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

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017

or

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

For the transition period from ________________to________________

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

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

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

(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company)
Smaller reporting company ¨ Emerging growth company ¨
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.
Common stock, $0.01 par value per share: 307,361,309 shares outstanding as of July 27, 2017.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- competition within the finance and real estate industries;

- the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, U.S. government programs intended to stabilize the economy, the federal conservatorship of Fannie Mae and Freddie Mac and legislation that permits modification of the terms of residential mortgage loans;
- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;
- our ability to maintain our exclusion from registration under the Investment Company Act of 1940 (the “1940 Act”) and the fact that maintaining such exclusion imposes limits on our operations;
- the risks related to HLSS liabilities that we have assumed;
- the impact of current or future legal proceedings and regulatory investigations and inquiries;
- the impact of any material transactions with FIG LLC (the “Manager”) or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest;
- effects of the pending merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp.; and
- the risk that GSE or other regulatory initiatives or actions may adversely affect returns from investments in MSRs and Excess MSRs.

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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

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

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

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

See notes to condensed consolidated financial statements.

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

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

Net Income Per Share of Common Stock

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

See notes to condensed consolidated financial statements.

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

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

See notes to condensed consolidated financial statements.

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

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

See notes to condensed consolidated financial statements.

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

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

Continued on next page.

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

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

Continued on next page.

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

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

See notes to condensed consolidated financial statements.

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

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

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

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

Interim Financial Statements

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2016 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2016.

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

2. OTHER INCOME, ASSETS AND LIABILITIES

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

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

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

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

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Other assets and liabilities are comprised of the following:

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

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

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

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

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

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSRs, (ii) investments in MSRs, (iii) investments in Servicer Advances, (iv) investments in real estate securities, (v) investments in residential mortgage loans, (vi) investments in consumer loans, and (vii) corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation related to the Management Agreement and (iii) corporate cash and related interest income. Securities owned by New Residential (Note 7) that are collateralized by Servicer Advances are included in the Servicer Advances segment. Secured corporate loans effectively collateralized by Excess MSRs are included in the Excess MSRs 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				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2017								
Interest income	$18,128	$2,535	$244,308	$113,475	$25,638	$67,698	$170	$471,952
Interest expense	9,005	10,600	40,720	29,571	11,628	13,633	—	115,157
Net interest income (expense)	9,123	(8,065)	203,588	83,904	14,010	54,065	170	356,795
Impairment	—	—	—	5,115	5,261	15,510	—	25,886
Servicing revenue, net	—	170,851	—	—	—	—	—	170,851
Other income (loss)	(14,219)	5,596	54,774	(15,374)	21,174	5,896	—	57,847
Operating expenses	112	59,318	605	297	8,406	11,544	59,078	139,360
Income (Loss) Before Income Taxes	(5,208)	109,064	257,757	63,118	21,517	32,907	(58,908)	420,247
Income tax expense (benefit)	—	(10,666)	88,547	—	4,793	170	—	82,844
Net Income (Loss)	$(5,208)	$119,730	$169,210	$63,118	$16,724	$32,737	$(58,908)	$337,403
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$3,328	$—	$—	$12,343	$—	$15,671
Net income (loss) attributable to common stockholders	$(5,208)	$119,730	$165,882	$63,118	$16,724	$20,394	$(58,908)	$321,732

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

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

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

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

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

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

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

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

(A) Specialized Loan Servicing LLC ("SLS").
(B) Ocwen Loan Servicing LLC, a subsidiary of Ocwen Financial Corporation (together with its subsidiaries, including Ocwen Loan Servicing LLC, "Ocwen"), services the loans underlying the Excess MSRs and Servicer Advances acquired from HLSS.

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

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

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

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

	June 30, 2017							December 31, 2016
	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	$72,609,125	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	5.9	$277,034	$304,980	$330,323
Recapture Agreements	—	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	12.6	21,630	48,995	51,434
	72,609,125				6.4	298,664	353,975	381,757
Non-Agency(E)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	$70,867,185	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.3	$167,751	$199,753	$219,980
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.5	9,157	20,450	13,491
Ocwen Serviced Pools	111,983,880	100.0%	— %	— %	6.4	706,586	730,488	784,227
	182,851,065				6.3	883,494	950,691	1,017,698
Total	$255,460,190				6.3	$1,182,158	$1,304,666	$1,399,455

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.
(C) Carrying Value represents the fair value of the pools or recapture agreements, as applicable.
(D) Amounts in parentheses represent weighted averages.
(E) New Residential also invested in related Servicer Advances, including the basic fee component of the related MSR as of June 30, 2017 (Note 6) on $169.6 billion UPB underlying these Excess MSRs.

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

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

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

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

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

	June 30, 2017	December 31, 2016
Excess MSR assets	$344,521	$372,391
Other assets	18,698	17,184
Other liabilities	—	—
Equity	$363,219	$389,575
New Residential's investment	$181,610	$194,788
New Residential's ownership	50.0 %	50.0 %

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

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

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

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

	June 30, 2017					
	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	New Residential Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and Recaptured Pools	$56,215,426	66.7 %	50.0 %	$230,946	$291,907	5.8
Recapture Agreements	—	66.7 %	50.0 %	26,102	52,614	12.8
Total	$56,215,426			$257,048	$344,521	6.5

(A) The remaining interests are held by Nationstar.

(B) Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest. The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.

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

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

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

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

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

See Note 11 regarding the financing of Excess MSRs.

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

Mortgage Servicing Rights

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

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

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

Walter Flows MSRs

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

Citi Transaction

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

United Shore Transaction

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

RCS Transaction

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

Subservicing Agreements

On January 27, 2017, NRM entered into agreements pursuant to which Nationstar will subservice certain MSR portfolios on behalf of NRM, subject to GSE and other regulatory approvals. In March 2017 and April 2017, subservicing duties for a portion of the residential mortgage loans related to the FirstKey Transaction and Citi Transaction, respectively, were transferred to Nationstar from FirstKey and Citi, respectively. On May 16, 2017, NRM entered into a subservicing agreement with Flagstar Bank, FSB (“Flagstar”). Flagstar was the predecessor subservicer of the remaining portion of the residential mortgage loans related to the FirstKey Transaction. The subservicing duties transferred to Flagstar in May 2017. As of June 30, 2017, subservicing for $24.1 billion UPB related to the Citi Transaction has transferred to Nationstar.

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

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

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

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

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

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

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

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

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Carrying Value represents fair value. As of June 30, 2017, a weighted average discount rate of 10.5% was used to value New Residential's investments in MSRs.

Mortgage Servicing Rights Financing Receivable

PHH Transaction

On December 28, 2016, NRM entered into an agreement with PHH Mortgage Corporation and its subsidiaries ("PHH") to purchase the MSRs and related Servicer Advances with respect to approximately $61.1 billion in total UPB of seasoned Agency and private-label residential mortgage loans for a purchase price of approximately $509.9 million and $221.9 million, respectively. $13.2 billion of UPB closed in the second quarter of 2017, and the remainder is expected to close beginning in the third quarter of 2017, subject to GSE and other regulatory approvals, various consents and approvals from third-parties, and other customary closing conditions. Concurrently with the purchase agreement, NRM entered into a subservicing agreement with PHH, pursuant to which PHH Mortgage, a wholly owned subsidiary of PHH, subservices the residential mortgage loans underlying the MSRs acquired by NRM for an initial term of three years, subject to certain conditions. New Residential has entered into a recapture agreement with respect to each of its MSR investments subserviced by PHH. Under the recapture agreement, New Residential is generally entitled to the MSRs on any initial or subsequent refinancing by PHH of a loan in the original portfolio.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See Note 11 regarding the financing of MSRs.

6. INVESTMENTS IN SERVICER ADVANCES

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

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

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

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

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

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

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

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

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

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

(A) Carrying value represents the fair value of the investments in Servicer Advances, including the basic fee component of the related MSRs.
(B) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.
(C) Excludes asset-backed securities collateralized by Servicer Advances, which have aggregate face amounts of $100.0 million and $100.0 million and aggregate carrying values of $100.0 million and $100.1 million as of June 30, 2017 and December 31, 2016, respectively. See Note 7 for details related to these securities.

Three Months Ended June 30,	Six Months Ended June 30,

	2017	2016	2017	2016
Changes in Fair Value Recorded in Other Income	$56,969	$13,946	$59,528	$(17,278)

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

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

(A) Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees ("DSF") on which New Residential receives financing. If New Residential were to include these DSF in the Servicer Advance balance, gross and net LTV as of June 30, 2017 would be 88.3% and 87.2%, respectively. Also excludes retained Non-Agency bonds with a current face amount of $93.5 million from the outstanding Servicer Advances debt. If New Residential were to sell these bonds, gross and net LTV as of June 30, 2017 would be 95.5% and 94.3%, respectively.
(B) Ratio of face amount of borrowings to par amount of Servicer Advance collateral, net of any general reserve.
(C) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
(D) The following types of advances comprise the investments in Servicer Advances:

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

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

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

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

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

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

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

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

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

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

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

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

See Note 11 regarding the financing of Servicer Advances.

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7. INVESTMENTS IN REAL ESTATE SECURITIES

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

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

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

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

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

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

	June 30, 2017												D 3
			Gross Unrealized				Weighted Average						
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value(A)	Number of Securities	Rating(B)	Coupon(C)	Yield	Life (Years)(D)	Principal Subordi	C V	
Agency RMBS(F) (G)	$1,880,434	$1,941,558	$552	$(5,917)	$1,936,193	88	AAA	3.50%	2.98%	9.5	N/A	$	

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

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

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

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

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

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

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

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

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

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

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

			Gross Unrealized				Weighted Average				
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)	Principal Subordination
Servicer Advance Bonds	$ 100,000	$ 99,758	$ 242	$ —	$ 100,000	1	AAA	3.21 %	3.09 %	0.2	N/A
Consumer Loan Bonds	137,500	16,253	109	—	16,362	1	N/A	N/A	15.22 %	1.6	N/A
Fair Value Option Securities											
Interest-only Securities	4,163,429	208,350	8,711	(10,624)	206,437	42	AA+	1.62 %	6.56 %	3.4	N/A
Servicing Strips	441,478	5,261	1,089	—	6,350	15	N/A	0.27 %	22.24 %	6.5	N/A

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

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

	Amortized Cost Basis	Weighted Average

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

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

(B) The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 59 bonds which either have never been rated or for which rating information is no longer provided. The weighted average rating of securities in an unrealized loss position for 12 or more months excludes the rating of 7 bonds which either have never been rated or for which rating information is no longer provided.

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

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

(A) 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, key terms of the securities and the effect of local, industry and broader economic trends. Significant inputs in estimating the cash flows include New Residential's expectations of prepayment rates, default rates and loss severities. Credit losses are measured as the decline in the present value of the expected future cash flows discounted at the investment's effective interest rate.

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

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

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

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

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

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

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

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

(A) Excludes $100.0 million and $137.5 million face amount of bonds backed by Servicer Advances and Consumer Loans, respectively, as of June 30, 2017 and $100.0 million face amount of bonds backed by Servicer Advance Bonds as of December 31, 2016.
(B) Represents collateral for which New Residential was unable to obtain geographic information.

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

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

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

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

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

Balance at June 30, 2017	$2,023,592

See Note 11 regarding the financing of real estate securities.

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8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

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

- Loans Held-for-Investment (which may include PCD Loans)
- Loans Held-for-Sale
- Real Estate Owned ("REO")

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

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

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
(C) Represents the percentage of the total principal balance that is 60+ days delinquent.
(D)

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

(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 was $0.5 million. Approximately 61% of these loans have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.

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

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

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

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

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

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

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

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

Call Rights

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

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

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

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

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

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

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Performing Loans

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

June 30, 2017

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

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

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

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

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

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

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

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

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

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Purchased Credit Deteriorated Loans

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

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

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

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

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

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

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

(A) Represents a probable and significant increase in cash flows previously expected to be uncollectible.
(B) Includes sales of loans or foreclosures, which result in removal of the loan from the PCD loan pool at its carrying amount.
(C) Represents loans not initially acquired with the intent to sell for which New Residential determined that it no longer has the intent to hold for the foreseeable future, or until maturity or payoff.

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Loans Held-for-Sale

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

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

(A) Represents loans acquired with the intent to sell.
(B) Represents loans not initially acquired with the intent to sell for which New Residential determined that it no longer has the intent to hold for the foreseeable future, or until maturity or payoff.
(C) Represents loans for which foreclosure has been completed and for which New Residential has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are now recognized as claims receivable in Other Assets (Note 2).
(D) Represents the fair value adjustments to loans upon transfer to held-for-sale and provision recorded on certain purchased held-for-sale loans, including an aggregate of $8.1 million of provision related to the call transactions executed during the six months ended June 30, 2017.

Real estate owned (REO)

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

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

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

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

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Variable Interest Entities

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

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

(A) The creditors of the RPL Borrowers do not have recourse to the general credit of New Residential, and the assets of the RPL Borrowers are not directly available to satisfy New Residential's obligations.
(B) Includes $78.0 million of bonds retained by New Residential issued by these VIEs.

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

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

(A) Represents the percentage of the UPB that is 60+ days delinquent.
(B) Excludes bonds retained by New Residential.

9. INVESTMENTS IN CONSUMER LOANS

In April 2013, New Residential completed, through newly formed limited liability companies (together, the "Consumer Loan Companies"), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. New Residential acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, OneMain acquired 47% and funds managed by Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. OneMain acted as the managing member of the Consumer Loan Companies. OneMain is the servicer of the loans and provides all servicing and advancing functions for the portfolio.

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

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

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

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

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

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

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

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

- Loans Held-for-Investment:
  - Performing Loans
  - PCD Loans

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

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

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.
(C) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments, which are accounted for as PCD loans.

See Note 11 regarding the financing of consumer loans.

Performing Loans

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

June 30, 2017

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

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

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

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

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

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

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

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

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

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

Purchased Credit Deteriorated Loans

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

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

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

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

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

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

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

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

Noncontrolling Interests

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

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

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

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

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Variable Interest Entities

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

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

(A) The creditors of the Consumer Loan SPVs do not have recourse to the general credit of New Residential, and the assets of the Consumer Loan SPVs are not directly available to satisfy New Residential’s obligations.
(B) Includes $121.0 million of bonds retained by New Residential issued by these VIEs.

Equity Method Investees

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

In addition, New Residential and the LoanCo co-investors agreed to purchase warrants to purchase up to 177.7 million shares of Series F convertible preferred stock in the Consumer Loan Seller’s parent company (ParentCo), which were valued at approximately $75.0 million in the aggregate as of February 2017, through a newly formed entity, PF WarrantCo Holdings, LP (“WarrantCo”). New Residential acquired a 23.57% interest in WarrantCo, the remaining interest being acquired by three co-investors. WarrantCo has agreed to purchase a pro rata portion of the warrants each time LoanCo closes on a portion of its consumer loan purchase agreement from Consumer Loan Seller. The holder of the warrants has the option to purchase an equivalent number of shares of Series F convertible preferred stock in ParentCo at a price of $0.01 per share. Warrantco is vested in the warrants to purchase an aggregate of 27.1 million Series F convertible preferred stock in ParentCo as of May 31, 2017. The Series F convertible preferred stock holders have the right to convert such preferred stock to common stock at any time, are entitled to the number of votes equal to the number of shares of common stock into which such shares of convertible preferred stock could be converted, and will have liquidation rights in the event of liquidation. New Residential will account for its investment in WarrantCo pursuant to the equity method of accounting because it can exercise significant influence over WarrantCo but the requirements for consolidation are not met. New Residential’s investment in WarrantCo is recorded as Investment in Consumer Loans, Equity Method Investees. WarrantCo has elected to account for its investments in warrants at fair value. New Residential has elected to record WarrantCo’s activity on a one month lag.

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

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

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

(A) Data as of, and for the periods ended, May 31, 2017, as a result of the one month reporting lag.
(B) During the six months ended June 30, 2017, LoanCo sold, through a securitization which was treated as a sale for accounting purposes, $550.0 million in UPB of consumer loans. LoanCo retained $64.2 million of the residual interest of the securitization and distributed it to the LoanCo co-investors, including New Residential.

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

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

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.
(C) Data as of May 31, 2017 as a result of the one month reporting lag.

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

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

10. DERIVATIVES

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

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

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

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

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

The following table summarizes notional amounts related to derivatives:

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

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

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

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

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

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

(A) Represents unrealized gains (losses).

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11. DEBT OBLIGATIONS

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

	June 30, 2017					Collateral			
Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value(A)	Final Stated Maturity(B)	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weigh Avera Life (Years
Repurchase Agreements(C)									
Agency RMBS(D)	$2,720,413	$2,720,413	Jul-17 to Aug-17	1.14%	0.1	$2,727,477	$2,805,774	$2,808,860	0.3
Non-Agency RMBS (E)	4,226,691	4,226,691	Jul-17 to Sep-17	2.68%	0.1	10,947,964	5,069,675	5,382,793	8.0
Residential Mortgage Loans(F)	1,213,786	1,211,460	Jul-17 to Feb-19	3.88%	0.5	1,811,738	1,581,267	1,563,004	3.8
Real Estate Owned(G)(H)	103,031	102,834	Jul-17 to Feb-19	3.88%	0.4	N/A	N/A	137,402	N/A
Total Repurchase Agreements	8,263,921	8,261,398		2.36%	0.2				
Notes and Bonds Payable									
Secured Corporate Notes(I)	768,443	764,601	Apr-18 to Sep-19	5.69%	1.8	275,957,786	1,195,335	1,339,563	6.1
MSRs(J)	924,214	923,336	Feb-18 to Apr-22	5.23%	2.9	191,111,797	1,647,679	1,836,451	6.8
Servicer Advances(K)	4,528,323	4,519,048	Nov-17 to Dec-21	3.28%	2.3	4,562,746	4,905,989	4,984,475	5.0
Residential Mortgage Loans(L)	144,562	144,562	Oct-17 to Apr-20	3.60%	2.7	237,605	186,261	186,261	7.5
Consumer Loans(M)	1,437,834	1,434,057	Sep-19 to Mar-24	3.37%	3.0	1,576,163	1,574,459	1,569,217	3.6
Receivable from government agency(L)	2,178	2,178	Oct-17	3.74%	0.3	N/A	N/A	2,815	N/A
Total Notes and Bonds Payable	7,805,554	7,787,782		3.77%	2.5				
Total/ Weighted Average	$16,069,475	$16,049,180		3.05%	1.3				

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity of July 2017 were refinanced, extended or repaid.
(C) These repurchase agreements had approximately $17.6 million of associated accrued interest payable as of June 30, 2017.

(D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately $2.7 billion of related trade and other receivables.

(E) All of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates. This includes repurchase agreements of $159.9 million on retained servicer advance and consumer loan bonds.

(F) All of these repurchase agreements have LIBOR-based floating interest rates.

(G) All of these repurchase agreements have LIBOR-based floating interest rates.

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

(I) Includes $213.3 million of corporate loans which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.75%, $270.0 million of corporate loans which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.25%, and a $285.1 million corporate loan which bears interest equal to 5.68%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure these notes, and the $285.1 million corporate loan is also collateralized by the rights to the related basic fee portion of the MSRs.

(J) Includes $290.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.25%, $60.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.75%, $74.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.65%, and $500.2 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.00%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and mortgage servicing rights financing receivable that secure these notes.

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(K) $4.1 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.9% to 2.4%. Collateral includes Servicer Advances receivable related to the mortgage servicing rights owned by NRM.

(L) Represents: (i) a $8.7 million note payable to Nationstar that bears interest equal to one-month LIBOR plus 2.875% and (ii) $138.1 million of asset-backed notes held by third parties which bear interest equal to 3.60%.

(M) Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: $1.1 billion UPB of Class A notes with a coupon of 3.05% and a stated maturity date in November 2023; $210.8 million UPB of Class B notes with a coupon of 4.10% and a stated maturity date in March 2024; $18.3 million UPB of Class C-1 notes with a coupon of 5.63% and a stated maturity date in March 2024; $18.3 million UPB of Class C-2 notes with a coupon of 5.63% and a stated maturity date in March 2024. Also includes a $96.4 million face amount note collateralized by newly originated consumer loans which bears interest equal to one-month LIBOR plus 3.25%.

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

General

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

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

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

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

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

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

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Maturities

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

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

Borrowing Capacity

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

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

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

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

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12. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mortgage Servicing Rights Financing Receivable[H]

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

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

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

Investments in Servicer Advances Valuation

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

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

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 15.9 bps which represents the amount New Residential pays its servicers as a monthly servicing fee.
(C) Weighted average maturity of the underlying residential mortgage loans in the pool.

Real Estate Securities Valuation

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

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

(A) New Residential generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold New Residential the security) for Non-Agency RMBS. New Residential evaluates quotes received and determines one as being most representative of fair value, and does not use an average of the quotes. Even if New Residential receives two or more quotes on a particular security that come from non-selling brokers or pricing services, it does not use an average because it believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases there is a wide disparity between the quotes New Residential receives. New Residential believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on New Residential's own fair value analysis, it selects one of the quotes which is believed to more accurately reflect fair value. New Residential has not adjusted any of the quotes received in the periods presented. These quotations are generally received via email and contain disclaimers which state that they are “indicative” and not “actionable” — meaning that the party giving the quotation is not bound to actually purchase the security at the quoted price. New Residential’s investments in Agency RMBS are classified within Level 2 of the fair value hierarchy because the market for these securities is very active and market prices are readily observable.

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

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

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

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

(a) Represents the annualized rate of the prepayments as a percentage of the total principal balance of the pool.
(b) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance of the pool.
(c) Represents the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding balance.

(B) New Residential was unable to obtain quotations from more than one source on these securities. For approximately $7.6 million, the one source was the party that sold New Residential the security.
(C) Includes New Residential’s investments in interest-only notes for which the fair value option for financial instruments was elected.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

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

	Fair Value and Carrying Value	Discount Rate	Weighted Average Life (Years)[(A)]	Prepayment Rate	CDR[(B)]	Loss Severity[(C)]

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

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

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

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

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

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

Loans for Which Fair Value is Only Disclosed

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

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

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.
(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.
(D) Carrying value and fair value represent a 70% participation interest New Residential holds in the portfolio of reverse mortgage loans.

Derivative Valuation

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

Liabilities for Which Fair Value is Only Disclosed

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

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

13. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

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

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

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

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

Option Plan

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

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

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

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

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

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

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

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

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

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

Income and Earnings Per Share

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

Noncontrolling Interests

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

14. COMMITMENTS AND CONTINGENCIES

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

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

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

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

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President, and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS's risk management and internal controls. More specifically, the consolidated class action complaint alleges that a series of statements in HLSS's disclosures were materially false and misleading, including statements about (i) Ocwen's servicing capabilities; (ii) HLSS's contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS's financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS's August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. On February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety. On June 6, 2016, all allegations except those regarding certain related party transactions were dismissed.

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

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

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

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

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

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

Consumer Loans — The Consumer Loan Companies have invested in loans with an aggregate of $356.3 million of unfunded and available revolving credit privileges as of June 30, 2017. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at management's discretion.

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

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

Certain Tax-Related Covenants — If New Residential is treated as a successor to Drive Shack under applicable U.S. federal income tax rules, and if Drive Shack failed to qualify as a REIT for a taxable year ending on or before December 31, 2014, New Residential could be prohibited from electing to be a REIT. Accordingly, in the separation and distribution agreement executed in connection with New Residential's spin-off from Drive Shack, Drive Shack (i) represented that it had no knowledge of any fact or circumstance that would cause New Residential to fail to qualify as a REIT, (ii) covenanted to use commercially reasonable efforts to cooperate with New Residential as necessary to enable New Residential to qualify for taxation as a REIT and receive customary legal opinions concerning REIT status, including providing information and representations to New Residential and its tax counsel with respect to the composition of Drive Shack's income and assets, the composition of its stockholders, and its operation as a REIT; and (iii) covenanted to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ending on or before December 31, 2014 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the U.S. Internal Revenue Service ("IRS") to the effect that Drive Shack's failure to maintain its REIT status will not cause New Residential to fail to qualify as a REIT under the successor REIT rule referred to above). Additionally, New Residential covenanted to use its reasonable best efforts to qualify for taxation as a REIT for its taxable year ended December 31, 2013.

15. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

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

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

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

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

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

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Due to affiliates is comprised of the following amounts:

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

Affiliate expenses and fees were comprised of:

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

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

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

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

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16. RECLASSIFICATION FROM ACCUMULATED OTHER COMPREHENSIVE INCOME INTO NET INCOME

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

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

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

17. INCOME TAXES

Income tax expense (benefit) consists of the following:

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

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

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

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

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