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New Residential Investment Corp.
Form 10-Q
November 03, 2016

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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

or

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

For the transition period from _____ to _____

Commission File Number: 001-35777

New Residential Investment Corp.

(Exact name of registrant as specified in its charter)

Delaware

45-3449660

(State or other jurisdiction of
incorporation or organization)

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

1345 Avenue of the Americas, New York, NY 10105

(Address of principal executive offices)

(Zip Code)

(212) 798-3150

(Registrant's telephone number, including area code)

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

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

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

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

Large accelerated filer Accelerated filer 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

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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: 250,773,117 shares outstanding as of October 28, 2016.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;
- our ability to maintain our exclusion from registration under Investment Company Act of 1940 (the “1940 Act”) and the fact that maintaining such exclusion imposes limits on our operations;
- the risks related to HLSS liabilities that we have assumed;
- the impact of current or future legal proceedings and regulatory investigations and inquiries;
- the impact of any material transactions with FIG LLC (the “Manager”) or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest; and
- events, conditions or actions that might occur at Ocwen.

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	\$ 1,404,052	\$ 1,581,517
Excess mortgage servicing rights, equity method investees, at fair value	195,904	217,221
Servicer advances, at fair value ^(A)	6,043,369	7,426,794
Real estate securities, available-for-sale	4,991,242	2,501,881
Residential mortgage loans, held-for-investment	—	330,178
Residential mortgage loans, held-for-sale	705,481	776,681
Real estate owned	60,459	50,574
Consumer loans, held-for-investment ^(A)	1,821,979	—
Cash and cash equivalents ^(A)	388,674	249,936
Restricted cash	153,127	94,702
Trades receivable	1,530,726	1,538,481
Deferred tax asset, net	172,510	185,311
Other assets	236,859	239,446
	\$ 17,704,382	\$ 15,192,722
Liabilities and Equity		
Liabilities		
Repurchase agreements	\$ 4,929,944	\$ 4,043,054
Notes and bonds payable ^(A)	7,833,209	7,249,568
Trades payable	1,296,296	725,672
Due to affiliates	18,610	23,785
Dividends payable	115,356	106,017
Accrued expenses and other liabilities	93,456	58,046
	14,286,871	12,206,142
Commitments and Contingencies		
Equity		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 250,773,117 and 230,471,202 issued and outstanding at September 30, 2016 and December 31, 2015, respectively	2,507	2,304
Additional paid-in capital	2,919,765	2,640,893
Retained earnings	100,697	148,800
Accumulated other comprehensive income (loss)	105,381	3,936
Total New Residential stockholders' equity	3,128,350	2,795,933
Noncontrolling interests in equity of consolidated subsidiaries	289,161	190,647

Total Equity	3,417,511	2,986,580
	\$17,704,382	\$ 15,192,722

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

See notes to condensed consolidated financial statements.

1

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income	\$282,388	\$ 182,341	\$749,901	\$ 444,891
Interest expense	96,488	77,558	278,401	193,408
Net Interest Income	185,900	104,783	471,500	251,483
Impairment				
Other-than-temporary impairment (OTTI) on securities	1,765	1,574	7,838	3,294
Valuation and loss provision on loans and real estate owned	18,275	(3,341)	) 41,845	2,408
	20,040	(1,767)	) 49,683	5,702
Net interest income after impairment	165,860	106,550	421,817	245,781
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(17,060)	) 1,131	(24,397)	) (274)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	6,261	8,427	8,608	16,443
Change in fair value of investments in servicer advances	21,606	(18,738)	) 4,328	(1,845)
Gain on consumer loans investment	—	14,385	9,943	33,342
Gain on remeasurement of consumer loans investment	—	—	71,250	—
Gain (loss) on settlement of investments, net	(17,079)	) (21,482)	) (44,290)	) (5,514)
Other income (loss), net	32,973	(1,548)	) 13,458	(10,032)
	26,701	(17,825)	) 38,900	32,120
Operating Expenses				
General and administrative expenses	8,777	19,563	28,082	49,362
Management fee to affiliate	10,536	9,860	30,552	23,357
Incentive compensation to affiliate	7,075	1,811	13,200	7,895
Loan servicing expense	14,187	1,668	30,037	9,510
	40,575	32,902	101,871	90,124
Income Before Income Taxes	151,986	55,823	358,846	187,777
Income tax expense (benefit)	20,900	(5,932)	) 18,195	4,947
Net Income	\$131,086	\$ 61,755	\$340,651	\$ 182,830
Noncontrolling Interests in Income of Consolidated Subsidiaries	\$32,178	\$ 7,193	\$61,355	\$ 17,174
Net Income Attributable to Common Stockholders	\$98,908	\$ 54,562	\$279,296	\$ 165,656
Net Income Per Share of Common Stock				
Basic	\$0.41	\$ 0.24	\$ 1.19	\$ 0.87
Diluted	\$0.41	\$ 0.24	\$ 1.19	\$ 0.85
Weighted Average Number of Shares of Common Stock Outstanding				

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Basic	240,601,692	30,455,568	233,875,067	91,259,587
Diluted	241,099,382	31,215,235	234,184,611	94,081,345
Dividends Declared per Share of Common Stock	\$0.46	\$ 0.46	\$ 1.38	\$ 1.29

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Comprehensive income (loss), net of tax				
Net income	\$ 131,086	\$ 61,755	\$ 340,651	\$ 182,830
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	52,138	17,360	108,679	11,328
Reclassification of net realized (gain) loss on securities into earnings	2,444	(22,880)	(7,234)	(27,936)
	54,582	(5,520)	101,445	(16,608)
Total comprehensive income	\$ 185,668	\$ 56,235	\$ 442,096	\$ 166,222
Comprehensive income attributable to noncontrolling interests	\$ 32,178	\$ 7,193	\$ 61,355	\$ 17,174
Comprehensive income attributable to common stockholders	\$ 153,490	\$ 49,042	\$ 380,741	\$ 149,048

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(dollars in thousands, except share data)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
	Shares	Amount	Additional Paid-in Capital					
Equity - December 31, 2015	230,471,202	\$2,304	\$2,640,893	\$148,800	\$3,936	\$2,795,933	\$190,647	\$2,986,580
Dividends declared	—	—	—	(327,399)	—	(327,399)	—	(327,399)
SpringCastle Transaction (Note 1)	—	—	—	—	—	—	110,438	110,438
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(73,279)	(73,279)
Issuance of common stock	20,000,000	200	278,575	—	—	278,775	—	278,775
Option exercise	280,111	3	(3)	—	—	—	—	—
Director share grant	21,804	—	300	—	—	300	—	300
Comprehensive income (loss)								
Net income	—	—	—	279,296	—	279,296	61,355	340,651
Net unrealized gain (loss) on securities	—	—	—	—	108,679	108,679	—	108,679
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(7,234)	(7,234)	—	(7,234)
Total comprehensive income						380,741	61,355	442,096
Equity - September 30, 2016	250,773,117	\$2,507	\$2,919,765	\$100,697	\$105,381	\$3,128,350	\$289,161	\$3,417,511

See notes to condensed consolidated financial statements.

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

(dollars in thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows From Operating Activities		
Net income	\$340,651	\$182,830
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	24,397	274
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(8,608)	(16,443)
Change in fair value of investments in servicer advances	(4,328)	1,845
(Gain) / loss on remeasurement of consumer loans investment	(71,250)	—
(Gain) / loss on settlement of investments (net)	44,290	5,514
Unrealized (gain) / loss on derivative instruments	8,504	17,425
Unrealized (gain) / loss on other ABS	226	1,073
(Gain) / loss on transfer of loans to REO	(14,660)	(1,075)
(Gain) / loss on transfer of loans to other assets	(3,021)	(143)
(Gain) / loss on Excess MSR recapture agreements	(2,188)	(2,247)
Accretion and other amortization	(514,522)	(360,467)
Other-than-temporary impairment	7,838	3,294
Valuation and loss provision on loans and real estate owned	41,845	2,408
Non-cash directors' compensation	300	300
Deferred tax provision	12,998	5,885
Changes in:		
Restricted cash	16,179	(63,041)
Other assets	191,939	177,737
Due to affiliates	(5,175)	(45,026)
Accrued expenses and other liabilities	12,136	19,055
Other operating cash flows:		
Interest received from excess mortgage servicing rights	119,386	84,518
Interest received from servicer advance investments	132,758	124,934
Interest received from Non-Agency RMBS	73,108	31,715
Interest payments from residential mortgage loans, held-for-investment	2,815	—
Interest payments from PCD consumer loans, held-for-investment	34,265	—
Distributions of earnings from excess mortgage servicing rights, equity method investees	18,025	31,876
Purchases of residential mortgage loans, held-for-sale	(788,824)	(611,160)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	802,110	722,961
Principal repayments from purchased residential mortgage loans, held-for-sale	52,805	48,069
Net cash provided by (used in) operating activities	523,999	362,111

Continued on next page.

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

	Nine Months Ended September 30,	
	2016	2015
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	(2,022	) (131,488)
Acquisition of HLSS, net of cash acquired	—	(959,616)
SpringCastle Transaction (Note 1), net of cash acquired	(49,943) —
Purchase of servicer advance investments	(11,588,537)	(10,647,912)
Purchase of Agency RMBS	(4,763,374	) (3,040,422)
Purchase of Non-Agency RMBS	(2,154,890	) (763,095)
Purchase of residential mortgage loans	(319	) (664)
Purchase of derivatives	(4,457	) (4,370)
Purchase of real estate owned and other assets	(10,936	) (2,784)
Purchase of consumer loans	(92,069) —
Draws on revolving consumer loans	(33,137) —
Payments for settlement of derivatives	(73,570	) (61,212)
Return of investments in excess mortgage servicing rights	142,718	112,648
Return of investments in excess mortgage servicing rights, equity method investees	11,900	3,867
Principal repayments from servicer advance investments	13,101,409	11,646,489
Principal repayments from Agency RMBS	67,738	110,863
Principal repayments from Non-Agency RMBS	364,310	54,979
Principal repayments from residential mortgage loans	31,092	15,944
Proceeds from sale of residential mortgage loans	—	649,712
Principal repayments from consumer loans	199,022	—
Proceeds from sale of Agency RMBS	4,774,116	2,435,168
Proceeds from sale of Non-Agency RMBS	95,683	389,719
Proceeds from settlement of derivatives	9,642	22,841
Proceeds from sale of real estate owned	51,941	52,139
Net cash provided by (used in) investing activities	76,317	(117,194)

Continued on next page.

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

	Nine Months Ended September 30,	
	2016	2015
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(21,179,260)	(5,644,864)
Margin deposits under repurchase agreements and derivatives	(274,645)	(441,696)
Repayments of notes and bonds payable	(6,786,408)	(5,445,381)
Payment of deferred financing fees	(19,922)	(38,486)
Common stock dividends paid	(318,060)	(197,011)
Borrowings under repurchase agreements	22,065,713	6,184,472
Return of margin deposits under repurchase agreements and derivatives	276,634	439,875
Borrowings under notes and bonds payable	5,568,875	4,211,548
Issuance of common stock	279,600	882,166
Costs related to issuance of common stock	(825)	(3,580)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(73,279)	(56,633)
Net cash provided by (used in) financing activities	(461,577)	(109,590)
Net Increase (Decrease) in Cash and Cash Equivalents	138,738	135,327
Cash and Cash Equivalents, Beginning of Period	249,936	212,985
Cash and Cash Equivalents, End of Period	\$388,674	\$348,312
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$265,114	\$175,615
Cash paid during the period for income taxes	943	535
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	\$115,356	\$106,011
Reclassification resulting from the application of ASU No. 2014-11	—	85,955
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,296,296	1,059,232
Sale of investments, primarily Agency RMBS, settled after quarter end	1,530,726	2,031,425
Transfer from residential mortgage loans to real estate owned and other assets	218,467	28,836
Non-cash distributions from Consumer Loan Companies	25	585
Portion of HLSS Acquisition paid in common stock	—	434,092
Non-cash contingent consideration	—	50,000
Real estate securities retained from loan securitizations	122,585	14,990
Remeasurement of Consumer Loan Companies noncontrolling interest	110,438	—
Transfer of loans from held-for-investment to held-for sale	316,199	—

See notes to condensed consolidated financial statements.

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(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

New Residential Investment Corp. (together with its subsidiaries, “New Residential”) is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Newcastle Investment Corp. (“Newcastle”) was the sole stockholder of New Residential until the spin-off (Note 13), which was completed on May 15, 2013. Following the spin-off, New Residential is an independent publicly traded real estate investment trust (“REIT”) primarily focused on investing in residential mortgage related assets. New Residential is listed on the New York Stock Exchange (“NYSE”) under the symbol “NRZ.”

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

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

As of September 30, 2016, New Residential conducted its business through the following segments: (i) investments in excess mortgage servicing rights (“Excess MSRs”), (ii) investments in servicer advances (including the basic fee component of the related mortgage servicing rights (“MSRs”)), (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 September 30, 2016. In addition, Fortress, through its affiliates, held options relating to approximately 11.2 million shares of New Residential’s common stock as of September 30, 2016.

Interim Financial Statements

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

are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2015 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2015.

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

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies will be required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 is effective for New Residential in the first quarter of 2018. Early adoption is only permitted after December 31, 2016. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in ASU No. 2014-09. New Residential is currently evaluating the new guidance to determine the impact it may have on its 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 was permitted. New Residential is currently evaluating the new guidance to determine the impact that it may have on its condensed consolidated financial statements.

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

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments. The standard requires that a financial asset measured at amortized cost basis be presented at the net amount expected to be collected, net of an allowance for all expected (rather than incurred) credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The standard also changes the accounting for purchased credit deteriorated (“PCD”) assets and available-for-sale securities to align with this treatment. ASU No. 2016-13 is effective for New Residential in the first quarter of 2020. Early adoption is permitted beginning in 2019. An entity should apply ASU No. 2016-13 by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of

adoption. New Residential is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements.

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

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

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The FASB has recently issued or discussed a number of proposed standards on such topics as financial statement presentation, financial instruments, restricted cash 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.

SpringCastle Transaction

On March 31, 2016, certain of New Residential's indirect wholly owned subsidiaries (collectively, the "NRZ SpringCastle Buyers") entered into a Purchase Agreement (the "SpringCastle Purchase Agreement") primarily with (i) certain direct or indirect wholly owned subsidiaries of OneMain (the "SpringCastle Sellers"), (ii) BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P. (together, the "Blackstone SpringCastle Buyers," and the Blackstone SpringCastle Buyers together with the NRZ SpringCastle Buyers, collectively, the "SpringCastle Buyers"). Pursuant to the SpringCastle Purchase Agreement, the SpringCastle Sellers sold their collective 47% limited liability company interests in the Consumer Loan Companies (Note 9) to the SpringCastle Buyers for an aggregate purchase price of \$111.6 million (the "SpringCastle Transaction").

Pursuant to the SpringCastle Purchase Agreement, the NRZ SpringCastle Buyers collectively acquired an additional 23.5% limited liability company interest in the Consumer Loan Companies (representing 50% of the limited liability company interests being sold by the SpringCastle Sellers in the SpringCastle Transaction) and the Blackstone SpringCastle Buyers acquired the other 50% of the limited liability company interests being sold in the SpringCastle Transaction. The SpringCastle Buyers collectively paid \$100.5 million of the aggregate purchase price to the SpringCastle Sellers on March 31, 2016, with the remaining \$11.2 million paid into an escrow account within 120 days following March 31, 2016. The NRZ SpringCastle Buyers' obligation with respect to purchase price was 50% of the total paid by the SpringCastle Buyers. The escrowed funds are expected to be held in escrow for a period of up to five years following March 31, 2016 and, subject to the terms of the SpringCastle Purchase Agreement and depending on the achievement of certain portfolio performance requirements, paid (in whole or in part) to the SpringCastle Sellers at the end of such five year period. Any portion of the escrowed funds that the SpringCastle Sellers are not entitled to receive at the end of such five year period, based on the failure to achieve certain portfolio performance requirements, will be returned to the SpringCastle Buyers. The SpringCastle Buyers are also entitled (but not required) to use the escrowed funds as a source of recovery for any indemnification payments to which they become entitled pursuant to the SpringCastle Purchase Agreement. The SpringCastle Purchase Agreement includes customary representations, warranties, covenants and indemnities.

The SpringCastle Transaction was unanimously approved by a special committee composed entirely of independent directors to which New Residential's board of directors had delegated full authority to consider, negotiate and determine whether to engage in the SpringCastle Transaction.

Following the SpringCastle Transaction, New Residential, through the NRZ SpringCastle Buyers, owns 53.5% of the limited liability company interests in the Consumer Loan Companies and the Blackstone SpringCastle Buyers, collectively with their affiliates, own the remaining 46.5% interests in the Consumer Loan Companies. OneMain will remain as servicer of the loans held by the Consumer Loan Companies and their subsidiaries immediately following the SpringCastle Transaction.

In connection with the closing of the SpringCastle Transaction, each NRZ SpringCastle Buyer entered into a Second Amended & Restated Limited Liability Company Agreement (each, a "Second A&R LLC Agreement") for each of the

Consumer Loan Companies in which it acquired limited liability company interests. All of the Second A&R LLC Agreements contain substantially identical terms and conditions and designate the respective NRZ SpringCastle Buyer that is a party thereto as managing member of the applicable Consumer Loan Company. Pursuant to each Second A&R LLC Agreement, the managing member has the exclusive power and authority to manage the business and affairs of the applicable Consumer Loan Company, subject to the rights of the members to approve specified significant actions outside of the ordinary course of business and certain affiliate transactions, and subject to the other terms, conditions and limitations set forth in the Second A&R LLC Agreements. Each Second A&R LLC Agreement contains certain customary restrictions on the members' ability to transfer their interests in the applicable Consumer Loan Companies.

As a result of the SpringCastle Transaction, New Residential obtained a controlling financial interest in the Consumer Loan Companies, which triggered the application of the acquisition model in ASC No. 805, including the fair value recognition of all net assets over which control has been obtained and the remeasurement of any previously held noncontrolling interest. Based on the guidance in ASC No. 805, New Residential has consolidated all of the assets and the related liabilities of the Consumer Loan Companies assuming a gross purchase price of \$237.5 million. This gross purchase price is representative of the fair value, measured

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in accordance with ASC No. 820, of 100% of the net assets of the Consumer Loan Companies, which was used to derive the \$111.6 million purchase price for an aggregate 47.0% of the equity ownership acquired by the SpringCastle Buyers. New Residential previously held a 30% equity method investment in the Consumer Loan Companies, which had a basis of zero, and a fair value of \$71.3 million based on 30% of the gross purchase price of \$237.5 million, immediately prior to the SpringCastle Transaction. Therefore, the remeasurement of New Residential's previously held equity method investment resulted in a gain of \$71.3 million, which was recorded to Gain on Remeasurement of Consumer Loans Investment.

New Residential has performed a preliminary allocation of the purchase price to the Consumer Loans Companies' 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)	\$237.5
Assets	
Consumer loans, held-for-investment	\$1,934.7
Cash and cash equivalents	0.3
Restricted cash	74.6
Other assets	35.9
Total Assets Acquired	2,045.5
Liabilities	
Notes and bonds payable	\$1,803.2
Accrued expenses and other liabilities	4.8
Total Liabilities Assumed	1,808.0
Net Assets	\$237.5

The acquisition of the Consumer Loans Companies resulted in no goodwill because the total consideration transferred was equal to the fair value of the net assets acquired.

Unaudited Supplemental Pro Forma Financial Information - The following table presents New Residential's unaudited pro forma combined Interest Income and Income Before Income Taxes for the three and nine months ended September 30, 2016 and 2015 prepared as if the SpringCastle Transaction had been consummated on January 1, 2015.

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Pro Forma				
Interest Income	\$282,388	\$276,720	\$836,814	\$739,490
Income Before Income Taxes	151,986	85,158	319,144	388,041
Noncontrolling Interests in Income of Consolidated Subsidiaries	32,178	27,523	79,944	77,870

The 2016 unaudited supplemental pro forma financial information has been adjusted to exclude, and the 2015 unaudited supplemental pro forma financial information has been adjusted to include, (i) the gain on remeasurement of New Residential's Consumer Loans investment of \$71.3 million and (ii) approximately \$1.5 million of acquisition

related costs incurred by New Residential in 2016. The unaudited supplemental pro forma financial information does not include any other anticipated benefits of the SpringCastle Transaction and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the SpringCastle Transaction occurred on January 1, 2015.

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New Residential's Condensed Consolidated Statements of Income include Interest income and Income Before Income Taxes of the Consumer Loan Companies (Note 9) since the March 31, 2016 acquisition of \$154.3 million and \$60.1 million, respectively.

See Note 9 for further information on the Consumer Loan Companies and Note 11 for further information on related financing.

2. OTHER INCOME, ASSETS AND LIABILITIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Unrealized gain (loss) on derivative instruments	\$26,962	\$(9,166)	\$(8,504)	\$(17,425)
Unrealized gain (loss) on other ABS	724	(706)	(226)	(1,073)
Gain (loss) on transfer of loans to REO	4,373	1,272	14,660	1,075
Gain (loss) on transfer of loans to other assets	2,743	314	3,021	143
Gain on Excess MSR recapture agreements	768	669	2,188	2,247
Other income (loss)	(2,597)	6,069	2,319	5,001
	\$32,973	\$(1,548)	\$13,458	\$(10,032)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gain (loss) on sale of real estate securities, net	\$(679)	\$24,454	\$15,072	\$31,230
Gain (loss) on sale of residential mortgage loans, net	8,537	226	9,142	31,808
Gain (loss) on settlement of derivatives	(24,839)	(44,479)	(70,307)	(53,300)
Gain (loss) on liquidated residential mortgage loans	(1,331)	246	(1,603)	492
Gain (loss) on sale of REO	2,207	(1,914)	5,193	(9,751)
Other gains (losses)	(974)	(15)	(1,787)	(5,993)
	\$(17,079)	\$(21,482)	\$(44,290)	\$(5,514)

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Other assets and liabilities are comprised of the following:

	Other Assets		Accrued Expenses and Other Liabilities	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Margin receivable, net	\$52,471	\$54,459	Interest payable	\$17,965 \$ 18,268
Other receivables	6,984	5,829	Accounts payable	33,727 18,650
Principal paydown receivable	1,834	795	Derivative liabilities (Note 10)	24,085 13,443
Receivable from government agency	63,204	68,833	Current taxes payable	3,678 1,573
Call rights	414	414	Due to servicers	8,975 —
Derivative assets (Note 10)	2,088	2,689	Other liabilities	5,026 6,112
Interest receivable	53,964	36,963		\$93,456 \$ 58,046
Ginnie Mae EBO servicer advance receivable, net	17,924	49,725		
Due from servicers	17,788	5,064		
Other assets	20,188	14,675		
	\$236,859	\$239,446		

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

	Nine Months Ended	
	September 30, 2016	September 30, 2015
Accretion of servicer advance interest income	\$257,877	\$256,045
Accretion of excess mortgage servicing rights income	106,848	87,874
Accretion of net discount on securities and loans ^(A)	164,806	35,239
Amortization of deferred financing costs	(13,889)	(18,691)
Amortization of discount on notes and bonds payable	(1,120)	—
	\$514,522	\$360,467

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

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSR, (ii) investments in 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 related to the Management Agreement and (iii) corporate cash and related interest income. Securities owned by New Residential (Note 7) that are collateralized by servicer advances are included in the Servicer Advances segment. Secured corporate loans effectively collateralized by Excess MSR are included in the Excess MSR segment.

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Summary financial data on New Residential's segments is given below, together with a reconciliation to the same data for New Residential as a whole:

	Servicing Related Assets		Residential Securities and Loans		Consumer Loans	Corporate	Total
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans			
Three Months Ended September 30, 2016							
Interest income	\$30,617	\$101,359	\$58,855	\$13,947	\$77,231	\$379	\$282,388
Interest expense	4,002	54,802	13,008	6,153	18,523	—	96,488
Net interest income (expense)	26,615	46,557	45,847	7,794	58,708	379	185,900
Impairment	—	—	1,765	(291)	18,566	—	20,040
Other income (loss)	(10,052)	21,430	1,392	13,931	—	—	26,701
Operating expenses	536	1,029	369	4,251	11,976	22,414	40,575
Income (Loss) Before Income Taxes	16,027	66,958	45,105	17,765	28,166	(22,035)	151,986
Income tax expense (benefit)	—	16,348	—	4,556	—	(4)	20,900
Net Income (Loss)	\$16,027	\$50,610	\$45,105	\$13,209	\$28,166	\$(22,031)	\$131,086
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$18,853	\$—	\$—	\$13,325	\$—	\$32,178
Net income (loss) attributable to common stockholders	\$16,027	\$31,757	\$45,105	\$13,209	\$14,841	\$(22,031)	\$98,908

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	Servicing Related Assets		Residential Securities and Loans				Corporate	Total
	Excess MSR	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans			
Nine Months Ended September 30, 2016								
Interest income	\$106,848	\$265,119	\$172,982	\$47,712	\$155,541	\$1,699	\$749,901	
Interest expense	12,117	176,672	31,425	20,447	37,740	—	278,401	
Net interest income (expense)	94,731	88,447	141,557	27,265	117,801	1,699	471,500	
Impairment	—	—	7,838	7,309	34,536	—	49,683	
Other income (loss)	(14,234)	9,103	(59,472)	22,295	81,193	15	38,900	
Operating expenses	1,066	3,076	1,307	11,194	26,194	59,034	101,871	
Income (Loss) Before Income Taxes	79,431	94,474	72,940	31,057	138,264	(57,320)	358,846	
Income tax expense (benefit)	—	13,743	—	4,377	75	—	18,195	
Net Income (Loss)	\$79,431	\$80,731	\$72,940	\$26,680	\$138,189	\$(57,320)	\$340,651	
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$33,400	\$—	\$—	\$27,955	\$—	\$61,355	
Net income (loss) attributable to common stockholders	\$79,431	\$47,331	\$72,940	\$26,680	\$110,234	\$(57,320)	\$279,296	

	Servicing Related Assets		Residential Securities and Loans				Corporate	Total
	Excess MSR	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans			
September 30, 2016								
Investments	\$1,599,956	\$6,294,697	\$4,739,914	\$765,940	\$1,821,979	\$—	\$15,222,486	
Cash and cash equivalents	5,377	134,000	1,305	3,736	15,022	229,234	388,674	
Restricted cash	2,406	90,899	—	—	59,822	—	153,127	
Other assets	2,557	181,521	1,578,722	108,359	48,533	20,403	1,940,095	
Total assets	\$1,610,296	\$6,701,117	\$6,319,941	\$878,035	\$1,945,356	\$249,637	\$17,704,382	
Debt	\$268,290	\$6,210,358	\$3,924,111	\$653,197	\$1,707,197	\$—	\$12,763,153	
Other liabilities	1,962	28,616	1,326,013	20,608	5,519	141,000	1,523,718	
Total liabilities	270,252	6,238,974	5,250,124	673,805	1,712,716	141,000	14,286,871	
Total equity	1,340,044	462,143	1,069,817	204,230	232,640	108,637	3,417,511	
Noncontrolling interests in equity of consolidated subsidiaries	—	182,094	—	—	107,067	—	289,161	
Total New Residential stockholders' equity	\$1,340,044	\$280,049	\$1,069,817	\$204,230	\$125,573	\$108,637	\$3,128,350	
Investments in equity method investees	\$195,904	\$—	\$—	\$—	\$—	\$—	\$195,904	

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	Servicing Related Assets		Residential Securities and Loans		Consumer Loans	Corporate	Total
	Excess MSR	Servicer Advances	Real Estate Securities	Real Estate Loans			
Three Months Ended September 30, 2015							
Interest income	\$38,477	\$105,135	\$28,984	\$8,888	\$—	\$857	\$182,341
Interest expense	2,936	64,291	5,150	4,651	530	—	77,558
Net interest income (expense)	35,541	40,844	23,834	4,237	(530)	857	104,783
Impairment	—	—	1,574	(3,341)	—	—	(1,767)
Other income (loss)	10,227	(12,554)	(28,354)	(1,530)	14,386	—	(17,825)
Operating expenses	168	10,341	766	2,845	66	18,716	32,902
Income (Loss) Before Income Taxes	45,600	17,949	(6,860)	3,203	13,790	(17,859)	55,823
Income tax expense (benefit)	—	(4,852)	—	(1,405)	325	—	(5,932)
Net Income (Loss)	\$45,600	\$22,801	\$(6,860)	\$4,608	\$13,465	\$(17,859)	\$61,755
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$7,193	\$—	\$—	\$—	\$—	\$7,193
Net income (loss) attributable to common stockholders	\$45,600	\$15,608	\$(6,860)	\$4,608	\$13,465	\$(17,859)	\$54,562

	Servicing Related Assets		Residential Securities and Loans		Consumer Loans	Corporate	Total
	Excess MSR	Servicer Advances	Real Estate Securities	Real Estate Loans			
Nine Months Ended September 30, 2015							
Interest income	\$87,874	\$256,087	\$66,699	\$32,408	\$1	\$1,822	\$444,891
Interest expense	8,681	151,377	12,171	15,929	1,054	4,196	193,408
Net interest income (expense)	79,193	104,710	54,528	16,479	(1,053)	(2,374)	251,483
Impairment	—	—	3,294	2,408	—	—	5,702
Other income (loss)	18,415	835	(37,655)	20,063	33,342	(2,880)	32,120
Operating expenses	517	12,604	769	14,557	177	61,500	90,124
Income (Loss) Before Income Taxes	97,091	92,941	12,810	19,577	32,112	(66,754)	187,777
Income tax expense (benefit)	—	7,565	—	(2,942)	324	—	4,947
Net Income (Loss)	\$97,091	\$85,376	\$12,810	\$22,519	\$31,788	\$(66,754)	\$182,830
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$—	\$22,332	\$—	\$—	\$—	\$(5,158)	\$17,174
Net income (loss) attributable to common stockholders	\$97,091	\$63,044	\$12,810	\$22,519	\$31,788	\$(61,596)	\$165,656

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

	Servicer			Total
	Nationstar	SLS ^(A)	Ocwen ^(B)	
Balance as of December 31, 2015	\$698,304	\$5,307	\$877,906	\$1,581,517
Purchases	—	—	—	—
Interest income	47,049	(16)	59,815	106,848
Other income	2,188	—	—	2,188
Proceeds from repayments	(111,999)	(796)	(149,309)	(262,104)
Change in fair value	(9,521)	(86)	(14,790)	(24,397)
Balance as of September 30, 2016	\$626,021	\$4,409	\$773,622	\$1,404,052

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

Ocwen Loan Servicing LLC, a subsidiary of Ocwen Financial Corporation (together with its subsidiaries, (B) including Ocwen Loan Servicing LLC, “Ocwen”), services the loans underlying the Excess MSR and Servicer Advances acquired from HLSS.

On January 4, 2016, New Residential invested the remaining \$2.0 million to complete its acquisition of a 66.7% interest in the Excess MSR on a portfolio of Fannie Mae residential mortgage loans with an aggregate UPB of \$17.2 billion. Nationstar agreed to acquire the remaining 33.3% interest in the Excess MSR.

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 each portfolio.

New Residential has entered into a “recapture agreement” with respect to 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 the recapture agreements, New Residential is generally entitled to a pro rata interest in the Excess MSR on any initial or subsequent refinancing by Nationstar or SLS, as applicable, 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 specified 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 MSR 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 MSR.

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

	September 30, 2016					December 31, 2015		
	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 ^(D)	Fortress-managed funds	Nationstar				
Agency Original and Recaptured Pools	\$82,159,586	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	5.9	\$302,541	\$333,816	\$378,083
Recapture Agreements	—	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	11.9	28,417	54,948	59,118
	82,159,586				6.4	330,958	388,764	437,201

Non-Agency^(E)

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Nationstar and SLS Serviced: Original and Recaptured Pools	\$82,010,764	33.3% - 80.0% (59.3%)	0.0% - 50.0%	0.0% - 33.3%	5.3	\$190,184	\$227,883	\$250,662
Recapture Agreements	—	33.3% - 80.0% (59.3%)	0.0% - 50.0%	0.0% - 33.3%	12.1	12,210	13,783	15,748
Ocwen Serviced Pools	126,120,662	100.0%	—	% —	% 6.4	746,933	773,622	877,906
	208,131,426				6.3	949,327	1,015,288	1,144,316
Total	\$290,291,012				6.3	\$1,280,285	\$1,404,052	\$1,581,517

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

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

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

(D) Amounts in parentheses represent weighted averages.

(E) New Residential also invested in the related Servicer Advances, including the basic fee component of the related MSR as of September 30, 2016 (Note 6) on \$194.2 billion UPB underlying these Excess MSRs.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Original and Recaptured Pools	\$(15,395)	\$1,485	\$(28,392)	\$(3,933)
Recapture Agreements	(1,665)	(354)	3,995	3,659
	\$(17,060)	\$1,131	\$(24,397)	\$(274)

In the third quarter of 2016, 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:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of			
	September 30, 2016	December 31, 2015		
California	26.4 %	26.7 %		
Florida	8.8 %	8.9 %		
New York	8.1 %	7.8 %		
Texas	4.2 %	4.3 %		
New Jersey	4.1 %	4.1 %		
Maryland	3.8 %	3.8 %		
Illinois	3.4 %	3.4 %		
Virginia	3.1 %	3.1 %		
Massachusetts	2.7 %	2.7 %		
Washington	2.6 %	2.7 %		
Other U.S.	32.8 %	32.5 %		
	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 MSR.

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5. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS, EQUITY METHOD INVESTEEES

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

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

	September 30, December 31,	
	2016	2015
Excess MSR assets	\$ 374,962	\$ 421,999
Other assets	16,846	12,442
Other liabilities	—	—
Equity	\$ 391,808	\$ 434,441
New Residential’s investment	\$ 195,904	\$ 217,221

New Residential’s ownership 50.0 % 50.0 %

	Three Months		Nine Months	
	Ended September		Ended	
	30,	30,	September 30,	September 30,
	2016	2015	2016	2015
Interest income	\$ 12,205	\$ 12,399	\$ 24,526	\$ 33,316
Other income (loss)	339	4,492	(7,244)	(348)
Expenses	(22)	(38)	(66)	(82)
Net income	\$ 12,522	\$ 16,853	\$ 17,216	\$ 32,886

New Residential’s investments in equity method investees changed during the nine months ended September 30, 2016 as follows:

Balance at December 31, 2015	\$ 217,221
Contributions to equity method investees	—
Distributions of earnings from equity method investees	(18,025)
Distributions of capital from equity method investees	(11,900)
Change in fair value of investments in equity method investees	8,608
Balance at September 30, 2016	\$ 195,904

The following is a summary of New Residential’s Excess MSR investments made through equity method investees:
 September 30, 2016

Agency	Unpaid Principal Balance	Investee Interest in Excess MSR ^(A)	New Residential Interest in Investees	Amortized Cost Basis ^(B)	Carrying Value ^(C)	Weighted Average Life (Years) ^(D)
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Original and Recaptured Pools	\$63,834,062	66.7 %	50.0 %	\$249,388	\$314,265	5.7
Recapture Agreements	—	66.7 %	50.0 %	33,156	60,697	11.7
Total	\$63,834,062			\$282,544	\$374,962	6.4

(A) The remaining interests are held by Nationstar.

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- Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest.
- (B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSR at the time they were acquired.
- (C) Represents the carrying value of the Excess MSR 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 third quarter of 2016, a weighted average discount rate of 9.8% was used to value New Residential's investments in Excess MSR (directly and through equity method investees).

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

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of			
	September 30, 2016		December 31, 2015	
California	12.8	%	12.9	%
Florida	7.3	%	7.4	%
Texas	6.1	%	6.1	%
New York	6.0	%	5.8	%
Georgia	5.7	%	5.7	%
New Jersey	4.2	%	4.3	%
Illinois	4.1	%	4.0	%
Maryland	3.3	%	3.2	%
Virginia	3.2	%	3.2	%
Pennsylvania	3.2	%	3.1	%
Other U.S.	44.1	%	44.3	%
	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 MSR.

6. INVESTMENTS IN SERVICER ADVANCES

In December 2013, New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the "Buyer") consolidated by New Residential, purchased the outstanding Servicer Advances related to a portfolio of residential mortgage loans that is serviced by Nationstar and is a subset of the same portfolio of loans in which New Residential has invested in a portion of the Excess MSR (Notes 4 and 5), including the basic fee component of the related MSR. 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 September 30, 2016. As of September 30, 2016, third-party co-investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of \$389.6 million and New Residential has funded capital commitments to the Buyer of \$312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the third-party co-investors, including New Residential. As of September 30, 2016, the third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall \$277.5 million and \$222.8 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

The Buyer has purchased Servicer Advances from Nationstar, is required to purchase all future Servicer Advances made with respect to this portfolio of loans from Nationstar, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Nationstar in consideration of Nationstar's servicing activities. The compensation paid to Nationstar as of September 30, 2016 was approximately 9.3% of the basic fee component of the related

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MSRs plus a performance fee that represents a portion (up to 100%) of the cash flows in excess of those required for the Buyer to obtain a specified return on its equity.

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

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

In April 2015, New Residential acquired Servicer Advances and Excess MSR in connection with the HLSS Acquisition. Ocwen will continue to service the underlying loans in exchange for a servicing fee of 12% times the servicing fee collections of the underlying loans, which as of September 30, 2016 is equal to 6.0 basis points times the UPB of the underlying loans, and an incentive fee which is reduced by LIBOR plus 2.75% per annum of the amount, if any, of servicer advances outstanding in excess of a defined target.

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

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

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

	Amortized Cost Basis	Carrying Value ^(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years) ^(B)
September 30, 2016					
Servicer Advances ^(C)	\$6,012,315	\$6,043,369	5.4 %	5.3 %	4.5
As of December 31, 2015					
Servicer Advances ^(C)	\$7,400,068	\$7,426,794	5.6 %	5.5 %	4.4

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

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

(C)

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Excludes New Residential asset-backed securities collateralized by Servicer Advances, which have aggregate face amounts of \$249.0 million and \$431.0 million and aggregate carrying values of \$250.7 million and \$430.3 million as of September 30, 2016 and December 31, 2015, respectively. See Note 7 for details related to these securities.

	Three Months		Nine Months	
	Ended September		Ended	
	30,		September 30,	
	2016	2015	2016	2015
Changes in Fair Value Recorded in Other Income	\$21,606	\$(18,738)	\$4,328	\$(1,845)

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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 and Bonds Payable	Loan-to-Value ^(A)		Cost of Funds ^(C)	
					Gross	Net ^(B)	Gross	Net	
September 30, 2016									
Servicer Advances ^(D)	\$ 194,223,701	\$ 6,017,968	3.1	%	\$ 5,907,803	94.5 %	93.3 %	3.5 %	2.8 %
December 31, 2015									
Servicer Advances ^(D)	\$ 220,256,804	\$ 7,578,110	3.4	%	\$ 7,058,094	91.2 %	90.2 %	3.4 %	2.6 %

Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees (“DSF”) on which New Residential receives financing. If New Residential were to include these DSF in the servicer advance balance, gross and net LTV as of September 30, 2016 would be 89.7% and 88.6%, respectively. Also excludes retained non-agency bonds with a current face amount of \$110.1 million from the outstanding Servicer Advances debt. If New Residential were to sell these bonds, gross and net LTV as of September 30, 2016 would be 96.3% and 95.1%, respectively.

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

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

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

	September 30, 2016	December 31, 2015
Principal and interest advances	\$ 1,651,576	\$ 2,229,468
Escrow advances (taxes and insurance advances)	2,786,203	3,687,559
Foreclosure advances	1,580,189	1,661,083
Total	\$ 6,017,968	\$ 7,578,110

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income, gross of amounts attributable to servicer compensation	\$ 161,601	\$ 221,613	\$ 581,231	\$ 511,931
Amounts attributable to base servicer compensation	(15,276)	(26,553)	(68,184)	(65,111)
Amounts attributable to incentive servicer compensation	(45,197)	(89,952)	(255,170)	(190,775)
Interest income from investments in Servicer Advances	\$ 101,128	\$ 105,108	\$ 257,877	\$ 256,045

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

	As of	
	September 30, 2016	December 31, 2015
Assets		
Servicer advance investments, at fair value	\$ 1,903,067	\$ 2,344,245
Cash and cash equivalents	35,000	40,761
All other assets	22,229	25,092
Total assets ^(A)	\$ 1,960,296	\$ 2,410,098
Liabilities		
Notes and bonds payable	\$ 1,625,956	\$ 2,060,347
All other liabilities	6,119	6,111
Total liabilities ^(A)	\$ 1,632,075	\$ 2,066,458

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

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

	September 30, 2016		December 31, 2015	
Total Advance Purchaser LLC equity	\$ 328,221		\$ 343,640	
Others' ownership interest	55.5	%	55.5	%
Others' interest in equity of consolidated subsidiary	\$ 182,094		\$ 190,647	

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

	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Net Advance Purchaser LLC income	\$ 33,985		\$ 12,960		\$ 60,207		\$ 40,258	
Others' ownership interest as a percent of total ^(A)	55.5	%	55.5	%	55.5	%	55.5	%
Others' interest in net income of consolidated subsidiaries	\$ 18,853		\$ 7,193		\$ 33,400		\$ 22,332	

As a result, New Residential owned 44.5% and 44.5% of the Buyer, on average during the three months ended (A) September 30, 2016 and 2015, respectively, and 44.5% and 44.5% of the Buyer, on average during the nine months ended September 30, 2016 and 2015, respectively.

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7. INVESTMENTS IN REAL ESTATE SECURITIES

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

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

	Nine Months Ended September 30, 2016 (in millions)	
	Agency	Non Agency
Purchases		
Face	\$5,070.3	\$4,079.9
Purchase Price	\$5,315.9	\$2,298.4
Sales		
Face	\$4,530.6	\$129.8
Amortized Cost	\$4,721.8	\$121.7
Sale Price	\$4,757.8	\$100.8
Gain (Loss) on Sale	\$36.0	\$(20.9)

As of September 30, 2016, New Residential sold and purchased \$1.4 billion and \$1.2 billion face amount of Agency RMBS for \$1.5 billion and \$1.3 billion, respectively, and purchased \$27.0 million face amount of Non-Agency RMBS for \$20.7 million, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

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

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

September 30, 2016										
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Weighted Average			Life (Years) ^(D)	Principa Subordi
			Gains	Losses		Number of Securities	Rating ^(B)	Coupon Yield ^(C)		

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Agency													
RMBS ^(F)	\$1,356,580	\$1,437,777	\$337	\$(3,806)	\$1,434,308	76	AAA	3.42%	2.79%	5.6	N/A	\$9	
(G)													
Non-Agency													
RMBS ^(H)	6,671,272	3,446,822	122,171	(12,059)	3,556,934	471	CCC-	1.76%	5.46%	7.0	10.8%	1.5	
(I)													
Total/ Weighted Average	\$8,027,852	\$4,884,599	\$122,508	\$(15,865)	\$4,991,242	547	CCC+	2.21%	4.68%	6.6		\$2	

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

Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. This excludes the ratings of the collateral underlying 187 bonds with a carrying value of \$566.9 million

(B) which either have never been rated or for which rating information is no longer provided. For each security rated by multiple rating agencies, the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were

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

(C) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of \$243.5 million and \$0.0 million, respectively, for which no coupon payment is expected.

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

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

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

(G) The total outstanding face amount was \$1.2 billion for fixed rate securities and \$151.9 million for floating rate securities as of September 30, 2016.

The total outstanding face amount was \$1.1 billion (including \$0.3 billion of residual and interest-only notional amount) for fixed rate securities and \$5.6 billion (including \$2.0 billion of residual and interest-only notional amount) for floating rate securities as of September 30, 2016.

(I) Includes other ABS consisting primarily of (i) interest-only securities which New Residential elected to carry at fair value and record changes to valuation through the income statement and (ii) bonds backed by servicer advances.

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value	Number of Securities	Rating	Weighted Average		Life (Years)	Principal Subordination
			Gains	Losses				Coupon	Yield		
Other ABS	\$1,975,404	\$110,267	\$6,048	\$(4,927)	\$111,388	25	AA+	1.91 %	5.57 %	2.9	N/A
Servicer Advance Bonds	\$249,000	\$248,696	\$2,025	\$—	\$250,721	3	AAA	2.81 %	2.21 %	0.1	N/A

Unrealized losses that are considered other-than-temporary are recognized currently in earnings. During the nine months ended September 30, 2016, New Residential recorded OTTI charges of \$7.8 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes New Residential's securities in an unrealized loss position as of September 30, 2016.

Securities in an Unrealized Loss Position	Outstanding Face Amount	Amortized Cost Basis			Gross Unrealized Losses	Carrying Value	Number of Securities	Rating ^(B)	Weighted Average		Life (Years)
		Before Impairment	Other-Than-Temporary Impairment	After Impairment ^(A)					Coupon	Yield	
Less than 12 Months	\$2,905,125	\$1,723,246	\$(804)	\$1,722,442	\$(11,824)	\$1,710,618	204	B+	2.51 %	3.99 %	6.5
12 or More Months	291,088	229,368	(961)	228,407	(4,041)	224,366	36	B+	2.30 %	2.99 %	5.2
	\$3,196,213	\$1,952,614	\$(1,765)	\$1,950,849	\$(15,865)	\$1,934,984	240	B+	2.48 %	3.87 %	6.4

Total/Weighted
Average

(A) This amount represents OTTI recorded on securities that are in an unrealized loss position as of September 30, 2016.

The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 84 bonds which either have never been rated or for which rating information is no longer provided. The
(B) weighted average rating of securities in an unrealized loss position for 12 or more months excludes the rating of 6 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:

	September 30, 2016		Gross Unrealized Losses	
	Fair Value	Amortized Cost Basis After Impairment	Credit ^(A)	Non-Credit ^(B)
Securities New Residential intends to sell ^(C)	\$—	\$—	\$—	\$—
Securities New Residential is more likely than not to be required to sell ^(D)	—	—	—	N/A
Securities New Residential has no intent to sell and is not more likely than not to be required to sell:				
Credit impaired securities	365,403	367,904	(1,765)	(2,501)
Non-credit impaired securities	1,569,581	1,582,945	—	(13,364)
Total debt securities in an unrealized loss position	\$1,934,984	\$1,950,849	\$(1,765)	\$(15,865)

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

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

(C) A portion of securities New Residential intends to sell have a fair value equal to their amortized cost basis after impairment and, therefore, do not have unrealized losses reflected in other comprehensive income as of September 30, 2016.

(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:

	Nine Months Ended September 30, 2016
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$ 6,240
Increases to credit losses on securities for which an OTTI was previously recognized and a portion	2,505

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of an OTTI was recognized in other comprehensive income	
Additions for credit losses on securities for which an OTTI was not previously recognized	5,333
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	(997)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$ 13,081

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

Geographic Location ^(A)	September 30, 2016		December 31, 2015		
	Outstanding	Percentage	Outstanding	Percentage	
	Face	of Total	Face	of Total	
	Amount	Outstanding	Amount	Outstanding	
Western U.S.	\$2,329,116	36.3 %	\$1,097,609	35.3 %	
Southeastern U.S.	1,496,049	23.2 %	758,167	24.4 %	
Northeastern U.S.	1,318,153	20.5 %	583,366	18.8 %	
Midwestern U.S.	716,411	11.2 %	335,406	10.8 %	
Southwestern U.S.	500,795	7.8 %	309,236	10.0 %	
Other ^(B)	61,748	1.0 %	19,189	0.7 %	
	\$6,422,272	100.0 %	\$3,102,973	100.0 %	

(A) Excludes \$249.0 million face amount of bonds backed by servicer advances.

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

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments. For securities acquired during the nine months ended September 30, 2016, excluding residual and interest-only securities, the face amount of these real estate securities was \$2,121.3 million, with total expected cash flows of \$2,131.5 million and a fair value of \$1,329.0 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
September 30, 2016	\$2,727,475	\$1,754,467
December 31, 2015	873,763	504,659

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

	Nine Months Ended September 30, 2016
Balance at December 31, 2015	\$316,521
Additions	802,442
Accretion	(87,535)
Reclassifications from (to) non-accretable difference	44,905
Disposals	(1,129)

Balance at September 30, 2016 \$1,075,204

8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

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

Loans Held-for-Investment:

Reverse Mortgage Loans

Performing Loans

Purchased Credit Deteriorated ("PCD") Loans

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Loans Held-for-Sale (“HFS”)

Real Estate Owned (“REO”)

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

	September 30, 2016							December 31, 2015				
Loan Type	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	Weighted Average FICO ^(D)	Carrying Value		
Reverse Mortgage Loans ^{(E)(F)}	\$—	\$—	—	— %	—	— %	— %	— %	N/A	\$ 19,560		
Performing Loans ^(G) ^(H)	—	—	—	— %	—	— %	— %	— %	—	19,964		
Purchased Credit Deteriorated Loans	—	—	—	— %	—	— %	— %	— %	—	290,654		
Total Residential Mortgage Loans, held-for-investment	\$—	\$—	—	— %	—	— %	— %	— %	—	\$ 330,178		
Reverse Mortgage Loans ^{(E)(F)}	\$23,878	\$11,836	77	7.3 %	4.5	15.7 %	134.2 %	71.8 %	N/A	\$—		
Performing Loans ^(G) ^{(H) (J)}	103,234	107,167	1,750	4.1 %	4.2	4.6 %	75.2 %	10.4 %	610	277,084		
Non-performing Loans ^{(I) (J)}	800,411	586,478	4,280	7.1 %	2.8	17.8 %	102.8 %	79.8 %	579	499,597		
Total Residential Mortgage Loans, held-for-sale	\$927,523	\$705,481	6,107	6.7 %	3.0	16.2 %	100.6 %	71.9 %	583	\$ 776,681		

(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% participation interest that New Residential holds in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB is \$0.4 million. Approximately 66% of these loans have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.

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

(G)

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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 premiums of \$4.8 million.

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

(I) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments. As of September 30, 2016, New Residential has placed all of these loans on nonaccrual status, except as described in (J) below.

(J) Includes \$56.5 million and \$99.2 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status because contractual cash flows are guaranteed by the FHA.

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

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

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of			
	September 30, 2016		December 31, 2015	
New York	17.0	%	14.5	%
New Jersey	10.4	%	13.1	%
Florida	9.9	%	10.7	%
California	8.5	%	12.3	%
Texas	6.7	%	3.3	%
Illinois	3.9	%	4.3	%
Maryland	4.1	%	3.5	%
Massachusetts	3.7	%	3.3	%
Pennsylvania	3.1	%	2.8	%
Washington	3.0	%	3.2	%
Other U.S.	29.7	%	29.0	%
	100.0	%	100.0	%

New Residential has exercised its call rights with respect to the following Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO assets contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts' termination. The following table summarizes these transactions which occurred in 2016 (dollars in millions).

Date of Call ^(A)	Number of Trusts Called	Securities Owned Prior		Assets Acquired		Loans Sold ^(C)			Retained Bonds		Retained Assets ^(C)		
		Face Amount	Amortized Cost Basis	Loan UPB	Loan Price ^(B)	REO & Other Price ^(B)	UPB	Gain (Loss)	Basis	Type	Loan UPB	Loan Price	REO & Other Price
December 23, 2015	14	\$61.4	\$48.0	\$309.1	\$315.1	\$3.1	\$261.3	\$2.2	\$36.6	Various	\$35.8	\$26.6	\$2.9
March 25, 2016	13	58.4	41.0	167.2	173.3	3.1	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	65.0	61.8	3.4
May 25, 2016	12	60.0	44.0	290.6	298.7	0.6	306.9	(3.5)	40.0	Various	85.9	78.2	1.1
August 25, 2016	11	6.2	1.4	312.3	319.2	1.7	308.0	8.1	45.7	Various	45.6	41.1	2.3

^(A) Any related securitization may occur on the same or a subsequent date, depending on market conditions and other factors. Except as otherwise noted in ^(C) below, there was one securitization associated with each call.

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

Loans were sold through a securitization which was treated as a sale for accounting purposes. Retained assets are reflected as of the date of the relevant securitization. The securitization that occurred in March 2016 primarily included loans from the December 23, 2015 call, but also included previously acquired loans. The retained assets disclosed for the December 23, 2015 call are net of the related loans sold in the March 2016 securitization. The (C) securitization that occurred in May 2016 primarily included loans from the March 25, 2016 and May 25, 2016 calls. The retained assets disclosed for the March 25, 2016 call are net of the related loans sold in the May 2016 securitization. The securitization that occurred in September 2016 primarily included loans from the August 25, 2016 call, but also included \$42.2 million of previously acquired loans.

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Loans Held-for-Investment (Non-PCD)

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

	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2015	\$ 19,560	\$ 19,964
Purchases/additional fundings	319	—
Proceeds from repayments	(1,352)	(811)
Accretion of loan discount (premium) and other amortization ^(A)	2,002	123
Provision for loan losses	(73)	(4)
Transfer of loans to other assets ^(B)	(4,203)	—
Sales	(1,795)	—
Transfer of loans to held-for-sale ^(C)	(14,458)	(19,272)
Balance at September 30, 2016	\$ —	\$ —

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

Represents loans for which foreclosure has been completed during the nine months ended September 30, 2016 and (B) for which New Residential has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are now recognized as claims receivable in Other Assets (Note 2).

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

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

	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2015	\$ 1,553	\$ 119
Provision for loan losses ^(A)	73	4
Charge-offs ^(B)	—	—
Sales	(171)	—
Transfer of loans to held-for-sale ^(C)	(1,455)	(123)
Balance at September 30, 2016	\$ —	\$ —

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

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

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

Purchased Credit Deteriorated Loans

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

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

Balance at December 31, 2015	\$290,654
Purchases/additional fundings	—
Sales	—
Proceeds from repayments	(8,897)
Accretion of loan discount and other amortization	8,295
Transfer of loans to real estate owned	(7,583)
Transfer of loans to held-for-sale	(282,469)
Balance at September 30, 2016	\$—

New Residential did not acquire any PCD loans during the nine months ended September 30, 2016.

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

	Unpaid Principal Balance	Carrying Value
September 30, 2016	\$—	\$—
December 31, 2015	\$450,229	\$290,654

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

Balance at December 31, 2015	\$71,063
Additions	—
Accretion	(8,876)
Reclassifications from non-accretable difference ^(A)	29,569
Disposals ^(B)	(2,680)
Transfer of loans to held-for-sale ^(C)	(89,076)
Balance at September 30, 2016	\$—

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

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

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

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Loans Held-for-Sale

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

	For the Nine Months Ended September 30, 2016 Loans Held-for-Sale
Balance at December 31, 2015	\$ 776,681
Purchases ^(A)	788,824
Transfer of loans from held-for-investment ^(B)	316,199
Sales	(915,361)
Transfer of loans to other assets ^(C)	(148,243)
Transfer of loans to real estate owned	(39,558)
Proceeds from repayments	(75,329)
Valuation (provision) reversal on loans ^(D)	2,268
Balance at September 30, 2016	\$ 705,481

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

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

(C) Represents loans for which foreclosure has been completed during the nine months ended September 30, 2016 and for which New Residential has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are now recognized as claims receivable in Other Assets (Note 2).

(D) Represents the fair value adjustments to loans upon transfer to held-for-sale and provision recorded on certain purchased held-for-sale loans, including \$2.6 million and \$3.6 million of provision related to the call transactions executed on March 25, 2016 and May 25, 2016, respectively.

Real estate owned (REO)

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

	Real Estate Owned
Balance at December 31, 2015	\$50,574
Purchases	8,123
Transfer of loans to real estate owned	62,057
Sales	(46,748)
Valuation provision on REO	(13,547)
Balance at September 30, 2016	\$60,459

As of September 30, 2016, New Residential had non-performing residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of \$368.2 million.

In addition, New Residential has recognized \$63.2 million in unpaid claims receivable from FHA on Ginnie Mae early buy-out (“EBO”) loans and reverse mortgage loans for which foreclosure has been completed during the nine months ended September 30, 2016 and for which New Residential has made, or intends to make, a claim.

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9. INVESTMENTS IN CONSUMER LOANS

In April 2013, New Residential completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. New Residential acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, OneMain acquired 47% and funds managed by Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. OneMain acted as the managing member of the Consumer Loan Companies. The Consumer Loan Companies initially financed approximately 73% of the original purchase price with asset-backed notes. In September 2013, the Consumer Loan Companies issued and sold additional asset-backed notes that were subordinate to the debt issued in April 2013. The Consumer Loan Companies were formed on March 19, 2013, for the purpose of making this investment, and commenced operations upon the completion of the investment. After a servicing transition period, OneMain became the servicer of the loans and provides all servicing and advancing functions for the portfolio.

On October 3, 2014, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization. The proceeds in excess of the refinanced debt were distributed to the respective co-investors, which reduced New Residential’s basis in the consumer loans investment to \$0.0 million and resulted in a gain. Subsequent to this refinancing, New Residential discontinued recording its share of the underlying earnings of the Consumer Loan Companies. During the three months ended March 31, 2016, the Consumer Loan Companies distributed \$9.9 million to New Residential in excess of its basis, resulting in corresponding gains, including \$0.03 million in tax withholding payments on behalf of New Residential. The tax withholding payments were considered a non-cash distribution.

On March 31, 2016, New Residential entered into the SpringCastle Transaction (Note 1). As a result, New Residential owns 53.5% of, and consolidates, the Consumer Loan Companies.

In August 2016, New Residential agreed to purchase up to \$140.0 million UPB of newly originated consumer loans from a third party prior to September 30, 2016. New Residential purchased \$92.6 million UPB of loans through September 30, 2016, for an aggregate purchase price, including related costs, of \$92.1 million. In October 2016, New Residential extended the terms of the agreement through October 2016 and purchased an additional \$34.3 million UPB of loans for an aggregate purchase price of \$34.2 million. These loans are not held in the Consumer Loan Companies and have been designated as performing consumer loans, held-for-investment.

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

Loans Held-for-Investment:

Performing Loans

PCD Loans

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

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	Unpaid Principal Balance ^(A)	Interest in Consumer Loans	Carrying Value	Weighted Average Coupon ^(B)	Weighted Average Expected Life (Years) ^(C)	Weighted Average Delinquency ^(D)
September 30, 2016						
Consumer Loan Companies						
Performing Loans	\$1,345,573	53.5 %	\$1,391,388	18.7 %	4.3	5.7 %
Purchased Credit Deteriorated Loans ^(E)	396,462	53.5 %	339,916	16.6 %	3.6	13.2 %
Other - Performing Loans	91,523	100.0 %	90,675	14.3 %	1.5	— %
Total Consumer Loans, held-for-investment	\$1,833,558		\$1,821,979	18.1 %	4.0	7.0 %
December 31, 2015 ^(F)						
Consumer Loan Companies						
Total Consumer Loans, held-for-investment	\$2,094,904	30.0 %	\$1,698,130	18.2 %	4.4	7.2 %

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- (A) Represents the balances as of September 30, 2016 and November 30, 2015, respectively.
- (B) Substantially all of the cash flows received on the loans held by the Consumer Loan Companies are required to be used to make payments on the notes described above.
- (C) Represents the weighted average expected timing of the receipt of expected cash flows for this investment. Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is
- (D) the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.
- (E) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments, which are accounted for as PCD loans.
- (F) Held through an equity method investee, which had a carrying value of zero, at such time.

Performing Loans

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

September 30, 2016

Days Past Due	Delinquency Status ^(A)	
Current	94.7	%
30-59	2.2	%
60-89	1.2	%
90-119 ^(B)	0.7	%
120+ ^{(B) (C)}	1.2	%
	100.0	%

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

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

	Performing Loans
Balance at December 31, 2015	\$—
SpringCastle Transaction	1,539,569
Purchases	92,069
Additional fundings ^(A)	33,137
Proceeds from repayments	(155,388)
Accretion of loan discount and premium amortization, net	5,097
Net charge-offs	(30,535)
Provision for loan losses	(1,886)
Balance at September 30, 2016	\$1,482,063

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

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

	Collectively Evaluated ^(A)	Individually Impaired ^(B)	Total
Balance at March 31, 2016	\$ —	\$ —	\$—
Provision for loan losses	31,382	1,039	32,421
Net charge-offs ^(C)	(30,535)	—	(30,535)
Balance at September 30, 2016	\$ 847	\$ 1,039	\$1,886

Represents smaller-balance homogeneous loans that are not individually considered impaired and are evaluated based on an analysis of collective borrower performance, key terms of the loans and historical and anticipated (A) trends in defaults and loss severities, and consideration of the unamortized acquisition discount. Includes a provision for loan losses of \$0.9 million for newly originated loans acquired during the three months ended September 30, 2016.

Represents consumer loan modifications considered to be troubled debt restructurings (“TDRs”) as they provide (B) concessions to borrowers, primarily in the form of interest rate reductions, who are experiencing financial difficulty. As of September 30, 2016, there are \$3.6 million in UPB and \$2.5 million in carrying value of consumer loans classified as TDRs.

Consumer loans, other than PCD loans, are charged off when available information confirms that loans are (C) uncollectible, which is generally when they become 180 days past due. Charge-offs are presented net of \$5.6 million in recoveries of previously charged-off UPB.

Purchased Credit Deteriorated Loans

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

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

Balance at December 31, 2015	\$—
SpringCastle Transaction	395,129
Allowance for Loan Losses ^(A)	(2,115)
Proceeds from repayments	(77,899)
Accretion of loan discount and other amortization	24,801
Balance at September 30, 2016	\$339,916

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

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

	Unpaid Principal Balance	Carrying Value
September 30, 2016	\$396,462	\$339,916

March 31, 2016 450,611 395,129

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

Balance at December 31, 2015	\$—
SpringCastle Transaction	176,387
Accretion	(24,801)
Reclassifications from non-accretable difference ^(A)	24,167
Balance at September 30, 2016	\$175,753

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

Noncontrolling Interests

Others' interests in the equity of the Consumer Loan Companies is computed as follows at September 30, 2016:

Total Consumer Loan Companies equity	\$230,251
Others' ownership interest	46.5 %
Others' interests in equity of consolidated subsidiary	\$107,067

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

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Net Consumer Loan Companies income (loss)	\$28,655	\$60,118
Others' ownership interest as a percent of total	46.5 %	46.5 %
Others' interest in net income (loss) of consolidated subsidiaries	\$13,325	\$27,955

Variable Interest Entities

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

	As of September 30, 2016
Assets	
Consumer loans, held-for-investment	\$1,731,304
Restricted cash	13,866
Accrued interest receivable	25,468
Total assets ^(A)	\$1,770,638
Liabilities	
Notes and bonds payable	\$1,590,387
Accounts payable and accrued expenses	1,150
Total liabilities ^(A)	\$1,591,537

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

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10. DERIVATIVES

As of September 30, 2016, New Residential's derivative instruments included economic hedges that were not designated as hedges for accounting purposes. New Residential uses economic hedges to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. New Residential's credit risk with respect to economic hedges is the risk of default on New Residential's investments that results from a borrower's or counterparty's inability or unwillingness to make contractually required payments.

As of September 30, 2016, New Residential held to-be-announced forward contract positions ("TBAs") of \$2.6 billion in a short notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of set-off with the TBA counterparty. New Residential separately held TBAs of \$1.4 billion in a long notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of setoff 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.

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

Balance Sheet Location		September December	
		30, 2016	31, 2015
Derivative assets			
Interest Rate Caps	Other assets	\$ 2,088	\$ 2,689
		\$ 2,088	\$ 2,689
Derivative liabilities			
TBAs	Accrued expenses and other liabilities	\$ 3,461	\$ 2,058
Interest Rate Swaps	Accrued expenses and other liabilities	20,624	11,385
		\$ 24,085	\$ 13,443

The following table summarizes notional amounts related to derivatives:

	September 30, December 31,	
	2016	2015
TBAs, short position ^(A)	\$ 2,645,300	\$ 1,450,000
TBAs, long position ^(A)	1,441,000	750,000
Interest Rate Caps ^(B)	2,435,000	3,400,000
Interest Rate Swaps, short positions ^(C)	2,044,000	2,444,000

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

Caps LIBOR at 0.50% for \$950.0 million of notional, at 0.75% for \$1,150.0 million of notional, at 2.00% for (B)\$185.0 million of notional, and at 4.00% for \$150.0 million of notional. The weighted average maturity of the interest rate caps as of September 30, 2016 was 12 months.

(C) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of September 30, 2016 was 19 months and the weighted average fixed pay rate was 1.28%.

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

	For the Three Months Ended September 30, 2016		For the Nine Months Ended September 30, 2015	
	2016	2015	2016	2015
Other income (loss), net ^(A)				
TBAs	\$10,502	\$2,054	\$(22)	\$254
Interest Rate Swaps	15,997	(10,221)	(4,799)	(15,310)
Interest Rate Caps	463	(999)	(3,683)	(2,369)
	26,962	(9,166)	(8,504)	(17,425)
Gain (loss) on settlement of investments, net				
TBAs	(15,922)	(33,398)	(55,159)	(36,902)
Interest Rate Caps	—	(545)	(1,124)	(545)
Interest Rate Swaps	(8,917)	(10,536)	(14,024)	(15,853)
	(24,839)	(44,479)	(70,307)	(53,300)
Total income (losses)	\$2,123	\$(53,645)	\$(78,811)	\$(70,725)

(A) Represents unrealized gains (losses).

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11. DEBT OBLIGATIONS

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

September 30, 2016

Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted Average		Collateral		Carrying Value
					Funding Cost	Life (Years)	Outstanding Face	Amortized Cost Basis	
Repurchase Agreements ^(C)									
Agency RMBS ^(D)	Various	\$ 1,614,256	\$ 1,614,256	Oct-16 to Dec-16	0.70%	0.1	\$ 1,591,692	\$ 1,684,858	\$ 1,680,190
Non-Agency RMBS ^(E)	Various	2,622,466	2,622,466	Oct-16 to Mar-17	2.24%	0.1	6,312,788	3,396,357	3,502,317
Residential Mortgage Loans ^(F)	Various	556,538	554,991	Oct-16 to Sep-18	3.01%	0.5	882,312	685,345	682,916
Real Estate Owned ^{(G)(H)}	Various	85,403	85,163	Oct-16 to Sep-18	3.09%	0.4	N/A	N/A	108,051
Consumer Loan Investment ^(I)	Apr-15	53,068	53,068	Oct-16	5.61%	0.1	N/A	N/A	123,184
Total Repurchase Agreements		4,931,731	4,929,944		1.87%	0.1			
Notes and Bonds Payable									
Secured Corporate Notes ^(J)	Various	270,511	268,290	Apr-18 to Jun-19	5.28%	1.8	247,538,861	1801,924	940,117
Servicer Advances ^(K)	Various	5,907,803	5,897,747	Mar-17 to Jun-19	3.52%	1.0	6,017,968	6,012,315	6,043,369
Residential Mortgage Loans ^(L)	Oct-15	9,789	9,614	Oct-16	3.39%	0.1	14,243	8,086	8,086
Consumer Loans ^{(M)(N)}	Various	1,659,453	1,654,129	Sep-19 to Apr-34	4.31%	3.1	1,822,593	1,812,730	1,811,115
Receivable from government agency ^(L)	Oct-15	3,429	3,429	Oct-16	3.39%	0.1	N/A	N/A	4,068
Total Notes and Bonds Payable		7,850,985	7,833,209		3.74%	1.5			
Total/ Weighted Average		\$ 12,782,716	\$ 12,763,153		3.02%	1.0			

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity of October 2016 were refinanced, extended, or repaid.

(C) These repurchase agreements had approximately \$6.7 million of associated accrued interest payable as of September 30, 2016.

- (D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$1.5 billion of related trade and other receivables.
- (E) All of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates. This includes repurchase agreements of \$89.2 million on retained servicer advance bonds.
- (F) All of these repurchase agreements have LIBOR-based floating interest rates.
- (G) All of these repurchase agreements have LIBOR-based floating interest rates.
Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which
- (H) foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.
- (I) The repurchase agreement bears interest equal to three-month LIBOR plus 5.00% and is collateralized by 56% of New Residential's interest in the Consumer Loan Companies (Note 9).
The loans bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of
- (J) 4.75%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure these notes.

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\$2.2 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (K)(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 2.1% to 2.2%.

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

Includes the debt assumed in the SpringCastle Transaction (Note 1), which is comprised of the following classes of asset-backed notes (collectively, the “2014-A Notes”) held by third parties: \$637.1 million UPB of Class A notes with a coupon of 2.7% and a stated maturity date in May 2023 (the “Class A Notes”); \$427.0 million UPB of Class B notes with a coupon of 4.61% and a stated maturity date in October 2027 (the “Class B Notes”); \$331.2 million UPB of Class C notes with a coupon of 5.59% and a stated maturity date in October 2033 (the “Class C Notes”); and \$199.8 million UPB of Class D notes with a coupon of 6.82% and a stated maturity date in April 2034 (the “Class D Notes”). Prior to the payment date in October 2016, the redemption price for any class of the outstanding 2014-A Notes shall be the sum of (i) 100% of the UPB of the 2014-A Notes of the applicable class to be redeemed, plus (ii) the applicable Specified Call Premium Amount (as defined below) for such 2014-A Notes, plus (iii) accrued (M)and unpaid interest and fees in respect of such 2014-A Notes. On or after the payment date occurring in October 2016, the redemption price for any class of 2014-A Notes shall be the sum of (i) 100% of the UPB of the 2014-A Notes of the applicable class to be redeemed, plus (ii) accrued and unpaid interest and fees in respect of such 2014-A Notes. The “Specified Call Premium Amount” on any payment date for any class of 2014-A Notes shall mean (i) in the case of Class A Notes, an amount equal to 1.00% of the UPB of the Class A Notes to be redeemed and (ii) in the case of the Class B Notes, the Class C Notes and the Class D Notes, an amount equal to (a) the product of (1) with respect to the Class B Notes, 0.75%, with respect to the Class C Notes, 1.00% and with respect to the Class D Notes, 2.00%, times (2) the UPB of the 2014-A Notes of such class to be redeemed on such payment date, times (3) the number of days, computed on a 30/360 basis, from and including such payment date to but excluding the payment date occurring in October 2016, divided by (b) 360.

(N) Includes a \$64.3 million face amount note collateralized by newly originated consumer loans which bears interest equal to one-month LIBOR plus 3.25%.

General

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

New Residential has margin exposure on \$4.9 billion of repurchase agreements as of September 30, 2016. To the extent that the value of the collateral underlying these repurchase agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

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

	Excess MSRs	Servicer Advances ^(A)	Real Estate Securities	Real Estate Loans and REO	Consumer Loans	Total
Balance at December 31, 2015	\$182,978	\$7,047,061	\$3,017,157	\$1,004,980	\$40,446	\$11,292,622
Repurchase Agreements:						
Borrowings	—	—	21,719,656	326,174	21,458	22,067,288
Repayments	—	—	(20,500,091)	(670,333)	(8,836)	(21,179,260)

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Capitalized deferred financing costs, net of amortization	—	—	—	(1,138) —	(1,138)
Notes and Bonds Payable:							
Acquired borrowings, net of discount	—	—	—	—	1,803,192	1,803,192	
Borrowings	401,740	5,101,227	—	—	64,342	5,567,309	
Repayments	(315,662	) (6,251,482	) —	(6,311	) (212,953	) (6,786,408)
Discount on borrowings, net of amortization	1,420	—	—	—	147	1,567	
Capitalized deferred financing costs, net of amortization	(2,186	) 941	—	(175	) (599	) (2,019)
Balance at September 30, 2016	\$268,290	\$5,897,747	\$4,236,722	\$653,197	\$1,707,197	\$12,763,153	

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

Excess MSR

In April 2016, New Residential entered into a \$225.0 million corporate loan secured by Agency Excess MSR. The loan bears interest equal to the sum of one-month LIBOR plus 4.75% and matures in April 2018.

In June 2016, New Residential entered into a \$101.2 million corporate loan secured by Non-Agency Excess MSR with a maximum capacity of \$300.0 million. The loan bears interest equal to the sum of one-month LIBOR plus 4.75% and matures in June 2019.

Servicer Advances

On March 31, 2016, the HSART facility was paid off and, in anticipation of such pay off, New Residential increased the capacity of, and transferred the related collateral to, various existing servicer advance financing facilities. As a result, New Residential recorded \$0.1 million of loss on extinguishment of debt related to a write-off of unamortized deferred financing costs.

On May 9, 2016, a Buyer facility was paid off and replaced by a new 2-year servicer advance facility with a different lender. The maximum capacity of the new facility is \$185.0 million.

In May 2016, New Residential increased the capacity and extended the maturity on a \$950.0 million servicer advance financing facility.

On June 30, 2016, New Residential, through its wholly-owned subsidiary, NRZ Advance Receivables Trust 2016-T1, issued servicer advance backed notes consisting of \$400.0 million of term notes with a maturity date of June 17, 2019, of which approximately \$20.9 million was voluntarily retained.

On July 15, 2016, the NRART 2015-T1 notes with principal balance of \$400.0 million were repaid in full, using proceeds from the \$400.0 million of term notes with a maturity date of June 17, 2019 issued on June 30, 2016. Upon such paydown, the term notes were replaced with existing capacity at the advance facility VFN with the same lender. As a result, New Residential recorded \$0.2 million of loss on extinguishment of debt related to a write-off of unamortized deferred financing costs.

On August 15, 2016, the NRART 2015-T3 notes with principal balance of \$400.0 million were repaid in full and replaced with existing capacity at the advance facility VFN with the same lender. As a result, New Residential recorded \$0.7 million of loss on extinguishment of debt related to a write-off of unamortized deferred financing costs and a redemption payment.

On September 15, 2016, a Buyer VFN facility was refinanced and downsized, and the reduction in capacity of the VFN was exchanged for the same capacity through issuance of NSART-BAM Series 2016 VF-1 Class B-TF1 Mezzanine Notes.

Maturities

New Residential's debt obligations as of September 30, 2016 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
October 1 through December 31, 2016	\$—	\$4,176,165	\$4,176,165
2017	5,088,249	680,321	5,768,570
2018	501,636	247,272	748,908
2019	443,451	50,511	493,962
2020	—	—	—
2021 and thereafter	1,595,111	—	1,595,111
	\$7,628,447	\$5,154,269	\$12,782,716

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Borrowing Capacity

The following table represents New Residential's borrowing capacity as of September 30, 2016:

Debt Obligations / Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Real Estate Loans and REO	\$ 2,065,000	\$ 641,941	\$ 1,423,059
Notes and Bonds Payable				
Secured Corporate Loan	Excess MSRs	525,000	270,511	254,489
Servicer Advances ^(A)	Servicer Advances	7,274,860	5,907,803	1,367,057
Consumer Loans	Consumer Loans	125,000	64,342	60,658
		\$ 9,989,860	\$ 6,884,597	\$ 3,105,263

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 0.2% fee on the unused borrowing capacity. Excludes borrowing capacity and outstanding debt for retained non-agency bonds with a current face amount of \$110.1 million.

Certain of the debt obligations are subject to customary debt 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 three-month period, as of a quarter end, and a 4:1 indebtedness to tangible net worth provision. New Residential was in compliance with all of its debt covenants as of September 30, 2016.

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and fair values of New Residential's financial assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of September 30, 2016 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value			Total
			Level 1	Level 2	Level 3	
Assets						
Investments in:						
Excess mortgage servicing rights, at fair value ^(A)	\$290,291,012	\$1,404,052	\$—	\$—	\$1,404,052	\$1,404,052
Excess mortgage servicing rights, equity method investees, at fair value ^(A)	63,834,062	195,904	—	—	195,904	195,904
Servicer advances	6,017,968	6,043,369	—	—	6,043,369	6,043,369
Real estate securities, available-for-sale	8,027,852	4,991,242	—	1,434,308	3,556,934	4,991,242
Residential mortgage loans, held-for-investment	—	—	—	—	—	—
Residential mortgage loans, held-for-sale	927,523	705,481	—	—	733,879	733,879
Consumer loans, held-for-investment	1,833,558	1,821,979	—	—	1,852,118	1,852,118
Derivative assets	2,435,000	2,088	—	2,088	—	2,088
Cash and cash equivalents	388,674	388,674	388,674	—	—	388,674
Restricted cash	153,127	153,127	153,127	—	—	153,127
Other Assets	729,193	3,255	—	—	3,255	3,255
		\$15,709,171	\$541,801	\$1,436,396	\$13,789,511	\$15,767,708
Liabilities						
Repurchase agreements	\$4,931,731	\$4,929,944	\$—	\$4,931,731	\$—	\$4,931,731
Notes and bonds payable	7,850,985	7,833,209	—	—	7,864,545	7,864,545
Derivative liabilities	6,130,300	24,085	—	24,085	—	24,085
		\$12,787,238	\$—	\$4,955,816	\$7,864,545	\$12,820,361

The notional amount represents the total unpaid principal balance of the mortgage loans underlying the Excess (A)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 MSR in Equity Method Investees ^{(A)(B)}	
Agency	Agency	Servicer Advances