.42	Amendment No. 7, dated as of April 6, 2015, to the Second Amended and Restated Series 2012-VF3 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp., Credit Suisse AG, New York Branch, Credit Suisse AG, Cayman Islands Branch and Alpine Securitization Corp
4.43	Amendment No. 8, dated as of May 5, 2015, to the Second Amended and Restated Series 2012-VF3 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement, dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp., Credit Suisse AG, New York Branch, Credit Suisse AG, Cayman Islands Branch and Alpine Securitization Corp
4.44	Amendment No. 9, dated as of June 11, 2015, to the Second Amended and Restated Series 2012-VF3 Indenture Supplement, dated as of August 30, 2013 and the Second Amended and Restated Note Purchase Agreement dated as of August 30, 2013, by and among HLSS Servicer Advance Receivables Trust, Deutsche Bank National Trust Company, HLSS Holdings, LLC, Ocwen Loan Servicing, LLC, New Residential Investment Corp., Credit Suisse AG, New York Branch, Credit Suisse AG, Cayman Islands Branch and Alpine Securitization Corp
10.1	Management and Advisory Agreement between New Residential Investment Corp. and FIG LLC (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 17, 2013)
10.2	Amended and Restated Management and Advisory Agreement between New Residential Investment Corp. and FIG LLC, dated August 1, 2013 (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q, filed August 8, 2013)
10.3	Second Amended and Restated Management and Advisory Agreement between New Residential Investment Corp. and FIG LLC, dated August 6, 2014 (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q, filed August 7, 2014)

10.4	Third Amended and Restated Management and Advisory Agreement between New Residential Investment Corp. and FIG LLC, dated May 7, 2015
10.5	Form of Indemnification Agreement by and between New Residential Investment Corp. and its directors and officers (incorporated by reference to Amendment No. 3 of New Residential Investment Corp.'s Registration Statement on Form 10, filed March 27, 2013)
10.6	New Residential Investment Corp. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
10.7	Amended and Restated New Residential Investment Corp. Nonqualified Stock Option and Incentive Plan, adopted as of November 4, 2014 (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q, filed November 7, 2014)
10.8	Investment Guidelines (incorporated by reference to Amendment No. 4 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)
10.9	Excess Servicing Spread Sale and Assignment Agreement, by and between Nationstar Mortgage LLC and NIC MSR I LLC, dated December 8, 2011 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed March 15, 2012)
10.10	Excess Spread Refinanced Loan Replacement Agreement, by and between Nationstar Mortgage LLC and NIC MSR I LLC, dated December 8, 2011 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed March 15, 2012)

Exhibit Number	Exhibit Description
10.11	Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR IV LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.12	Future Spread Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR V LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.13	Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VI LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.14	Future Spread Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VII, LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.15	Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR III LLC, dated May 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 6, 2012)
10.16	Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR III LLC, dated May 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 6, 2012)
10.17	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.18	Amended and Restated Future Spread Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.19	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.20	Amended and Restated Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.21	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.22	

	Amended and Restated Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.23	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR V LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.24	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR IV LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.25	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VI LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.26	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VII LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.27	Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR VIII LLC, dated December 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)

Exhibit Number	Exhibit Description
10.28	Future Spread Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR VIII LLC, dated December 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.29	Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and MSR IX LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.30	Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and MSR IX LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.31	Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR X LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.32	Future Spread Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR X LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.33	Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR XI LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.34	Future Spread Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR XI LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.35	Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XII LLC, dated January 6, 2013, (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.36	Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XII LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.37	Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XIII LLC, dated January 6, 2013, (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.38	Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XIII LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, filed February 28, 2013)
10.39	Interim Servicing Agreement, 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 Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)
10.40	Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC, dated April 1, 2013 (incorporated by reference to the confidential submission by the Registrant of the draft Registration Statement on Form S-11 on August 19, 2013)
10.41	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 BC, LLC (f/k/a Nationstar Servicer Advance Facility Transferor, LLC 2013-BC), as depositor, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)

Exhibit Number	Exhibit Description
10.42	Amended and Restated Receivables Pooling Agreement between NRZ Servicer Advance Facility Transferor BC, LLC, as depositor, and NRZ Servicer Advance Receivables Trust BC (f/k/a Nationstar Servicer Advance Receivables Trust 2013-BC), as issuer, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
10.43	Registration Rights Agreement, dated as of April 6, 2015, by and between New Residential Investment Corp and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
10.44	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 New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
10.45	Third Amended and Restated Receivables Sale Agreement, dated as of March 13, 2013, by and among Ocwen Loan Servicing, LLC, Homeward Residential, Inc., HLSS Holdings, LLC and HLSS Servicer Advance Facility Transferor, LLC
10.46	Second Amended and Restated Receivables Pooling Agreement, dated as of September 13, 2012, by and between HLSS Servicer Advance Facility Transferor, LLC and HLSS Servicer Advance Receivables Trust
31.1	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

* XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

The following 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 Amendment and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC that is filed as Exhibit 10.39 hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

- Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of April 1, 2013.
- Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of April 1, 2013.
- Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of April 1, 2013.

In addition, 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 10.40 and 10.41, 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

NEW RESIDENTIAL INVESTMENT CORP.

By: /s/ Michael Nierenberg
Michael Nierenberg
Chief Executive Officer and President

August 10, 2015

By: /s/ Jonathan R. Brown
Jonathan R. Brown
Interim Chief Financial Officer and Principal Accounting Officer

August 10, 2015