New Residential Investment Corp.
Form 10-Q
May 01, 2018

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 March 31, 2018

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: 336,135,391 shares outstanding as of April 27, 2018.

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 the value of, or 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;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;
- 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, as well as the continued effect of prior events;
- 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 Advance Investments, RMBS, residential mortgage loans and consumer loan portfolios;
- the risks that default and recovery rates on our MSRs, Excess MSRs, Servicer Advance Investments, RMBS, 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;
- 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 Servicer Advance Investments or MSRs;
- 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 relative spreads between the yield on the assets in which we invest and the cost of financing;
- 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;
- the availability and terms of capital for future investments;

- changes in economic conditions generally and the real estate and bond markets specifically;
- 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 grow the economy, future changes to tax laws, the federal conservatorship of Fannie Mae and Freddie Mac and legislation that permits modification of the terms of residential mortgage loans;
- the risk that GSE or other regulatory initiatives or actions may adversely affect returns from investments in MSRs and Excess MSRs;
- 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 Home Loan Servicing Solutions ("HLSS") liabilities that we have assumed;
- the impact of current or future legal proceedings and regulatory investigations and inquiries;
- the impact of any material transactions with FIG LLC (the "Manager") or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest; and
- effects of the recently completed merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp.

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

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|---|---|---|
| Assets | | |
| Investments in: | | |
| Excess mortgage servicing rights, at fair value | $515,676 | $1,173,713 |
| Excess mortgage servicing rights, equity method investees, at fair value | 164,886 | 171,765 |
| Mortgage servicing rights, at fair value | 2,129,665 | 1,735,504 |
| Mortgage servicing rights financing receivables, at fair value | 1,886,771 | 598,728 |
| Servicer advance investments, at fair value(A) | 955,364 | 4,027,379 |
| Real estate and other securities, available-for-sale | 7,585,323 | 8,071,140 |
| Residential mortgage loans, held-for-investment | 647,960 | 691,155 |
| Residential mortgage loans, held-for-sale(A) | 1,441,955 | 1,725,534 |
| Real estate owned | 115,616 | 128,295 |
| Consumer loans, held-for-investment(A) | 1,305,793 | 1,374,263 |
| Consumer loans, equity method investees | 46,135 | 51,412 |
| Cash and cash equivalents(A) | 233,233 | 295,798 |
| Restricted cash | 179,688 | 150,252 |
| Servicer advances receivable | 3,393,375 | 675,593 |
| Trades receivable | 1,083,558 | 1,030,850 |
| Other assets | 326,943 | 312,181 |
| | $22,011,941 | $22,213,562 |
| Liabilities and Equity | | |
| Liabilities | | |
| Repurchase agreements | $7,635,494 | $8,662,139 |
| Notes and bonds payable(A) | 7,031,021 | 7,084,391 |
| Trades payable | 1,116,948 | 1,169,896 |
| Due to affiliates | 20,292 | 88,961 |
| Dividends payable | 168,068 | 153,681 |
| Deferred tax liability, net | 10,162 | 19,218 |
| Accrued expenses and other liabilities | 268,269 | 239,114 |
| | 16,250,254 | 17,417,400 |
| Commitments and Contingencies | | |
| Equity | | |
| Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 336,135,391 and 307,361,309 issued and outstanding at March 31, 2018 and December 31, 2017, respectively | 3,362 | 3,074 |
| Additional paid-in capital | 4,245,573 | 3,763,188 |

| | | |
|---|---|---|
| Retained earnings | 995,661 | 559,476 |
| Accumulated other comprehensive income (loss) | 419,340 | 364,467 |
| Total New Residential stockholders’ equity | 5,663,936 | 4,690,205 |
| Noncontrolling interests in equity of consolidated subsidiaries | 97,751 | 105,957 |
| Total Equity | 5,761,687 | 4,796,162 |
| | $22,011,941 | $22,213,562 |

1

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 Advance Investments, 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 March 31, 2018 | 2017 |
|---|---|---|
| Interest income | $383,573 | $292,538 |
| Interest expense | 124,387 | 98,229 |
| Net Interest Income | 259,186 | 194,309 |
| | | |
| Impairment | | |
| Other-than-temporary impairment (OTTI) on securities | 6,670 | 2,112 |
| Valuation and loss provision (reversal) on loans and real estate owned | 19,007 | 17,910 |
| | 25,677 | 20,022 |
| | | |
| Net interest income after impairment | 233,509 | 174,287 |
| Servicing revenue, net | 217,236 | 40,602 |
| Other Income | | |
| Change in fair value of investments in excess mortgage servicing rights | (45,691) | 821 |
| Change in fair value of investments in excess mortgage servicing rights, equity method investees | 523 | (244) |
| Change in fair value of investments in mortgage servicing rights financing receivables | 271,076 | — |
| Change in fair value of servicer advance investments | (79,476) | 2,559 |
| Gain (loss) on settlement of investments, net | 103,302 | (13,674) |
| Earnings from investments in consumer loans, equity method investees | 4,806 | — |
| Other income (loss), net | 9,984 | 6,844 |
| | 264,524 | (3,694) |
| | | |
| Operating Expenses | | |
| General and administrative expenses | 20,007 | 11,827 |
| Management fee to affiliate | 15,110 | 13,074 |
| Incentive compensation to affiliate | 14,589 | 12,460 |
| Loan servicing expense | 11,514 | 13,376 |
| Subservicing expense | 46,597 | 17,704 |
| | 107,817 | 68,441 |
| | | |
| Income Before Income Taxes | 607,452 | 142,754 |
| Income tax expense (benefit) | (6,912) | 5,596 |
| Net Income | $614,364 | $137,158 |
| Noncontrolling Interests in Income of Consolidated Subsidiaries | $10,111 | $15,780 |
| Net Income Attributable to Common Stockholders | $604,253 | $121,378 |
| | | |
| Net Income Per Share of Common Stock | | |
| Basic | $1.83 | $0.42 |
| Diluted | $1.81 | $0.42 |
| | | |
| Weighted Average Number of Shares of Common Stock Outstanding | | |
| Basic | 330,384,856 | 286,600,324 |

| | | |
|---|---|---|
| Diluted | 333,380,436 | 288,241,188 |
| Dividends Declared per Share of Common Stock | $ 0.50 | $ 0.48 |

See notes to condensed consolidated financial statements.

3

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Comprehensive income (loss), net of tax | | |
| Net income | $614,364 | $137,158 |
| Other comprehensive income (loss) | | |
| Net unrealized gain (loss) on securities | 18,976 | 31,638 |
| Reclassification of net realized (gain) loss on securities into earnings | 35,897 | 1,119 |
| | 54,873 | 32,757 |
| Total comprehensive income | $669,237 | $169,915 |
| Comprehensive income attributable to noncontrolling interests | $10,111 | $15,780 |
| Comprehensive income attributable to common stockholders | $659,126 | $154,135 |

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(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, 2017 | 307,361,309 | $3,074 | $3,763,188 | $559,476 | $364,467 | $4,690,205 | $105,957 | $4,796,162 |
| Dividends declared | — | — | — | (168,068) | — | (168,068) | — | (168,068) |
| Capital contributions | — | — | — | — | — | — | — | — |
| Capital distributions | — | — | — | — | — | — | (18,317) | (18,317) |
| Issuance of common stock | 28,750,000 | 288 | 481,965 | — | — | 482,253 | — | 482,253 |
| Director share grants | 24,082 | — | 420 | — | — | 420 | — | 420 |
| Comprehensive income (loss) | | | | | | | | |
| Net income (loss) | — | — | — | 604,253 | — | 604,253 | 10,111 | 614,364 |
| Net unrealized gain (loss) on securities | — | — | — | — | 18,976 | 18,976 | — | 18,976 |
| Reclassification of net realized (gain) loss on securities into earnings | — | — | — | — | 35,897 | 35,897 | — | 35,897 |
| Total comprehensive income (loss) | | | | | | 659,126 | 10,111 | 669,237 |
| Equity - March 31, 2018 | 336,135,391 | $3,362 | $4,245,573 | $995,661 | $419,340 | $5,663,936 | $97,751 | $5,761,687 |

See notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash Flows From Operating Activities | | |
| Net income | $614,364 | $137,158 |
| 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 | 45,691 | (821) |
| Change in fair value of investments in excess mortgage servicing rights, equity method investees | (523) | 244 |
| Change in fair value of investments in mortgage servicing rights financing receivables | (271,076) | — |
| Change in fair value of servicer advance investments | 79,476 | (2,559) |
| (Gain) / loss on settlement of investments (net) | (103,302) | 13,674 |
| Earnings from investments in consumer loans, equity method investees | (4,806) | — |
| Unrealized (gain) / loss on derivative instruments | (2,446) | (4,326) |
| Unrealized (gain) / loss on other ABS | 313 | (758) |
| (Gain) / loss on transfer of loans to REO | (4,170) | (6,634) |
| (Gain) / loss on transfer of loans to other assets | (55) | (212) |
| (Gain) / loss on Excess MSRs | (2,905) | (627) |
| (Gain) / loss on Ocwen common stock | (5,772) | — |
| Accretion and other amortization | (177,371) | (192,424) |
| Other-than-temporary impairment | 6,670 | 2,112 |
| Valuation and loss provision on loans and real estate owned | 19,007 | 17,910 |
| Non-cash portions of servicing revenue, net | (74,666) | 27,055 |
| Non-cash directors' compensation | 420 | 243 |
| Deferred tax provision | (9,056) | 3,418 |
| Changes in: | | |
| Servicer advances receivable | 189,207 | 9,233 |
| Other assets | (19,593) | 6,906 |
| Due to affiliates | (68,669) | (24,229) |
| Accrued expenses and other liabilities | 25,590 | (33,337) |
| Other operating cash flows: | | |
| Interest received from excess mortgage servicing rights | 9,702 | 21,413 |
| Interest received from servicer advance investments | 9,130 | 52,124 |
| Interest received from Non-Agency RMBS | 45,104 | 40,801 |
| Interest received from residential mortgage loans, held-for-investment | 1,728 | 3,762 |
| Interest received from PCD consumer loans, held-for-investment | 7,190 | 14,824 |
| Distributions of earnings from excess mortgage servicing rights, equity method investees | 4,938 | 5,805 |
| Distributions of earnings from consumer loan equity method investees | 1,449 | — |
| Purchases of residential mortgage loans, held-for-sale | (494,207) | (1,223,734) |
| Proceeds from sales of purchased residential mortgage loans, held-for-sale | 659,559 | 739,640 |
| Principal repayments from purchased residential mortgage loans, held-for-sale | 32,738 | 14,497 |
| Net cash provided by (used in) operating activities | 513,659 | (378,842) |

Continued on next page.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash Flows From Investing Activities | | |
| Purchase of servicer advance investments | (853,672) | (3,302,794) |
| Purchase of MSRs, MSR financing receivables and servicer advances receivable | (371,165) | (1,003,650) |
| Purchase of Agency RMBS | (1,116,130) | (1,867,168) |
| Purchase of Non-Agency RMBS | (461,358) | (850,046) |
| Purchase of residential mortgage loans | (194) | — |
| Purchase of derivatives | — | — |
| Purchase of real estate owned and other assets | (4,160) | (9,730) |
| Purchase of investment in consumer loans, equity method investees | (83,227) | (41,314) |
| Draws on revolving consumer loans | (8,020) | (12,877) |
| Payments for settlement of derivatives | (32,487) | (15,732) |
| Return of investments in excess mortgage servicing rights | 16,358 | 41,566 |
| Return of investments in excess mortgage servicing rights, equity method investees | 2,464 | 2,869 |
| Return of investments in consumer loans, equity method investees | 79,248 | — |
| Principal repayments from servicer advance investments | 752,663 | 3,998,693 |
| Principal repayments from Agency RMBS | 19,757 | 18,779 |
| Principal repayments from Non-Agency RMBS | 200,077 | 159,247 |
| Principal repayments from residential mortgage loans | 28,337 | 4,481 |
| Proceeds from sale of residential mortgage loans | 780 | — |
| Principal repayments from consumer loans | 62,805 | 110,200 |
| Proceeds from sale of Agency RMBS | 1,876,403 | 1,682,689 |
| Proceeds from sale of Non-Agency RMBS | — | 28,339 |
| Proceeds from settlement of derivatives | 77,165 | 24,570 |
| Proceeds from sale of real estate owned | 30,598 | 17,999 |
| Net cash provided by (used in) investing activities | 216,242 | (1,013,879) |

Continued on next page.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Cash Flows From Financing Activities | | |
| Repayments of repurchase agreements | (16,316,397) | (8,788,534) |
| Margin deposits under repurchase agreements and derivatives | (309,178) | (285,881) |
| Repayments of notes and bonds payable | (2,556,961) | (2,653,967) |
| Payment of deferred financing fees | (7,109) | (4,494) |
| Common stock dividends paid | (153,681) | (115,356) |
| Borrowings under repurchase agreements | 15,286,068 | 9,874,154 |
| Return of margin deposits under repurchase agreements and derivatives | 321,626 | 276,805 |
| Borrowings under notes and bonds payable | 2,508,665 | 2,220,907 |
| Issuance of common stock | 482,696 | 835,465 |
| Costs related to issuance of common stock | (442) | (936) |
| Noncontrolling interest in equity of consolidated subsidiaries - contributions | — | — |
| Noncontrolling interest in equity of consolidated subsidiaries - distributions | (18,317) | (24,209) |
| Purchase of noncontrolling interests in the Buyer | — | — |
| Net cash provided by (used in) financing activities | (763,030) | 1,333,954 |
| Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash | (33,129) | (58,767) |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Period | 446,050 | 453,697 |
| Cash, Cash Equivalents, and Restricted Cash, End of Period | $412,921 | $394,930 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the period for interest | $124,748 | $94,494 |
| Cash paid during the period for income taxes | 335 | 3 |
| Supplemental Schedule of Non-Cash Investing and Financing Activities | | |
| Dividends declared but not paid | $168,068 | $147,520 |
| Purchase of Agency and Non-Agency RMBS, settled after quarter end | 1,116,948 | 1,446,276 |
| Sale of investments, primarily Agency RMBS, settled after quarter end | 1,083,558 | 1,857,537 |
| Transfer from residential mortgage loans to real estate owned and other assets | 18,228 | 43,763 |
| Transfer from residential mortgage loans, held-for-investment to residential mortgage loans, held-for-sale | 20,842 | — |
| Non-cash distributions from LoanCo | 12,613 | — |
| MSR purchase price holdback | 174 | 60,001 |
| Real estate securities retained from loan securitizations | 75,950 | 81,888 |
| Ocwen transaction (Note 5) - excess mortgage servicing rights | 638,567 | — |
| Ocwen transaction (Note 5) - servicer advance investments | 3,175,891 | — |
| Ocwen transaction (Note 5) - mortgage servicing rights financing receivables | 1,017,993 | — |

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(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 managed Drive Shack and manages investment funds that indirectly own approximately 40.5% 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 March 31, 2018, 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) Servicer Advance Investments (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 0.5 million shares of New Residential's common stock were held by Fortress, through its affiliates, as of March 31, 2018. In addition, Fortress, through its affiliates, held options relating to approximately 18.1 million shares of New Residential's common stock as of March 31, 2018.

### 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, 2017 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, 2017.

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 are 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 was effective for New Residential in the first quarter of 2018. 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, the adoption of ASU No. 2014-09 did not have a material impact on the 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 was effective for New Residential in the first quarter of 2018. The adoption of ASU No. 2016-01 did not have a material impact on the 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 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 was effective for New Residential in the first quarter of 2018. The adoption of ASU No. 2016-16 did not have a material impact on the condensed consolidated financial statements.

10

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

## 2. OTHER INCOME, ASSETS AND LIABILITIES

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Gain (loss) on sale of real estate securities, net | $(29,227) | $993 |
| Gain (loss) on sale of residential mortgage loans, net | (14,651) | 2,565 |
| Gain (loss) on settlement of derivatives | 37,363 | (11,836) |
| Gain (loss) on liquidated residential mortgage loans | (385) | (2,216) |
| Gain (loss) on sale of REO | (2,800) | (2,610) |
| Gains reclassified from change in fair value of investments in excess MSRs and servicer advance investments | 113,002 | — |
| Other gains (losses) | — | (570) |
| | $103,302 | $(13,674) |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Unrealized gain (loss) on derivative instruments | $2,446 | $4,326 |
| Unrealized gain (loss) on other ABS | (313) | 758 |
| Gain (loss) on transfer of loans to REO | 4,170 | 6,634 |
| Gain (loss) on transfer of loans to other assets | 55 | 212 |
| Gain (loss) on Excess MSRs | 2,905 | 627 |
| Gain (loss) on Ocwen common stock | 5,772 | — |
| Other income (loss) | (5,051) | (5,713) |
| | $9,984 | $6,844 |

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

Other assets and liabilities are comprised of the following:

| | Other Assets | | | Accrued Expenses and Other Liabilities | |
|---|---|---|---|---|---|
| | March 31, 2018 | December 31, 2017 | | March 31, 2018 | December 31, 2017 |
| Margin receivable, net | $40,702 | $53,150 | Interest payable | $26,124 | $28,821 |
| Other receivables | 62,109 | 10,635 | Accounts payable | 47,877 | 73,017 |
| Principal and interest receivable | 45,548 | 48,373 | Derivative liabilities (Note 10) | 4,091 | 697 |
| Receivable from government agency | 30,863 | 41,429 | Current taxes payable | — | — |
| Call rights | 327 | 327 | Due to servicers | 72,705 | 24,571 |
| Derivative assets (Note 10) | 588 | 2,423 | MSR purchase price holdback | 101,464 | 101,290 |
| Servicing fee receivables | 63,199 | 60,520 | Other liabilities | 16,008 | 10,718 |
| Ginnie Mae EBO servicer advances receivable, net | 3,554 | 8,916 | | $268,269 | $239,114 |
| Due from servicers | 26,595 | 38,601 | | | |
| Ocwen common stock, at fair value | 25,031 | 19,259 | | | |
| Prepaid expenses | 6,449 | 7,308 | | | |
| Other assets | 21,978 | 21,240 | | | |
| | $326,943 | $312,181 | | | |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Accretion of servicer advance investment and receivable interest income | $77,640 | $76,043 |
| Accretion of excess mortgage servicing rights income | 9,359 | 31,418 |
| Accretion of net discount on securities and loans(A) | 92,708 | 88,984 |
| Amortization of deferred financing costs | (1,874) | (3,574) |
| Amortization of discount on notes and bonds payable | (462) | (447) |
| | $177,371 | $192,424 |

(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) Servicer Advance Investments, (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 and consumer loans are included in the Servicer Advances and Consumer Loans segments, respectively. Secured corporate loans effectively collateralized by Excess MSRs are included in the Excess MSRs segment.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

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

| | Servicing Related Assets | | | Residential Securities and Loans | | | | |
|---|---|---|---|---|---|---|---|---|
| | Excess MSRs | MSRs | Servicer Advances | Real Estate Securities | Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| Three Months Ended March 31, 2018 | | | | | | | | |
| Interest income | $9,359 | $166,518 | $18,891 | $101,133 | $34,392 | $52,648 | $632 | $383,573 |
| Interest expense | 4,489 | 44,111 | 6,430 | 41,530 | 16,311 | 11,516 | — | 124,387 |
| Net interest income (expense) | 4,870 | 122,407 | 12,461 | 59,603 | 18,081 | 41,132 | 632 | 259,186 |
| Impairment | — | — | — | 6,670 | 5,183 | 13,824 | — | 25,677 |
| Servicing revenue, net | — | 217,236 | — | — | — | — | — | 217,236 |
| Other income (loss) | (1,889) | 271,777 | (6,577) | 10,569 | (20,217) | 5,090 | 5,771 | 264,524 |
| Operating expenses | 61 | 52,278 | 144 | 297 | 8,947 | 9,437 | 36,653 | 107,817 |
| Income (Loss) Before Income Taxes | 2,920 | 559,142 | 5,740 | 63,205 | (16,266) | 22,961 | (30,250) | 607,452 |
| Income tax expense (benefit) | — | (6,729) | (427) | — | — | 244 | — | (6,912) |
| Net Income (Loss) | $2,920 | $565,871 | $6,167 | $63,205 | $(16,266) | $22,717 | $(30,250) | $614,364 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | $— | $— | $1,383 | $— | $— | $8,728 | $— | $10,111 |
| Net income (loss) attributable to common stockholders | $2,920 | $565,871 | $4,784 | $63,205 | $(16,266) | $13,989 | $(30,250) | $604,253 |

| | Servicing Related Assets | | | Residential Securities and Loans | | | | |
|---|---|---|---|---|---|---|---|---|
| | Excess MSRs | MSRs | Servicer Advances | Real Estate Securities | Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| March 31, 2018 | | | | | | | | |
| Investments | $680,562 | $4,016,436 | $955,364 | $7,585,323 | $2,205,531 | $1,351,928 | $— | $16,795,144 |
| Cash and cash equivalents | 187 | 147,305 | 35,829 | 1,673 | 2,532 | 25,382 | 20,325 | 233,233 |
| Restricted cash | 3,624 | 114,152 | 10,664 | — | — | 51,248 | — | 179,688 |
| Other assets | 4,343 | 3,465,768 | 3,614 | 1,136,075 | 92,496 | 26,177 | 75,403 | 4,803,876 |
| Total assets | $688,716 | $7,743,661 | $1,005,471 | $8,723,071 | $2,300,559 | $1,454,735 | $95,728 | $22,011,941 |
| Debt | $197,563 | $4,864,332 | $729,539 | $6,053,287 | $1,549,489 | $1,272,305 | $— | $14,666,515 |
| Other liabilities | 1,555 | 225,321 | (14,129) | 1,137,019 | 23,577 | 13,852 | 196,544 | 1,583,739 |
| Total liabilities | 199,118 | 5,089,653 | 715,410 | 7,190,306 | 1,573,066 | 1,286,157 | 196,544 | 16,250,254 |
| Total equity | 489,598 | 2,654,008 | 290,061 | 1,532,765 | 727,493 | 168,578 | (100,816) | 5,761,687 |
| Noncontrolling interests in equity of consolidated | — | — | 65,392 | — | — | 32,359 | — | 97,751 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| subsidiaries | | | | | | | | |
| Total New Residential stockholders' equity | $489,598 | $2,654,008 | $224,669 | $1,532,765 | $727,493 | $136,219 | $(100,816) | $5,663,936 |
| Investments in equity method investees | $164,886 | $— | $— | $— | $— | $46,135 | $— | $211,021 |

13

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

| | 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 March 31, 2017 | | | | | | | | |
| Interest income | $31,418 | $25 | $ 76,704 | $93,808 | $ 17,993 | $ 72,406 | $184 | $292,538 |
| Interest expense | 10,072 | 987 | 43,876 | 20,881 | 7,540 | 14,873 | — | 98,229 |
| Net interest income (expense) | 21,346 | (962) | 32,828 | 72,927 | 10,453 | 57,533 | 184 | 194,309 |
| Impairment | — | — | — | 2,112 | (2,018) | 19,928 | — | 20,022 |
| Servicing revenue, net | — | 40,602 | — | — | — | — | — | 40,602 |
| Other income (loss) | 1,204 | 213 | 1,801 | (5,596) | (1,336) | 20 | — | (3,694) |
| Operating expenses | 86 | 19,723 | 824 | 331 | 5,853 | 11,438 | 30,186 | 68,441 |
| Income (Loss) Before Income Taxes | 22,464 | 20,130 | 33,805 | 64,888 | 5,282 | 26,187 | (30,002) | 142,754 |
| Income tax expense (benefit) | — | (1,279) | 9,192 | — | (2,317) | — | — | 5,596 |
| Net Income (Loss) | $22,464 | $21,409 | $ 24,613 | $64,888 | $ 7,599 | $ 26,187 | $(30,002) | $137,158 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | $— | $— | $ 5,820 | $— | $— | $ 9,960 | $— | $15,780 |
| Net income (loss) attributable to common stockholders | $22,464 | $21,409 | $ 18,793 | $64,888 | $ 7,599 | $ 16,227 | $(30,002) | $121,378 |

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, 2017 | $532,233 | $2,913 | $638,567 | $1,173,713 |
| Purchases | — | — | — | — |
| Interest income | 9,354 | 5 | — | 9,359 |
| Other income | 2,905 | — | — | 2,905 |
| Proceeds from repayments | (26,290) | (170) | — | (26,460) |
| Proceeds from sales | — | — | — | — |
| Change in fair value | (5,326) | 52 | (40,417) | (45,691) |
| New Ocwen Agreements (Note 5) | — | — | (598,150) | (598,150) |
| Balance as of March 31, 2018 | $512,876 | $2,800 | $— | $515,676 |

(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 Advance Investments acquired from HLSS.

In January 2018, New Residential entered into the New Ocwen Agreements as described in Note 5. Subsequent to the New Ocwen Agreements, the Excess MSRs serviced by Ocwen became reclassified, as described in Note 5.

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. These recapture agreements do not apply to New Residential’s Servicer Advance Investments (Note 6).

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

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

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

| | March 31, 2018 | | | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|---|---|
| | 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 | $62,526,609 | 32.5% - 66.7% (53.3%) | 0.0% - 40.0% | 20.0% - 35.0% | 5.8 | $242,028 | $271,623 | $280,033 |
| Recapture Agreements | — | 32.5% - 66.7% (53.3%) | 0.0% - 40.0% | 20.0% - 35.0% | 12.5 | 17,836 | 41,762 | 44,603 |
| | 62,526,609 | | | | 6.3 | 259,864 | 313,385 | 324,636 |
| Non-Agency(E) | | | | | | | | |
| Nationstar and SLS Serviced: | | | | | | | | |
| Original and Recaptured Pools | $62,374,141 | 33.3% - 100.0% (59.4%) | 0.0% - 50.0% | 0.0% - 33.3% | 5.3 | $149,606 | $184,094 | $190,696 |
| Recapture Agreements | — | 33.3% - 100.0% (59.4%) | 0.0% - 50.0% | 0.0% - 33.3% | 12.4 | 6,708 | 18,197 | 19,814 |
| Ocwen Serviced Pools | — | 100.0% | —% | —% | — | — | — | 638,567 |
| | 62,374,141 | | | | 5.6 | 156,314 | 202,291 | 849,077 |
| Total | $124,900,750 | | | | 6.0 | $416,178 | $515,676 | $1,173,713 |

(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 Advance Investments, including the basic fee component of the related MSR as of March 31, 2018 (Note 6) on $47.8 billion UPB underlying these Excess MSRs.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Original and Recaptured Pools | $(43,122) | $(7,248) |
| Recapture Agreements | (2,569) | 8,069 |
| | $(45,691) | $821 |

As of March 31, 2018, a weighted average discount rate of 8.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

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

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

| | March 31, 2018 | December 31, 2017 |
|---|---|---|
| Excess MSR assets | $309,322 | $321,197 |
| Other assets | 21,137 | 22,333 |
| Other liabilities | (687) | — |
| Equity | $329,772 | $343,530 |
| New Residential's investment | $164,886 | $171,765 |
| New Residential's ownership | 50.0 % | 50.0 % |

| | Three Months Ended March 31, 2018 | 2017 |
|---|---|---|
| Interest income | $5,227 | $4,182 |
| Other income (loss) | (4,181) | (4,646) |
| Expenses | — | (25) |
| Net income (loss) | $1,046 | $(489) |

New Residential's investments in equity method investees changed during the three months ended March 31, 2018 as follows:

| | |
|---|---|
| Balance at December 31, 2017 | $171,765 |
| Contributions to equity method investees | — |
| Distributions of earnings from equity method investees | (4,938) |
| Distributions of capital from equity method investees | (2,464) |
| Change in fair value of investments in equity method investees | 523 |
| Balance at March 31, 2018 | $164,886 |

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

| | March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $49,435,804 | 66.7 % | 50.0 % | $203,978 | $262,014 | 5.4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Recapture Agreements | — | 66.7 % | 50.0 % | 22,503 | 47,308 | 12.3 |
| Total | $49,435,804 | | | $226,481 | $309,322 | 6.1 |

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

16

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

(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.

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 March 31, 2018 | December 31, 2017 |
|---|---|---|
| California | 24.6 % | 24.0 % |
| Florida | 8.0 % | 8.7 % |
| New York | 6.4 % | 8.5 % |
| Texas | 4.5 % | 4.6 % |
| New Jersey | 3.9 % | 4.1 % |
| Maryland | 3.7 % | 3.7 % |
| Illinois | 3.5 % | 3.5 % |
| Georgia | 3.5 % | 3.1 % |
| Virginia | 3.2 % | 3.0 % |
| Arizona | 2.6 % | 2.5 % |
| Washington | 2.6 % | 2.4 % |
| Pennsylvania | 2.4 % | 2.6 % |
| Other U.S. | 31.1 % | 29.3 % |
| | 100.0 % | 100.0 % |

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

See Note 11 regarding the financing of Excess MSRs.

## 5. INVESTMENTS IN MORTGAGE SERVICING RIGHTS AND MORTGAGE SERVICING RIGHTS FINANCING RECEIVABLES

Mortgage Servicing Rights

In 2016, a subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), became a licensed or otherwise eligible 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. 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 March 31, 2018, these subservicers include Ocwen, Nationstar, Ditech, PHH, Shellpoint, and Flagstar, which subservice 28.6%, 27.7%, 23.4%, 13.9%, 5.6%, and 0.8% of the underlying UPB of the related mortgages, respectively (includes both Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables).

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

Walter 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 three months ended March 31, 2018, pursuant to the Walter Purchase Agreement, NRM purchased Walter Flow MSRs with respect to certain Fannie Mae and Freddie Mac residential mortgage loans with a total UPB of $1.0 billion for a purchase price of approximately $8.1 million. Ditech subservices the related residential mortgage loans.

On January 16, 2018, pursuant to the Walter Purchase Agreement, NRM purchased MSRs and related servicer advances receivable with respect to certain Freddie Mac residential mortgage loans with a total UPB of $11.5 billion, for a purchase price of approximately $101.5 million.

Shellpoint

On November 29, 2017, NRM Acquisition LLC (the "Shellpoint Purchaser"), a Delaware limited liability company and a wholly owned subsidiary of New Residential, entered into a Securities Purchase Agreement (the "Shellpoint SPA") with Shellpoint Partners LLC, a Delaware limited liability company ("Shellpoint"), the sellers party thereto and Shellpoint Services LLC, a Delaware limited liability company, as the representative of the sellers. The Shellpoint SPA provides that, upon the terms and subject to the conditions set forth therein, the Shellpoint Purchaser will purchase all of the outstanding equity interests of Shellpoint (the "Shellpoint Acquisition") for a purchase price (currently expected to be approximately $150.0 million, in addition to the approximately $81.0 million for the Shellpoint MSR Purchase discussed below) to be determined at the closing of the Shellpoint Acquisition (the "Shellpoint Closing") based on the tangible book value of Shellpoint, subject to certain customary closing and post-closing adjustments. As additional consideration for the Shellpoint Acquisition, the Shellpoint Purchaser will make up to three cash earnout payments, which will be calculated following each of the first three anniversaries of the Shellpoint Closing as a percentage of the amount by which the pre-tax income of certain of Shellpoint's businesses exceeds certain specified thresholds, up to an aggregate maximum amount of $60.0 million (the "Shellpoint Earnout Payments"), and allocated approximately 92% to the sellers and approximately 8% to a long-term employee incentive plan of Shellpoint. In connection with the Shellpoint Acquisition, New Residential also entered into a guaranty in favor of the sellers in respect of all of the Shellpoint Purchaser's payment obligations under the Shellpoint SPA. In connection with the Shellpoint SPA, NRM also entered into certain other agreements, including a Shellpoint MSR Purchase Agreement and a Shellpoint Subservicing Agreement (each described below). Shellpoint is a vertically integrated mortgage platform with operations across mortgage origination and servicing, and is an approved Fannie Mae and Freddie Mac seller and servicer and a Ginnie Mae issuer.

The Shellpoint SPA contains certain customary representations and warranties made by each party, which are qualified by the confidential disclosures provided to the Shellpoint Purchaser in connection with the Shellpoint SPA. The Shellpoint Purchaser and Shellpoint have agreed to various customary covenants, including, among others, covenants regarding the conduct of Shellpoint's business prior to the Shellpoint Closing and covenants requiring the Shellpoint Purchaser and Shellpoint to use commercially reasonable efforts to obtain certain third-party and governmental consents, approvals or other authorizations required in connection with the Shellpoint Acquisition. The Shellpoint SPA also contains certain indemnification provisions. A portion of the closing purchase price will be held back by the Shellpoint Purchaser, which holdback amount, together with a right of offset against the Shellpoint Earnout Payments, will be available to the Shellpoint Purchaser to satisfy certain indemnification claims.

Each party's obligation to consummate the Shellpoint Acquisition is subject to certain closing conditions, including among others, (i) the accuracy of the other party's representations and warranties (subject to certain qualifications); (ii) the other party's compliance with its covenants contained in the Shellpoint SPA (subject to certain qualifications); (iii) the applicable waiting periods under the HSR Act shall have expired or been terminated; (iv) no judgment, decree or judicial order shall have been entered or might be entered which would materially and adversely affect the consummation of the Shellpoint Acquisition; and (v) certain conditions relating to litigation and regulatory matters. In addition, the obligations of the Shellpoint Purchaser to consummate the Shellpoint Acquisition are subject to (i) the absence of any Material Adverse Effect (as defined in the Shellpoint SPA); (ii) the receipt of certain approvals from governmental entities, government-sponsored entities and other third parties; and (iii) the consummation of the transactions contemplated by the Shellpoint MSR Purchase Agreement.

The Shellpoint SPA may be terminated by either party under certain circumstances, including, among others: (i) if the Shellpoint Closing has not occurred on or before October 31, 2018 (unless extended under certain circumstances by the Shellpoint Purchaser); (ii) if a court or other governmental entity has issued a final and non-appealable order prohibiting the Shellpoint Closing; (iii) upon a material uncured breach by the other party that would result in a failure of the conditions to the Shellpoint Closing to be satisfied; or (iv) certain circumstances relating to litigation and regulatory matters.

On November 29, 2017, concurrently with the Shellpoint Purchaser's entry into the Shellpoint SPA, NRM entered into (i) a Bulk Agreement for the Purchase and Sale of Mortgage Servicing Rights (the "Shellpoint MSR Purchase Agreement") with New Penn Financial LLC ("New Penn"), a Delaware limited liability company and a wholly owned subsidiary of Shellpoint, pursuant to which NRM has agreed to purchase from New Penn the mortgage servicing rights relating to a portfolio of Fannie Mae and Freddie Mac mortgage loans having an aggregate UPB of approximately $7.8 billion for a purchase price of approximately $81.0 million (the "Shellpoint MSR Purchase"), which closed on January 16, 2018, and (ii) a Subservicing Agreement (the "Shellpoint Subservicing Agreement") with New Penn, pursuant to which New Penn has agreed to subservice Fannie Mae and Freddie Mac mortgage loans for which NRM has acquired the right to service such loans. Each party's obligation to consummate the Shellpoint MSR Purchase is subject to certain customary closing conditions, including among others, the applicable waiting periods under the HSR Act shall have expired or been terminated and the receipt of certain approvals from government-sponsored entities, and the consummation of the Shellpoint Acquisition is not a condition to the closing of the Shellpoint MSR Purchase. Under the Shellpoint Subservicing Agreement, New Penn is entitled to certain monthly and other servicing compensation, and both NRM and New Penn may terminate the Shellpoint Subservicing Agreement, subject to certain specified terms, notice periods and other requirements.

Other MSRs

On February 28, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Freddie Mac and Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $3.3 billion for a purchase price of approximately $33.5 million. The Freddie Mac and Fannie Mae residential mortgage loans were interim subserviced by the seller until they were transferred to Shellpoint, as NRM's designated subservicer, on March 16, 2018 and April 1, 2018, respectively.

On March 28, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $7.9 billion for a purchase price of approximately $95.2 million. The Fannie Mae residential mortgage loans are being interim subserviced by the seller until they are transferred to Shellpoint as NRM's designated subservicer.

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.

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

Three Months Ended

| | March 31, | |
|---|---|---|
| | 2018 | 2017 |
| Servicing fee revenue | $119,223 | $65,469 |
| Ancillary and other fees | 23,347 | 2,188 |
| Servicing fee revenue and fees | 142,570 | 67,657 |
| Amortization of servicing rights | (55,127) | (26,296) |
| Change in valuation inputs and assumptions | 129,793 | (759) |
| Servicing revenue, net | $217,236 | $40,602 |

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

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

| | |
|---|---|
| Balance as of December 31, 2017 | $1,735,504 |
| Purchases | 319,495 |
| Amortization of servicing rights[(A)] | (55,127 ) |
| Change in valuation inputs and assumptions | 129,793 |
| Balance as of March 31, 2018 | $2,129,665 |

(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 March 31, 2018:

| | UPB of Underlying Mortgages | Weighted Average Life (Years)[(A)] | Amortized Cost Basis | Carrying Value[(B)] |
|---|---|---|---|---|
| Agency | $197,403,568 | 6.4 | $1,740,698 | $2,129,665 |
| Non-Agency | 59,381 | 6.3 | — | — |
| Total | $197,462,949 | 6.4 | $1,740,698 | $2,129,665 |

(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 March 31, 2018, a weighted average discount rate of 9.1% was used to value New Residential's investments in MSRs.

Mortgage Servicing Rights Financing Receivable

PHH Transaction

As of March 31, 2018, MSRs purchased from PHH, and related servicer advances receivables, with respect to private-label residential mortgage loans of approximately $5.7 billion in total UPB with a purchase price of approximately $33.6 million had not been settled. 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.

Ocwen Transaction

As of March 31, 2018, MSRs representing approximately $15.5 billion UPB of underlying loans have been transferred pursuant to the Ocwen Transaction. Economics related to the remaining MSRs subject to the Ocwen Transaction were transferred pursuant to the New Ocwen Agreements (described below). Through March 31, 2018, $334.2 million of related lump sum payments have been made or accrued by New Residential to Ocwen. Upon such transfer, or subsequent to the New Ocwen Agreements (described below), any interests already held by New Residential are reclassified (from Excess MSRs or Servicer Advance Investments) to become part of the basis of the MSR financing receivables or servicer advances receivable, as appropriate, held by NRM. As a result of the length of the initial term of the related subservicing agreement between NRM and Ocwen, although the MSRs transferred pursuant to the Ocwen Transaction were legally sold, solely for accounting purposes New Residential determined that substantially all of the risks and rewards inherent 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 receivables. Income from this investment (net of subservicing fees) 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 receivables in the Condensed Consolidated Statements of Income. MSRs whose economics have been transferred pursuant to the New Ocwen Agreements have been accounted for similarly.

During July 2017, New Residential and Ocwen entered into the Ocwen Transaction. While New Residential continues the process of obtaining the third party consents necessary to transfer the related MSRs to New Residential's subsidiary, NRM, Ocwen and

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

New Residential have entered into new agreements, which have accelerated the implementation of certain parts of the Ocwen Transaction in order to achieve its intent sooner. These new agreements are described in further detail below.

On January 18, 2018, New Residential entered into a new agreement regarding the rights to MSRs (the “New Ocwen RMSR Agreement”) including a servicing addendum thereto (the “Ocwen Servicing Addendum”), Amendment No. 1 to Transfer Agreement (the “New Ocwen Transfer Agreement”) and a Brokerage Services Agreement (the “Ocwen Brokerage Services Agreement” and, collectively, the “New Ocwen Agreements”) with Ocwen. The New Ocwen Agreements modify and supplement the arrangements among the parties set forth in the Original Ocwen Agreements, the Ocwen Master Agreement, the Ocwen Transfer Agreement, and the Ocwen Subservicing Agreement (together with the Original Ocwen Agreements, the Ocwen Master Agreement, and the Ocwen Transfer Agreement, the “Existing Ocwen Agreements”). NRM made a lump-sum “Fee Restructuring Payment” of $279.6 million to Ocwen on January 18, 2018, the date of the New Ocwen RMSR Agreement, with respect to such Existing Ocwen Subject MSRs.

Under the Existing Ocwen Agreements, Ocwen sold and transferred to New Residential certain “Rights to MSRs” and other assets related to mortgage servicing rights for loans with an unpaid principal balance of approximately $86.8 billion as of the opening balances in January 2018 (the “Existing Ocwen Subject MSRs”).

Pursuant to the New Ocwen Agreements, Ocwen will continue to service the mortgage loans related to the Existing Ocwen Subject MSRs until the necessary third party consents are obtained in order to transfer the Existing Ocwen Subject MSRs in accordance with the New Ocwen Agreements.

The New Ocwen RMSR Agreement provides, among other things:

- the Existing Ocwen Subject MSRs will remain in the parties’ ownership structure under the Existing Ocwen Agreements while they continue to seek third party consents to transfer Ocwen’s remaining rights to the Existing Ocwen Subject MSRs to New Residential or any permitted assignee of New Residential;
- Ocwen will continue to service the related mortgage loans pursuant to the terms of the Ocwen Servicing Addendum until the transfer of the Existing Ocwen Subject MSRs;
- under the arrangements contemplated by the New Ocwen RMSR Agreement, Ocwen will receive substantially identical compensation for servicing the related mortgage loans underlying the Existing Ocwen Subject MSRs that it would receive if the Existing Ocwen Subject MSRs had been transferred to NRM as named servicer and Ocwen subserviced such mortgage loans for NRM as named servicer;
- in the event that the required third party consents are not obtained with respect to any Existing Ocwen Subject MSRs by certain dates specified in the New Ocwen RMSR Agreement, in accordance with the process set forth in the New Ocwen RMSR Agreement, the Rights to MSRs (as defined in the Existing Ocwen Agreements) related to such Existing Ocwen Subject MSRs could either: (i) remain subject to the New Ocwen RMSR Agreement at the option of New Residential, (ii) if New Residential does not opt for the New Ocwen RMSR Agreement to remain in place with respect to certain Existing Ocwen Subject MSRs, Ocwen may acquire such Existing Ocwen Subject MSRs at a price determined in accordance with the terms of the New Ocwen RMSR Agreement, or (iii) if Ocwen does not acquire such Existing Ocwen Subject MSRs, be sold to a third party in accordance with the terms of the New Ocwen RMSR Agreement, as determined pursuant to the terms of the New Ocwen RMSR Agreement; and
- New Residential agreed to waive any rights New Residential may have had under the Existing Ocwen Agreements to replace Ocwen as named servicer with respect to the Existing Ocwen Subject MSRs based on Ocwen’s residential servicer rating agency related downgrades.

Pursuant to the Ocwen Servicing Addendum, Ocwen will service the mortgage loans related to the Existing Ocwen Subject MSRs. In consideration of servicing such mortgage loans, Ocwen will receive a servicing fee based on the unpaid principal balance as of the first of each month as set forth in the Ocwen Servicing Addendum. The initial term of the Ocwen Servicing Addendum is for the five years following July 23, 2017. At any time during the initial term, New Residential may terminate the Ocwen Servicing Addendum for convenience, subject to Ocwen's right to receive a termination fee calculated in accordance with the Ocwen Servicing Addendum and specified notice. Following the initial term, (i) New Residential may extend the term of the Ocwen Servicing Addendum for additional three-month periods by delivering written notice to Ocwen of its desire to extend such contract thirty days prior to the end of such three-month period and (ii) the Ocwen Servicing Addendum may be terminated by Ocwen on an

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

annual basis. In addition, New Residential and Ocwen will have the right to terminate the Ocwen Servicing Addendum for cause if certain conditions specified in the Ocwen Servicing Addendum occur. If the Ocwen Servicing Addendum is terminated or not renewed in accordance with these provisions, New Residential will have the right to direct the transfer of servicing to a third party, subject to Ocwen's option to purchase the Existing Ocwen Subject MSRs and related assets in certain cases. To the extent that servicing of the loans cannot be transferred in accordance with these provisions, the Ocwen Servicing Addendum will remain in place with respect to the servicing of any remaining loans.

Pursuant to the Ocwen Brokerage Services Agreement, Ocwen will engage NRZ Brokerage to perform brokerage and marketing services for all REO properties serviced by Ocwen pursuant to the Subject Servicing Agreements as defined in the New Ocwen RMSR Agreement. Such REO properties are subject to the Altisource Brokerage Agreement and Altisource Letter Agreement.

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

| | Three Months Ended March 31, 2018 |
|---|---|
| Servicing fee revenue | $201,952 |
| Ancillary and other fees | 30,235 |
| Less: subservicing expense | (65,706 ) |
| Interest income, investments in mortgage servicing rights financing receivables | $166,481 |

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

| | Three Months Ended March 31, 2018 |
|---|---|
| Amortization of servicing rights | $(48,703 ) |
| Change in valuation inputs and assumptions | 319,779 |
| Change in fair value of investments in mortgage servicing rights financing receivables | $271,076 |

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

| | |
|---|---|
| Balance as of December 31, 2017 | $598,728 |
| Investments made | — |
| New Ocwen Agreements | 1,017,993 |
| Proceeds from sales | (1,026 ) |
| Amortization of servicing rights[(A)] | (48,703 ) |
| Change in valuation inputs and assumptions | 319,779 |
| Balance as of March 31, 2018 | $1,886,771 |

(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 receivables as of March 31, 2018:

| | UPB of Underlying Mortgages | Weighted Average Life (Years)(A) | Amortized Cost Basis | Carrying Value(B) |
|---|---|---|---|---|
| Agency | $47,739,062 | 6.0 | $414,116 | $485,860 |
| Non-Agency | 98,426,090 | 6.3 | 1,043,292 | 1,400,911 |
| Total | $146,165,152 | 6.2 | $1,457,408 | $1,886,771 |

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2018
(dollars in tables in thousands, except share data)

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

(B) Carrying Value represents fair value. As of March 31, 2018, a weighted average discount rate of 10.5% was used to value New Residential's investments in mortgage servicing rights financing receivables.

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

| State Concentration | Percentage of Total Outstanding Unpaid Principal Amount March 31, 2018 | December 31, 2017 |
|---|---|---|
| California | 20.3% | 19.0 % |
| New York | | |