New Residential Investment Corp.
Form 10-Q
November 01, 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 September 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 October 26, 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 Advance Investments and servicer advances receivable;
- 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 previously disclosed 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 loan 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;
- 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 grow the economy, potential tax reform, 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)

	September 30, 2017 (Unaudited)	December 31, 2016
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$1,178,308	$1,399,455
Excess mortgage servicing rights, equity method investees, at fair value	175,633	194,788
Mortgage servicing rights, at fair value	1,702,749	659,483
Mortgage servicing rights financing receivable, at fair value	607,396	—
Servicer advance investments, at fair value(A)	4,044,802	5,706,593
Real estate securities, available-for-sale	6,714,846	5,073,858
Residential mortgage loans, held-for-investment	702,227	190,761
Residential mortgage loans, held-for-sale(A)	1,426,751	696,665
Real estate owned	107,281	59,591
Consumer loans, held-for-investment(A)	1,467,933	1,799,486
Consumer loans, equity method investees	46,322	—
Cash and cash equivalents(A)	279,760	290,602
Restricted cash	152,047	163,095
Servicer advances receivable	657,255	81,582
Trades receivable	1,785,708	1,687,788
Deferred tax asset, net	32,440	151,284
Other assets	323,375	244,498
	$21,404,833	$18,399,529
Liabilities and Equity		
Liabilities		
Repurchase agreements	$7,848,028	$5,190,631
Notes and bonds payable(A)	7,236,967	7,990,605
Trades payable	1,076,086	1,381,968
Due to affiliates	79,624	47,348
Dividends payable	153,681	115,356
Accrued expenses and other liabilities	331,243	205,444
	16,725,629	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 September 30, 2017 and December 31, 2016, respectively	3,074	2,507
Additional paid-in capital	3,760,372	2,920,730

Retained earnings	424,854	210,500
Accumulated other comprehensive income (loss)	383,312	126,363
Total New Residential stockholders' equity	4,571,612	3,260,100
Noncontrolling interests in equity of consolidated subsidiaries	107,592	208,077
Total Equity	4,679,204	3,468,177
	$21,404,833	$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 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income	$397,722	$282,388	$1,162,212	$749,901
Interest expense	125,278	96,488	338,664	278,401
Net Interest Income	272,444	185,900	823,548	471,500
Impairment				
Other-than-temporary impairment (OTTI) on securities	1,509	1,765	8,736	7,838
Valuation and loss provision on loans and real estate owned	26,700	18,275	65,381	41,845
	28,209	20,040	74,117	49,683
Net interest income after impairment	244,235	165,860	749,431	421,817
Servicing revenue, net	58,014	—	269,467	—
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(14,291)	(17,060)	(32,650)	(24,397)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	2,054	6,261	6,056	8,608
Change in fair value of investments in mortgage servicing rights financing receivable	70,232	—	75,828	—
Change in fair value of servicer advance investments	10,941	21,606	70,469	4,328
Gain on consumer loans investment	—	—	—	9,943
Gain on remeasurement of consumer loans investment	—	—	—	71,250
Gain (loss) on settlement of investments, net	1,553	(11,165)	1,250	(37,682)
Earnings from investments in consumer loans, equity method investees	6,769	—	12,649	—
Other income (loss), net	9,887	27,059	7,696	6,850
	87,145	26,701	141,298	38,900
Operating Expenses				
General and administrative expenses	19,919	8,777	47,788	28,082
Management fee to affiliate	14,187	10,536	41,447	30,552
Incentive compensation to affiliate	19,491	7,075	72,123	13,200
Loan servicing expense	13,690	14,187	40,068	30,037
Subservicing expense	49,773	—	123,435	—
	117,060	40,575	324,861	101,871
Income Before Income Taxes	272,334	151,986	835,335	358,846
Income tax expense (benefit)	32,613	20,900	121,053	18,195
Net Income	$239,721	$131,086	$714,282	$340,651
Noncontrolling interests in Income of Consolidated Subsidiaries	$13,600	$32,178	$45,051	$61,355
Net Income Attributable to Common Stockholders	$226,121	$98,908	$669,231	$279,296

Net Income Per Share of Common Stock

Basic	$0.74	$ 0.41	$2.23	$ 1.19
Diluted	$0.73	$ 0.41	$2.21	$ 1.19
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	307,361,309	240,601,691	300,511,550	233,875,067
Diluted	309,207,345	241,099,381	302,357,147	234,184,611
Dividends Declared per Share of Common Stock	$0.50	$ 0.46	$1.48	$ 1.38

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Comprehensive income (loss), net of tax				
Net income	$239,721	$131,086	$714,282	$340,651
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	75,845	52,138	277,805	108,679
Reclassification of net realized (gain) loss on securities into earnings	(5,833)	2,444	(20,856)	(7,234)
	70,012	54,582	256,949	101,445
Total comprehensive income	$309,733	$185,668	$971,231	$442,096
Comprehensive income attributable to noncontrolling interests	$13,600	$32,178	$45,051	$61,355
Comprehensive income attributable to common stockholders	$296,133	$153,490	$926,180	$380,741

See notes to condensed consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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	—	—	—	(454,877)	—	(454,877)	—	(454,877)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(70,493)	(70,493)
Issuance of common stock	56,545,787	566	833,963	—	—	834,529	—	834,529
Purchase of noncontrolling interests in the Buyer	—	—	9,183	—	—	9,183	(75,043)	(65,860)
Other dilution	—	—	(4,202)	—	—	(4,202)	—	(4,202)
Director share grants	42,405	1	698	—	—	699	—	699
Comprehensive income (loss)								
Net income (loss)	—	—	—	669,231	—	669,231	45,051	714,282
Net unrealized gain (loss) on securities	—	—	—	—	277,805	277,805	—	277,805
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(20,856)	(20,856)	—	(20,856)
Total comprehensive income (loss)						926,180	45,051	971,231
Equity - September 30, 2017	307,361,309	$3,074	$3,760,372	$424,854	$383,312	$4,571,612	$107,592	$4,679,204

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2017	2016
Cash Flows From Operating Activities		
Net income	$714,282	$340,651
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	32,650	24,397
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(6,056)	(8,608)
Change in fair value of investments in mortgage servicing rights financing receivable	(75,828)	—
Change in fair value of servicer advance investments	(70,469)	(4,328)
(Gain) / loss on remeasurement of consumer loans investment	—	(71,250)
(Gain) / loss on settlement of investments (net)	(1,250)	37,682
Earnings from investments in consumer loans, equity method investees	(12,649)	—
Unrealized (gain) / loss on derivative instruments	124	15,112
Unrealized (gain) / loss on other ABS	(340)	226
(Gain) / loss on transfer of loans to REO	(16,791)	(14,660)
(Gain) / loss on transfer of loans to other assets	(359)	(3,021)
(Gain) / loss on Excess MSR recapture agreements	(1,948)	(2,188)
(Gain) / loss on Ocwen common stock	(6,987)	—
Accretion and other amortization	(811,922)	(514,522)
Other-than-temporary impairment	8,736	7,838
Valuation and loss provision on loans and real estate owned	65,381	41,845
Non-cash portions of servicing revenue, net	81,986	—
Non-cash directors’ compensation	699	300
Deferred tax provision	114,016	12,998
Changes in:		
Servicer advances receivable	(7,774)	—
Other assets	(35,799)	191,939
Due to affiliates	32,276	(5,175)
Accrued expenses and other liabilities	48,442	12,136
Other operating cash flows:		
Interest received from excess mortgage servicing rights	53,067	119,386
Interest received from servicer advance investments	136,431	132,758
Interest received from Non-Agency RMBS	170,931	73,108
Interest received from residential mortgage loans, held-for-investment	5,906	2,815
Interest received from PCD consumer loans, held-for-investment	40,762	34,265
Distributions of earnings from investments in excess mortgage servicing rights, equity method investees	11,054	18,025
Distributions of earnings from investments in consumer loans, equity method investees	4,291	—
Purchases of residential mortgage loans, held-for-sale	(4,146,740)	(788,824)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	2,986,992	802,110
Principal repayments from purchased residential mortgage loans, held-for-sale	69,069	52,805
Net cash provided by (used in) operating activities	(617,817)	507,820

Continued on next page.

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

	Nine Months Ended September 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	—	74,603
Purchase of servicer advance investments	(9,328,137)	(11,588,537)
Purchase of MSRs, MSR Financing Receivables and servicer advances receivable	(1,586,063)	—
Purchase of Agency RMBS	(6,352,488)	(4,763,374)
Purchase of Non-Agency RMBS	(2,070,898)	(2,154,890)
Purchase of residential mortgage loans	(585,983)	(319)
Purchase of derivatives	—	(4,457)
Purchase of real estate owned and other assets	(25,667)	(10,936)
Purchase of investment in consumer loans, equity method investees	(344,902)	(92,069)
Draws on revolving consumer loans	(41,930)	(33,137)
Payments for settlement of derivatives	(146,898)	(73,570)
Return of investments in excess mortgage servicing rights	142,626	142,718
Return of investments in excess mortgage servicing rights, equity method investees	14,157	11,900
Return of investments in consumer loans, equity method investees	276,601	—
Principal repayments from servicer advance investments	10,898,739	13,101,409
Principal repayments from Agency RMBS	76,744	67,738
Principal repayments from Non-Agency RMBS	615,657	364,310
Principal repayments from residential mortgage loans	59,673	31,092
Principal repayments from consumer loans	312,132	199,022
Proceeds from sale of Agency RMBS	6,205,573	4,774,116
Proceeds from sale of Non-Agency RMBS	166,460	95,683
Proceeds from settlement of derivatives	81,505	9,642
Proceeds from sale of real estate owned	63,476	51,941
Net cash provided by (used in) investing activities	(1,569,623)	150,920

Continued on next page.

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

	Nine Months Ended September 30,	
	2017	2016
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(34,057,218)	(21,179,260)
Margin deposits under repurchase agreements and derivatives	(820,678)	(274,645)
Repayments of notes and bonds payable	(7,323,512)	(6,786,408)
Payment of deferred financing fees	(5,702)	(19,922)
Common stock dividends paid	(416,552)	(318,060)
Borrowings under repurchase agreements	36,713,743	22,065,713
Return of margin deposits under repurchase agreements and derivatives	815,903	276,634
Borrowings under notes and bonds payable	6,561,390	5,568,875
Issuance of common stock	835,465	279,600
Costs related to issuance of common stock	(936)	(825)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(70,493)	(73,279)
Purchase of noncontrolling interests in the Buyer	(65,860)	—
Net cash provided by (used in) financing activities	2,165,550	(461,577)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(21,890)	197,163
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	453,697	344,638
Cash, Cash Equivalents, and Restricted Cash, End of Period	$431,807	$541,801
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$320,804	$265,114
Cash paid during the period for income taxes	4,956	943
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$153,681	$115,356
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,076,086	1,296,296
Sale of investments, primarily Agency RMBS, settled after quarter end	1,785,708	1,530,726
Transfer from residential mortgage loans to real estate owned and other assets	105,750	218,467
Non-cash distributions from Consumer Loan Companies	—	25
Non-cash distributions from LoanCo	30,337	—
MSR purchase price holdback	79,045	—
Real estate securities retained from loan securitizations	310,579	122,585
Remeasurement of Consumer Loan Companies noncontrolling interest	—	110,438
Transfer of loans from held-for-investment to held-for sale	23,080	316,199
Ocwen transaction (Note 5) - excess mortgage servicing rights	71,982	—
Ocwen transaction (Note 5) - servicer advance investments	481,220	—

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
September 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 September 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) 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 2.4 million shares of New Residential’s common stock were held by Fortress, through its affiliates, and its principals as of September 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 September 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		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Gain (loss) on sale of real estate securities, net	$7,342	$(679)	$29,592	$15,072
Gain (loss) on sale of residential mortgage loans, net	9,029	8,537	37,967	9,142
Gain (loss) on settlement of derivatives	(18,756)	(18,925)	(58,326)	(63,699)
Gain (loss) on liquidated residential mortgage loans	(2,152)	(1,331)	(7,996)	(1,603)
Gain (loss) on sale of REO	(1,864)	2,207	(7,176)	5,193
Other gains (losses)	7,954	(974)	7,189	(1,787)
	$1,553	$(11,165)	$1,250	$(37,682)

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Unrealized gain (loss) on derivative instruments	$3,560	$21,048	$(124)	$(15,112)
Unrealized gain (loss) on other ABS	189	724	340	(226)
Gain (loss) on transfer of loans to REO	5,179	4,373	16,791	14,660
Gain (loss) on transfer of loans to other assets	66	2,743	359	3,021
Gain on Excess MSR recapture agreements	606	768	1,948	2,188
Gain (loss) on Ocwen common stock	6,987	—	6,987	—
Other income (loss)	(6,700)	(2,597)	(18,605)	2,319
	$9,887	$27,059	$7,696	$6,850

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Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	September 30, 2017	December 31, 2016		September 30, 2017	December 31, 2016
Margin receivable, net	$60,310	$55,481	Interest payable	$30,075	$23,108
Other receivables	20,053	16,350	Accounts payable	85,622	31,299
Principal and interest receivable	50,467	52,738	Derivative liabilities (Note 10)	82	3,021
Receivable from government agency	43,313	54,706	Current taxes payable	4,553	2,314
Call rights	327	337	Due to servicers	58,203	77,148
Derivative assets (Note 10)	10,444	6,762	MSR purchase price holdback	139,481	60,436
Servicing fee receivables	60,107	7,405	Other liabilities	13,227	8,118
Ginnie Mae EBO servicer advance receivable, net	10,863	14,829		$331,243	$205,444
Due from servicers	22,014	22,134			
Ocwen common stock, at fair value	20,900	—			
Prepaid expenses	8,083	9,487			
Other assets	16,494	4,269			
	$323,375	$244,498			

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

	Nine Months Ended September 30,	
	2017	2016
Accretion of servicer advance investment and receivable interest income	$451,824	$257,877
Accretion of excess mortgage servicing rights income	75,237	106,848
Accretion of net discount on securities and loans[(A)]	295,753	164,806
Amortization of deferred financing costs	(9,525)	(13,889)
Amortization of discount on notes and bonds payable	(1,367)	(1,120)
	$811,922	$514,522

(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.

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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 September 30, 2017								
Interest income	$25,691	$31,707	$130,796	$114,181	$31,645	$63,527	$175	$397,722
Interest expense	10,225	15,262	35,931	35,211	15,487	13,162	—	125,278
Net interest income (expense)	15,466	16,445	94,865	78,970	16,158	50,365	175	272,444
Impairment	—	—	—	1,509	14,099	12,601	—	28,209
Servicing revenue, net	—	58,014	—	—	—	—	—	58,014
Other income (loss)	(12,034)	70,047	18,732	(6,035)	2,653	6,796	6,986	87,145
Operating expenses	152	53,634	1,212	351	9,759	10,764	41,188	117,060
Income (Loss) Before Income Taxes	3,280	90,872	112,385	71,075	(5,047)	33,796	(34,027)	272,334
Income tax expense (benefit)	—	11,156	31,097	—	(9,640)	—	—	32,613
Net Income (Loss)	$3,280	$79,716	$81,288	$71,075	$4,593	$33,796	$(34,027)	$239,721
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$1,224	$—	$—	$12,376	$—	$13,600
Net income (loss) attributable to common stockholders	$3,280	$79,716	$80,064	$71,075	$4,593	$21,420	$(34,027)	$226,121

	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2017								
Interest income	$75,237	$34,267	$451,808	$321,464	$75,276	$203,631	$529	$1,162,212
Interest expense	29,302	26,849	120,527	85,663	34,655	41,668	—	338,664
Net interest income (expense)	45,935	7,418	331,281	235,801	40,621	161,963	529	823,548
Impairment	—	—	—	8,736	17,342	48,039	—	74,117
Servicing revenue, net	—	269,467	—	—	—	—	—	269,467
Other income (loss)	(25,049)	75,856	75,307	(27,005)	22,491	12,712	6,986	141,298
Operating expenses	350	132,675	2,641	979	24,018	33,746	130,452	324,861
Income (Loss) Before Income Taxes	20,536	220,066	403,947	199,081	21,752	92,890	(122,937)	835,335
Income tax expense (benefit)	—	(789)	128,836	—	(7,164)	170	—	121,053

Net Income (Loss)	$20,536	$220,855	$275,111	$199,081	$28,916	$92,720	$(122,937)	$714,282
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$10,372	$—	$—	$34,679	$—	$45,051
Net income (loss) attributable to common stockholders	$20,536	$220,855	$264,739	$199,081	$28,916	$58,041	$(122,937)	$669,231

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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
September 30, 2017								
Investments	$1,353,941	$2,310,145	$4,044,802	$6,714,846	$2,236,259	$1,514,255	$—	$18,174,248
Cash and cash equivalents	210	132,361	74,993	3,341	4,747	33,430	30,678	279,760
Restricted cash	12,360	28,839	60,615	—	—	50,233	—	152,047
Other assets	8,757	712,765	44,312	1,840,028	126,767	31,632	34,517	2,798,778
Total assets	$1,375,268	$3,184,110	$4,224,722	$8,558,215	$2,367,773	$1,629,550	$65,195	$21,404,833
Debt	$583,415	$1,672,101	$3,567,862	$6,003,165	$1,830,731	$1,427,721	$—	$15,084,995
Other liabilities	1,042	241,919	23,542	1,092,745	34,542	6,308	240,536	1,640,634
Total liabilities	584,457	1,914,020	3,591,404	7,095,910	1,865,273	1,434,029	240,536	16,725,629
Total equity	790,811	1,270,090	633,318	1,462,305	502,500	195,521	(175,341)	4,679,204
Noncontrolling interests in equity of consolidated subsidiaries	—	—	73,316	—	—	34,276	—	107,592
Total New Residential stockholders' equity	$790,811	$1,270,090	$560,002	$1,462,305	$502,500	$161,245	$(175,341)	$4,571,612
Investments in equity method investees	$175,633	$—	$—	$—	$—	$46,322	$—	$221,955

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended September 30, 2016							
Interest income	$30,617	$101,359	$58,855	$13,947	$77,231	$379	$282,388
Interest expense	4,002	54,802	13,008	6,153	18,523	—	96,488
Net interest income (expense)	26,615	46,557	45,847	7,794	58,708	379	185,900
Impairment	—	—	1,765	(291)	18,566	—	20,040
Servicing revenue, net	—	—	—	—	—	—	—
Other income (loss)	(10,052)	21,430	1,392	13,931	—	—	26,701
Operating expenses	536	1,029	369	4,251	11,976	22,414	40,575
Income (Loss) Before Income Taxes	16,027	66,958	45,105	17,765	28,166	(22,035)	151,986
Income tax expense (benefit)	—	16,348	—	4,556	—	(4)	20,900

Net Income (Loss)	$16,027	$50,610	$45,105	$13,209	$28,166	$(22,031)	$131,086
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$18,853	$—	$—	$13,325	$—	$32,178
Net income (loss) attributable to common stockholders	$16,027	$31,757	$45,105	$13,209	$14,841	$(22,031)	$98,908

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

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	33,837	(255)	41,656	75,238
Other income	1,948	—	1,993	3,941
Proceeds from repayments	(98,802)	(1,215)	(95,677)	(195,694)
Change in fair value	(6,442)	381	(26,589)	(32,650)
Ocwen Transaction (Note 5)	—	—	(71,982)	(71,982)
Balance as of September 30, 2017	$541,834	$2,846	$633,628	$1,178,308

(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 July 2017, New Residential entered into the Ocwen Transaction as described in Note 5. Subsequent to the Ocwen Transaction, the Excess MSRs formerly serviced by Ocwen become reclassified, as described in Note 5, as the underlying MSRs are transferred to NRM.

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

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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 Servicer Advance Investments (Note 6).

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

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

	September 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	$68,449,802	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	5.8	$263,374	$288,345	$330,323
Recapture Agreements	—	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	12.6	20,299	45,504	51,434
	68,449,802				6.3	283,673	333,849	381,757
Non-Agency(E)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	$67,453,347	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.3	$160,665	$191,270	$219,980
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.5	8,352	19,561	13,491
Ocwen Serviced Pools	92,270,579	100.0 %	— %	— %	6.0	617,401	633,628	784,227
	159,723,926				5.9	786,418	844,459	1,017,698
Total	$228,173,728				6.0	$1,070,091	$1,178,308	$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 Advance Investments, including the basic fee component of the related MSR as of September 30, 2017 (Note 6) on $145.8 billion UPB underlying these Excess MSRs.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Original and Recaptured Pools	$(12,047)	$(15,395)	$(41,032)	$(28,392)
Recapture Agreements	(2,244)	(1,665)	8,382	3,995
	$(14,291)	$(17,060)	$(32,650)	$(24,397)

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As of September 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.

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

	September 30, 2017	December 31, 2016
Excess MSR assets	$ 329,986	$ 372,391
Other assets	21,279	17,184
Other liabilities	—	—
Equity	$ 351,265	$ 389,575
New Residential's investment	$ 175,633	$ 194,788
New Residential's ownership	50.0 %	50.0 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income	$6,969	$12,205	$20,083	$24,526
Other income (loss)	(2,843)	339	(7,908)	(7,244)
Expenses	(18)	(22)	(63)	(66)
Net income	$4,108	$12,522	$12,112	$17,216

New Residential's investments in equity method investees changed during the nine months ended September 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	(11,054)
Distributions of capital from equity method investees	(14,157)
Change in fair value of investments in equity method investees	6,056
Balance at September 30, 2017	$175,633

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

September 30, 2017					
Unpaid Principal Balance	Investee Interest in Excess	New Residential Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)

		MSR(A)						
Agency								
Original and Recaptured Pools	$53,675,234	66.7	%	50.0	%	$221,830	$279,722	5.8
Recapture Agreements	—	66.7	%	50.0	%	24,827	50,264	12.5
Total	$53,675,234					$246,657	$329,986	6.4

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(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.

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

	Aggregate Direct and Equity Method Investees Percentage of Total Outstanding Unpaid Principal Amount	
State Concentration	September 30, 2017	December 31, 2016
California	24.1 %	24.1 %
Florida	8.6 %	8.6 %
New York	8.3 %	7.9 %
Texas	4.6 %	4.6 %
New Jersey	4.1 %	4.2 %
Maryland	3.7 %	3.7 %
Illinois	3.6 %	3.5 %
Georgia	3.1 %	3.1 %
Virginia	3.0 %	3.1 %
Massachusetts	2.7 %	2.7 %
Pennsylvania	2.5 %	2.5 %
Arizona	2.5 %	2.5 %
Other U.S.	29.2 %	29.5 %
	100.0 %	100.0 %

Geographic concentrations of investments expose New Residential to the risk of economic downturns within the relevant states. Any such downturn in a state where New Residential holds significant investments could affect the underlying borrower’s ability to make mortgage payments and therefore could have a meaningful, negative impact on the Excess 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 September 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 September 30, 2017, these subservicers include Ditech, Nationstar, PHH, Citi, Ocwen, Flagstar, and United Shore, which subservice 29.1%, 27.6%, 21.2%, 13.8%, 6.4%, 1.1%, and 0.8% 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 nine months ended September 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 $6.8 billion for a purchase price of approximately $54.9 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 receivable (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 receivable 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. On August 8, 2017, NRM entered into an agreement with United Shore to purchase the MSRs and related servicer advances receivable with respect to a pool of existing Fannie Mae and Freddie Mac residential mortgage loans with approximately $2.1 billion in total UPB for a purchase price of approximately $19.7 million, with a purchase price holdback of approximately $2.0 million. The purchase settled in August 2017. The transfer of subservicing to Nationstar began in October 2017, and United Shore has agreed to continue to subservice the remainder of the portfolio on an interim basis.

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 receivable 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 September 30, 2017, subservicing for $49.9 billion UPB related to the Citi Transaction has transferred to Nationstar.

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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 September 30, 2017	Nine Months Ended September 30, 2017
Servicing fee revenue	$113,741	$299,642
Ancillary and other fees	24,641	51,811
Servicing fee revenue and fees	138,382	351,453
Amortization of servicing rights	(68,850)	(159,451)
Change in valuation inputs and assumptions	(11,518)	77,465
Servicing revenue, net	$58,014	$269,467

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	1,125,252
Amortization of servicing rights(A)	(159,451)
Change in valuation inputs and assumptions	77,465
Balance as of September 30, 2017	$1,702,749

(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 September 30, 2017:

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Amortized Cost Basis	Carrying Value(B)
Agency	$177,220,692	6.4	$1,521,605	$1,702,749
Non-Agency	64,733	5.8	—	—
Total	$177,285,425	6.4	$1,521,605	$1,702,749

(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 September 30, 2017, a weighted average discount rate of 9.8% was used to value New Residential's investments in MSRs.

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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 receivables with respect to approximately $60.5 billion in total UPB of seasoned Agency and private-label residential mortgage loans for a purchase price of approximately $502.7 million and $218.2 million, respectively. $13.2 billion and $40.8 billion of UPB closed in the second and third quarter of 2017, respectively, and the remainder is expected to close in the fourth 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 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 (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 receivable in the Condensed Consolidated Statements of Income.

Ocwen Transaction

On July 23, 2017, New Residential entered into a series of agreements with Ocwen that supersede the arrangements among the parties set forth in (i) the Master Servicing Rights Purchase Agreement, dated as of October 1, 2012, as amended by Amendment No. 1 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of December 26, 2012, and Amendment No. 2 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of April 6, 2015 (as so amended, the "Existing Ocwen MSR Purchase Agreement"), and (ii) certain sale supplements to the Existing Ocwen MSR Purchase Agreement, as amended by Amendment No. 1 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of December 26, 2012, Amendment to Sale Supplements dated as of July 1, 2013, Amendment to Sale Supplement, dated as of September 30, 2013, Amendment to Sale Supplements, dated as of February 4, 2014, Amendment No. 2 to Master Servicing Rights Purchase Agreement and Sale Supplements, dated as of April 6, 2015, and February Amendment, dated as of February 17, 2017 (as so amended, the "Existing Ocwen Sale Supplements" and, together with the Existing Ocwen MSR Purchase Agreement, the "Existing Ocwen Agreements"). These transactions (collectively, the "Ocwen Transaction") are described in further detail below.

In addition, pursuant to a Transaction Agreement dated July 23, 2017, New Residential acquired from Ocwen in a private placement 6,075,510 shares of Ocwen common stock, par value $0.01 per share, at a price per share of $2.29, for approximately $13.9 million (Note 2).

On July 23, 2017, Ocwen and New Residential entered into a Master Agreement (the “Ocwen Master Agreement”) and a Transfer Agreement (the “Ocwen Transfer Agreement”) pursuant to which Ocwen and New Residential agreed to undertake certain actions to facilitate the transfer from Ocwen to New Residential of Ocwen’s remaining interests in the mortgage servicing rights relating to loans with an aggregate unpaid principal balance of approximately $110.0 billion that are subject to the Existing Ocwen Agreements (the “Ocwen Subject MSRs”) and with respect to which New Residential holds the Rights to MSRs (as defined in the Existing Ocwen Agreements).

The Ocwen Master Agreement provides for, among other things, the following:

- The parties will cooperate to obtain any third party consents required to transfer Ocwen’s remaining interests in the Ocwen Subject MSRs to New Residential.
- Upon obtaining the required third party consents and each Ocwen Subject MSR ceasing to be a Deferred Servicing Agreement (as defined in the Existing Ocwen Agreements) covered under the Existing Ocwen Agreements, New Residential will make a lump sum payment to Ocwen. These lump sum payments may total up to approximately $400.0 million in the aggregate if all of the Ocwen Subject MSRs are transferred to New Residential.

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- Upon transfer, Ocwen will subservice the mortgage loans related to such Ocwen Subject MSRs pursuant to the Ocwen Subservicing Agreement (as defined below).
- In the event that the required third party consents are not obtained within one year (by July 23, 2018) or such earlier date mutually agreed to by the parties, the applicable Ocwen Subject MSRs may (i) become subject to a new mortgage servicing rights agreement to be negotiated between Ocwen and New Residential, (ii) be acquired by Ocwen at a price determined in accordance with the terms of the Ocwen Master Agreement, (iii) be sold to one or more third parties in accordance with the terms of the Ocwen Master Agreement, or (iv) remain subject to the Existing Ocwen Agreements.
- New Residential agrees to up to an eighteen month standstill (until January 23, 2019), subject to certain conditions, of its rights with respect to certain Ocwen Subject MSRs under the Existing Ocwen Agreements to replace Ocwen as named servicer upon the occurrence of certain specified termination events. New Residential will permanently waive such rights if a specified percentage of the Ocwen Subject MSRs have been transferred to NRM or are not otherwise subject to the Existing Ocwen Agreements before the end of the period contemplated by the Ocwen Master Agreement.
- The resolution of certain payment obligations by New Residential and Ocwen under the terms of the Existing Ocwen Agreements.

Pursuant to the Ocwen Transfer Agreement, Ocwen agreed to transfer its legal title and any other remaining interest in certain mortgage servicing rights to New Residential upon satisfaction of customary conditions precedent. The Ocwen Transfer Agreement contains customary representations, warranties, covenants and indemnification obligations of Ocwen as transferor of the Ocwen Subject MSRs.

On July 23, 2017, New Residential and Ocwen entered into a subservicing agreement (the "Ocwen Subservicing Agreement") pursuant to which Ocwen will subservice the mortgage loans related to the Ocwen Subject MSRs that are transferred to New Residential pursuant to the Ocwen Master Agreement and Ocwen Transfer Agreement. The Ocwen Subservicing Agreement contains customary representations, warranties, covenants and indemnification obligations of Ocwen as subservicer and prior servicer. In consideration for subservicing such mortgage loans, Ocwen will receive a fixed subservicing fee and certain other customary ancillary compensation as set forth in the Ocwen Subservicing Agreement. The initial term of the Ocwen Subservicing Agreement is five years. At any time during the initial term, New Residential may terminate the agreement for convenience, subject to Ocwen's right to receive a termination fee (amortizing monthly during the initial term) and proper notice. Following the initial term, New Residential may extend the term of the Ocwen Subservicing Agreement 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. Furthermore, at any time following the initial term, the Ocwen Subservicing Agreement may be canceled by Ocwen at the end of each twelve month period following the initial term by delivering proper notice. In addition, New Residential and Ocwen each have the ability to terminate the agreement for cause if certain events specified in the Ocwen Subservicing Agreement occur. If either New Residential or Ocwen terminates the agreement for cause, the other party is required to pay certain fees and costs as set forth in the agreement. If New Residential exercises an early termination provision in a securitization transaction during the initial term and elects not to retain Ocwen as servicer following such early termination with respect to the related mortgage loans, New Residential may be required to pay an exit fee to Ocwen (which decreases monthly during the initial term). The subservicing fees payable by New Residential to Ocwen under the Ocwen Subservicing Agreement are expected to be less than the fees that would have been payable by New Residential under the Existing Ocwen Agreements.

As of September 30, 2017, MSRs representing approximately $15.5 billion UPB of underlying loans have been transferred pursuant to the Ocwen Transaction, and MSRs representing approximately $92.3 billion UPB of underlying loans remain to be transferred (after paydowns and other factors). Through September 30, 2017, $54.6 million of related lump sum payments have been made or accrued by New Residential to Ocwen. Upon transfer, 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 receivable 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 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 receivable. 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 receivable in the Condensed Consolidated Statements of Income.

On August 28, 2017, New Residential Sales Corp. (together with any other future licensed real estate brokerage subsidiary of New Residential, “NRZ Brokerage”), a licensed real estate brokerage subsidiary of New Residential, entered into a Cooperative Brokerage Agreement (the “Altisource Brokerage Agreement”) with REALHome Services and Solutions, Inc. and REALHome

Services and Solutions - CT, Inc. (collectively, "RHSS"), two licensed real estate brokerage subsidiaries of Altisource Portfolio Solutions S.A. (together with its subsidiaries, "Altisource"). Under the Altisource Brokerage Agreement, RHSS will exclusively provide marketing and listing services for REO properties included in certain MSR portfolios acquired, or to be acquired, by New Residential, including (i) an approximately $110 billion UPB (as of June 30, 2017) non-agency MSR portfolio that New Residential agreed to acquire from certain subsidiaries of Ocwen in July 2017 and certain other Ocwen-owned portfolios if New Residential were to acquire these portfolios from Ocwen in the future (collectively, the "Ocwen Portfolio"), and (ii) an approximately $6 billion UPB (as of June 30, 2017) non-agency MSR portfolio that New Residential agreed to acquire from certain subsidiaries of PHH in December 2016 (the "PHH Portfolio" and, together with the Ocwen Portfolio, the "Covered Portfolios"). Pursuant to the Altisource Brokerage Agreement, RHSS will begin to receive REO referrals from NRZ Brokerage as the Covered Portfolios are transferred to one or more subsidiaries of New Residential, subject to PHH Corporation's approval of Altisource as a vendor in the case of the PHH Portfolio. NRZ Brokerage will receive a referral commission for each REO property sold by RHSS on behalf of New Residential for which RHSS receives a commission under the Altisource Brokerage Agreement. The Altisource Brokerage Agreement, which extends through August 2025, establishes a direct relationship between the brokerages, irrespective of New Residential's subservicer.

On August 28, 2017, RHSS and Altisource also entered into a letter agreement with New Residential (the "Altisource Letter Agreement"), which provides for New Residential to directly appoint RHSS (or another real estate brokerage subsidiary designated by Altisource) to perform the real estate brokerage services with respect to REO properties in the Covered Portfolios, subject to certain specified exceptions, in the event that NRZ Brokerage does not refer the business to RHSS and in which case the designated Altisource brokerage subsidiary would retain the seller's brokerage commission.

Concurrently with the Altisource Brokerage Agreement and the Altisource Letter Agreement, Altisource executed a letter of intent with New Residential to enter into a services agreement (the "Altisource Services LOI"). Under the anticipated services agreement, to the extent allowable by law and other applicable contractual requirements, Altisource would provide certain fee-based services with respect to the Ocwen Portfolio, also through August 31, 2025. Pursuant to the Altisource Services LOI, the parties have agreed to negotiate in good faith toward the execution of a services agreement through and until January 12, 2018 (such period, including as extended, the "Standstill Period"). Pursuant to the Altisource Services LOI, the parties have also agreed to meet, within ninety (90) days from the date of the Altisource Services LOI, to discuss opportunities for Altisource to perform certain fee-based services unrelated to the Ocwen Portfolio. These services include, without limitation, REO management, REO liquidations, due diligence, valuations, title services and closing services. New Residential has agreed to consider, in good faith, any proposals submitted by Altisource at or following such meeting, provided that Altisource satisfies applicable legal and regulatory requirements and specified conditions relating to the quality and cost of such services. New Residential has further agreed to introduce Altisource to its subservicers and facilitate introductory discussions regarding potential opportunities for its subservicers to engage Altisource as a service provider. Except for certain specified commitments, including those described above, all of the terms of the Altisource Services LOI are non-binding. There can be no assurance that the parties will reach an agreement with respect to the terms of a services agreement or that a services agreement will be entered into on a timely basis or at all.

RHSS has the right to terminate the Altisource Brokerage Agreement and the Altisource Letter Agreement upon ninety (90) days' notice (which period may be shortened by New Residential) if a services agreement is not signed between Altisource and New Residential during the Standstill Period. The Altisource Brokerage Agreement may otherwise only be terminated upon the occurrence of certain specified events. The Altisource Brokerage Agreement also includes standard vendor oversight and audit rights and reporting requirements. New Residential has agreed that, during such notice period and/or the Standstill Period, it will not replace or reduce the role of Altisource as a service provider with respect to transferred MSRs in the Ocwen Portfolio.

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

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Servicing fee revenue	$ 38,510	$ 41,185
Ancillary and other fees	4,327	4,402
Less: subservicing expense	(11,139)	(11,433)
Interest income, investments in mortgage servicing rights financing receivable	$ 31,698	$ 34,154

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

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Amortization of servicing rights	$ (18,883)	$ (20,010)
Change in valuation inputs and assumptions	89,115	95,838
Change in fair value of investments in mortgage servicing rights financing receivable	$ 70,232	$ 75,828

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	467,118
Ocwen Transaction (Note 5)	64,450
Amortization of servicing rights(A)	(20,010)
Change in valuation inputs and assumptions	95,838
Balance as of September 30, 2017	$ 607,396

(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 September 30, 2017:

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Amortized Cost Basis	Carrying Value(B)
Agency	$ 51,533,451	5.6	$ 447,925	$ 473,669
Non-Agency	15,519,498	5.8	63,633	133,727
Total	$ 67,052,949	5.6	$ 511,558	$ 607,396

(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 September 30, 2017, a weighted average discount rate of 10.4% 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 September 30, 2017	December 31, 2016
California	19.0 %	20.5 %
New York	6.3 %	2.8 %
Florida	6.0 %	7.3 %
Texas	5.7 %	6.3 %
New Jersey	5.2 %	4.5 %
Illinois	4.1 %	4.1 %
Massachusetts	3.8 %	4.1 %
Michigan	3.6 %	3.1 %
Pennsylvania	3.3 %	2.9 %
Virginia	3.1 %	2.8 %
Other U.S.	39.9 %	41.6 %
	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 Servicer Advances Receivable.

See Note 11 regarding the financing of MSRs.

6. SERVICER ADVANCE INVESTMENTS

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. In August 2017, New Residential purchased an additional 27.0% interest in the Buyer from third-party co-investors for an aggregate purchase price of $65.9 million. A taxable wholly-owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 72.8% interest in the Buyer as of September 30, 2017. As of September 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

September 30, 2017, the third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $308.3 million and $252.7 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

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

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

In December 2014, New Residential agreed to acquire (the "SLS Transaction") 50% of the Excess 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, and 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 September 30, 2017 is equal to 6.0 basis points times the UPB of the underlying loans, and an incentive fee which is reduced by LIBOR plus 2.75% per annum of the amount, if any, of servicer advances outstanding in excess of a defined target. In July 2017, New Residential entered into the Ocwen Transaction as described in Note 5. Subsequent to the Ocwen Transaction, the Servicer Advance Investments (including the related basic fee portion of the MSR) formerly serviced by Ocwen become reclassified, as described in Note 5, as the underlying MSRs are transferred to NRM.

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 Advance Investments, 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 Servicer Advance Investments, 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 New Residential's Servicer Advance Investments, 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)
September 30, 2017					
Servicer Advance Investments(C)	$3,955,375	$4,044,802	6.8 %	7.2 %	5.1
As of December 31, 2016					
Servicer Advance Investments(C)	$5,687,635	$5,706,593	5.6 %	5.5 %	4.6

(A) Carrying value represents the fair value of the Servicer Advance Investments, 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 had an aggregate face amount of $100.0 million and an aggregate carrying value of $100.1 million as of December 31, 2016.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Changes in Fair Value Recorded in Other Income	$10,941	$21,606	$70,469	$4,328

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The following is additional information regarding the Servicer Advance Investments 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
September 30, 2017								
Servicer Advance Investments(D)	$145,763,758	$3,651,705	2.5 %	$3,504,060	92.5%	91.4%	3.3%	2.9%
December 31, 2016								
Servicer Advance Investments(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 September 30, 2017 would be 86.6% and 85.6%, respectively. Also excludes retained Non-Agency bonds with a current face amount of $79.9 million from the outstanding servicer advance debt. If New Residential were to sell these bonds, gross and net LTV as of September 30, 2017 would be 94.6% and 93.5%, 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 are included in the Servicer Advance Investments:

	September 30, 2017	December 31, 2016
Principal and interest advances	$ 939,897	$ 1,489,929
Escrow advances (taxes and insurance advances)	1,634,892	2,613,050
Foreclosure advances	1,076,916	1,514,780
Total	$ 3,651,705	$ 5,617,759

Interest income recognized by New Residential related to its Servicer Advance Investments was comprised of the following:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Interest income, gross of amounts attributable to servicer compensation	$83,979	$161,601	$290,933	$581,231
Amounts attributable to base servicer compensation(A)	(38,549)	(15,276)	(145,055)	(68,184)
Amounts attributable to incentive servicer compensation(A)	84,724	(45,197)	300,788	(255,170)
Interest income from Servicer Advance Investments(A)	$130,154	$101,128	$446,666	$257,877

(A) Total interest income of $130.2 million and $446.7 million for the three and nine months ended September 30, 2017 includes retrospective adjustments of $46.5 million and $204.1 million, respectively, mainly due to changes in cash flow assumptions relating to the HLSS portfolio, including a change in the cost of subservicing assumption to 13 bps.

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

	As of September 30, 2017	December 31, 2016
Assets		
Servicer advance investments, at fair value	$1,039,103	$ 1,731,633
Cash and cash equivalents	40,222	37,854
All other assets	12,961	19,799
Total assets(A)	$1,092,286	$ 1,789,286
Liabilities		
Notes and bonds payable	$819,190	$ 1,464,851
All other liabilities	3,637	5,187
Total liabilities(A)	$822,827	$ 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:

	September 30, 2017	December 31, 2016
Total Advance Purchaser LLC equity	$ 269,459	$ 319,248
Others' ownership interest	27.2 %	54.2 %
Others' interest in equity of consolidated subsidiary	$ 73,316	$ 173,057

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Advance Purchaser LLC income	$3,584	$33,985	$20,460	$60,207
Others' ownership interest as a percent of total(A)	34.2 %	55.5 %	50.7 %	55.5 %
Others' interest in net income of consolidated subsidiaries	$1,224	$18,853	$10,372	$33,400

(A) As a result, New Residential owned 65.8% and 44.5% of the Buyer, on average during the three months ended September 30, 2017 and 2016, respectively 49.3% and 44.5% of the Buyer, on average during the nine months ended September 30, 2017 and 2016, respectively.

See Note 11 regarding the financing of Servicer Advance Investments.

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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:

	Nine Months Ended September 30, 2017 (in millions)	
	Agency	Non-Agency
Purchases		
Face	$5,848.4	$ 6,173.4
Purchase Price	$6,037.9	$ 2,418.4
Sales		
Face	$6,134.9	$ 219.4
Amortized Cost	$6,293.3	$ 147.9
Sale Price	$6,304.4	$ 166.4
Gain (Loss) on Sale	$11.1	$ 18.4

As of September 30, 2017, New Residential had sold and purchased $1.7 billion and $1.0 billion face amount of Agency RMBS for $1.8 billion and $1.1 billion, respectively, and purchased $30.8 million face amount of Non-Agency RMBS for $12.5 million, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

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

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

	September 30, 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)	$1,123,553	$1,195,281	$1,352	$(5,977)	$1,190,656	68	AAA	4.08%	2.96%	7.6	N/A	$	

Non-Agency RMBS(H) (I)	11,906,608	5,136,883	412,213	(24,906)	5,524,190	752	CCC-	1.97%	5.77%	7.7	8.9 %	3,
Total/ Weighted Average	$13,030,161	$6,332,164	$413,565	$(30,883)	$6,714,846	820	B	2.33%	5.24%	7.7		$

(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 218 bonds with a carrying value of $335.8 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 $161.1 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 $1.0 billion for fixed rate securities and $113.6 million for floating rate securities as of September 30, 2017.

(H) The total outstanding face amount was $1.2 billion (including $0.7 billion of residual and fair value option notional amount) for fixed rate securities and $10.7 billion (including $4.2 billion of residual and fair value option notional amount) for floating rate securities as of September 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.

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Number of Securities	Weighted Average Rating	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years)	Weighted Average Principal Subordination
Consumer loan bonds	$ 24,472	$ 29,048	$ 3,202	$ —	$ 32,250	2	N/A	N/A	17.31 %	1.4	N/A
Fair Value Option Securities:											
Interest-only securities	4,219,861	203,359	8,545	(10,257)	201,647	45	AA+	1.57 %	5.81 %	2.8	N/A
Servicing strips	442,479	5,108	1,270	(193)	6,185	16	N/A	0.27 %	22.40 %	6.7	N/A

Unrealized losses that are considered other-than-temporary are recognized currently in earnings. During the nine months ended September 30, 2017, New Residential recorded OTTI charges of $8.7 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

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

Securities in an Unrealized Loss Position	Outstanding Face Amount	Amortized Cost Basis: Before Impairment	Amortized Cost Basis: Other-Than-Temporary Impairment(A)	Amortized Cost Basis: After Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Weighted Average Rating(B)	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years)
	$3,545,243	$1,449,339	$(1,223)	$1,448,116	$(17,928)	$1,430,188	153	CCC+	2.32%	4.50%	7.2

Less than 12 Months											
12 or More Months	783,653	226,610	(286)	226,324	(12,955)	213,369	59	BBB	2.51 %	3.28 %	3.5
Total/Weighted Average	$4,328,896	$1,675,949	$(1,509)	$1,674,440	$(30,883)	$1,643,557	212	B	2.34 %	4.33 %	6.7

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

(B) The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 50 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 14 bonds which either have never been rated or for which rating information is no longer provided.

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

	September 30, 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	373,046	378,585	(1,509)	(5,539)
Non-credit impaired securities	1,270,511	1,295,855	—	(25,344)
Total debt securities in an unrealized loss position	$1,643,557	$1,674,440	$(1,509)	$ (30,883)

(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 September 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:

	Nine Months Ended September 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	3,433

of an OTTI was recognized in other comprehensive income	
Additions for credit losses on securities for which an OTTI was not previously recognized	5,303
Reductions for securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—
Reduction for credit losses on securities for which no OTTI was recognized in other comprehensive income at the current measurement date	—
Reduction for securities sold during the period	(1,679)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$ 22,552

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

Geographic Location(A)	September 30, 2017 Outstanding Face Amount	September 30, 2017 Percentage of Total Outstanding	December 31, 2016 Outstanding Face Amount	December 31, 2016 Percentage of Total Outstanding
Western U.S.	$4,571,310	38.5 %	$2,757,424	38.3 %
Southeastern U.S.	2,826,743	23.8 %	1,635,596	22.7 %
Northeastern U.S.	2,354,645	19.8 %	1,426,519	19.8 %
Midwestern U.S.	1,258,005	10.6 %	778,372	10.8 %
Southwestern U.S.	851,851	7.2 %	557,033	7.7 %
Other(B)	19,582	0.1 %	47,274	0.7 %
	$11,882,136	100.0 %	$7,202,218	100.0 %

(A) Excludes $24.5 million face amount of bonds backed by consumer loans as of September 30, 2017 and $100.0 million face amount of bonds backed by servicer advances 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 nine months ended September 30, 2017, excluding residual and fair value option securities, the face amount of these real estate securities was $2,408.4 million, with total expected cash flows of $2,105.1 million and a fair value of $1,370.8 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
September 30, 2017	$4,862,764	$3,140,510
December 31, 2016	2,951,498	1,871,466

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

	Nine Months Ended September 30, 2017
Balance at December 31, 2016	$1,200,125
Additions	734,367
Accretion	(149,334)
Reclassifications from (to) non-accretable difference	271,919

Disposals	(67,197)
Balance at September 30, 2017	$1,989,880

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:

	September 30, 2017									December 31, 2016
Loan Type	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)[A]	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV")[B]	Weighted Avg. Delinquency[C]	Weighted Average FICO[D]	Carrying Value
Reverse Mortgage Loans[E] [F]	$—	$—	—	— %	—	— %	— %	— %	N/A	$—
Performing Loans[G]	556,361	507,300	8,079	8.0 %	5.6	18.7 %	78.8 %	7.6 %	651	—
Purchased Credit Deteriorated Loans[H]	264,183	194,927	2,258	7.1 %	3.0	14.4 %	81.5 %	79.3 %	597	190,761
Total Residential Mortgage Loans, held-for-investment	$820,544	$702,227	10,337	7.7 %	4.8	17.3 %	79.6 %	30.7 %	634	$190,761
Reverse Mortgage Loans[E] [F]	$19,207	$9,342	51	7.2 %	4.3	13.6 %	135.1 %	81.6 %	N/A	$11,468
Performing Loans[G] [I]	779,618	791,134	11,139	4.0 %	4.9	16.4 %	65.8 %	3.4 %	663	175,194
Non-Performing Loans[H] [I]	820,912	626,275	5,228	5.5 %	4.3	21.4 %	97.0 %	60.0 %	583	510,003
Total Residential Mortgage Loans, held-for-sale	$1,619,737	$1,426,751	16,418	4.8 %	4.6	18.9 %	82.4 %	33.0 %	622	$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 59% 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 September 30, 2017, New Residential has placed Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.

(I) Includes $34.9 million and $70.6 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:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount September 30, 2017	December 31, 2016
New York	13.5 %	16.7 %
Florida	7.7 %	11.4 %
California	11.9 %	10.3 %
New Jersey	5.8 %	9.6 %
Texas	6.1 %	3.9 %
Illinois	3.9 %	4.0 %
Pennsylvania	3.2 %	2.9 %
Massachusetts	3.1 %	3.5 %
Maryland	2.9 %	4.7 %
Washington	1.9 %	2.8 %
Other U.S.	40.0 %	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)
July 2017	22	19.9	15.7	358.5	360.5	1.7	July 2017	339.3	2.7	25.7	18.3	18.6	1.7
September 2017	21	120.6	95.1	583.7	593.2	5.3	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, no loans from the last three June 2017 calls and no loans from the September 2017 calls had been securitized by September 30, 2017. In May 2017, certain reperforming residential mortgage loans were financed with a securitization which was not treated as a sale for accounting purposes (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:

September 30, 2017

Days Past Due	Delinquency Status[(A)]
Current	84.6 %
30-59	7.6 %
60-89	3.6 %
90-119[(B)]	2.1 %
120+[(C)]	2.1 %
	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	(23,704)
Accretion of loan discount (premium) and other amortization[(A)]	4,387
Charge-offs	(481)
Transfer of loans to other assets	—
Transfer of loans to real estate owned	—
Balance at September 30, 2017	$507,300

(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)]	481
Charge-offs[(B)]	(481)
Balance at September 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	(25,166)
Accretion of loan discount and other amortization	14,898
Transfer of loans to real estate owned	(21,370)
Transfer of loans to held-for-sale	(23,080)
Balance at September 30, 2017	$194,927

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

	Unpaid Principal Balance	Carrying Value
September 30, 2017	$264,183	$194,927
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	(14,898)
Reclassifications from non-accretable difference[(A)]	24,075
Disposals[(B)]	(1,507)
Transfer of loans to held-for-sale[(C)]	—
Balance at September 30, 2017	$52,812

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

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Loans Held-for-Sale

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

	For the Nine Months Ended September 30, 2017 Loans Held-for-Sale
Balance at December 31, 2016	$ 696,665
Purchases(A)	4,146,740
Transfer of loans from held-for-investment(B)	23,080
Sales	(3,267,595)
Transfer of loans to other assets(C)	(13,976)
Transfer of loans to real estate owned	(53,254)
Proceeds from repayments	(85,746)
Valuation (provision) reversal on loans(D)	(19,163)
Balance at September 30, 2017	$ 1,426,751

(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 $21.6 million of provision related to the call transactions executed during the nine months ended September 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	25,667
Transfer of loans to real estate owned	91,414
Sales	(70,652)
Valuation (provision) reversal on REO	1,261
Balance at September 30, 2017	$ 107,281

As of September 30, 2017, New Residential had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $406.8 million.

In addition, New Residential has recognized $43.3 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 September 30, 2017
Assets	
Residential mortgage loans	$ 193,010
Other assets	—
Total assets(A)	$ 193,010
Liabilities	
Notes and bonds payable(B)	$ 189,843
Accounts payable and accrued expenses	16
Total liabilities(A)	$ 189,859

(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 $78.2 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 September 30, 2017:

Residential mortgage loan UPB	$4,701,889	
Weighted average delinquency(A)	1.64	%
Net credit losses for the nine months ended September 30, 2017	$4,943	
Face amount of debt held by third parties(B)	$4,453,838	
Carrying value of bonds retained by New Residential	$400,793	
Cash flows received by New Residential on these bonds for the nine months ended September 30, 2017	$63,064	

(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)	
September 30, 2017									
Consumer Loan Companies									
Performing Loans	$1,064,345	53.5	%	$1,111,493	18.7	%	3.8	5.7	%
Purchased Credit Deteriorated Loans(C)	302,093	53.5	%	254,005	16.3	%	3.4	12.4	%
Other - Performing Loans	106,535	100.0	%	102,435	14.2	%	1.1	3.4	%
Total Consumer Loans, held-for-investment	$1,472,973			$1,467,933	17.9	%	3.5	6.9	%
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:

September 30, 2017

Days Past Due	Delinquency Status(A)	
Current	94.5	%
30-59	2.2	%
60-89	1.3	%
90-119(B)	0.8	%
120+(B) (C)	1.2	%
	100.0	%

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

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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)]	41,930
Proceeds from repayments	(256,210)
Accretion of loan discount and premium amortization, net	3,987
Gross charge-offs	(56,569)
Additions to the allowance for loan losses, net	(2,164)
Balance at September 30, 2017	$1,213,928

(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	50,212	504	50,716
Net charge-offs[(C)]	(48,552)	—	(48,552)
Balance at September 30, 2017	$ 4,101	$ 1,501	$5,602

(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 September 30, 2017, there are $9.5 million in UPB and $9.6 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 $8.0 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)]	3,013
Proceeds from repayments	(96,684)
Accretion of loan discount and other amortization	31,144
Balance at September 30, 2017	$254,005

(A)

An allowance represents the present value of cash flows expected at acquisition that are no longer expected to be collected. A reversal results from an increase to expected cash flows that reverses a prior allowance.

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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
September 30, 2017	$302,093	$254,005
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	(31,144)
Reclassifications to non-accretable difference(A)	(902)
Balance at September 30, 2017	$135,882

(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:

	September 30, 2017	December 31, 2016
Total Consumer Loan Companies equity	$73,720	$75,311
Others' ownership interest	46.5 %	46.5 %
Others' interests in equity of consolidated subsidiary	$34,276	$35,020

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Consumer Loan Companies income (loss)	$26,616	$28,655	$74,580	$60,118
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	$12,376	$13,325	$34,679	$27,955

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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 September 30, 2017
Assets	
Consumer loans, held-for-investment	$1,365,498
Restricted cash	11,965
Accrued interest receivable	19,890
Total assets[(A)]	$1,397,353
Liabilities	
Notes and bonds payable[(B)]	$1,364,186
Accounts payable and accrued expenses	4,834
Total liabilities[(A)]	$1,369,020

(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 51.2 million Series F convertible preferred stock in ParentCo as of August 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:

	September 30, 2017(A)
Consumer loans, at fair value	$231,839
Warrants	32,500
Other assets	55,821
Warehouse financing	(149,185)
Other liabilities	(942)
Equity	$170,033
New Residential's investment	$42,044
New Residential's ownership	24.7 %

	Three Months Ended September 30, 2017(A)	Nine Months Ended September 30, 2017(A)
Interest income	$12,276	$25,105
Interest expense	(2,635)	(5,768)
Change in fair value of consumer loans and warrants	12,475	16,030
Gain on sale of consumer loans(B)	6,928	18,778
Other expenses	(1,459)	(3,039)
Net income	$27,585	$51,106
New Residential's equity in net income	$6,769	$12,649
New Residential's ownership	24.5 %	24.8 %

(A) Data as of, and for the periods ended, August 31, 2017, as a result of the one month reporting lag.
(B) During the nine months ended September 30, 2017, LoanCo sold, through securitizations which were treated as sales for accounting purposes, $1.1 billion in UPB of consumer loans. LoanCo retained $121.3 million of residual interests in the securitizations and distributed them 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)
September 30, 2017(C)	$231,839	25.0 %	$231,839	16.4 %	1.4	0.3 %

(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 August 31, 2017 as a result of the one month reporting lag.

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

	Nine Months Ended September 30, 2017
Balance at beginning of period	$ —
Contributions to equity method investees	344,902
Distributions of earnings from equity method investees	(4,291)
Distributions of capital from equity method investees	(306,938)
Earnings from investments in consumer loans, equity method investees	12,649
Balance at end of period	$ 46,322

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10. DERIVATIVES

As of September 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 September 30, 2017, New Residential held to-be-announced forward contract positions ("TBAs") of $2.7 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 September 30, 2017, New Residential separately held TBAs of $1.7 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	September 30, 2017	December 31, 2016
Derivative assets			
Interest Rate Caps	Other assets	$ 2,232	$ 4,251
TBAs	Other assets	8,212	2,511
		$ 10,444	$ 6,762
Derivative liabilities			
Interest Rate Swaps(A)	Accrued expenses and other liabilities	$ 82	$ 3,021
		$ 82	$ 3,021

(A) Net of $5.6 million of related variation margin accounts.

The following table summarizes notional amounts related to derivatives:

	September 30, 2017	December 31, 2016
TBAs, short position(A)	$ 2,731,000	$ 3,465,500
TBAs, long position(A)	1,730,000	2,125,552
Interest Rate Caps(B)	897,500	1,185,000
Interest Rate Swaps(C)	3,713,500	3,640,000

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

(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 September 30, 2017 was 11 months.

(C) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of September 30, 2017 was 26 months and the weighted average fixed pay rate was 1.68%.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Other income (loss), net[A]				
TBAs	$(657)	$10,502	$880	$(22)
Interest Rate Caps	(1,083)	463	(1,353)	(3,683)
Interest Rate Swaps	5,300	10,083	349	(11,407)
	3,560	21,048	(124)	(15,112)
Gain (loss) on settlement of investments, net				
TBAs	(16,579)	(15,922)	(45,989)	(55,159)
Interest Rate Caps	322	—	(240)	(1,124)
Interest Rate Swaps	(2,499)	(3,003)	(12,097)	(7,416)
	(18,756)	(18,925)	(58,326)	(63,699)
Total income (losses)	$(15,196)	$2,123	$(58,450)	$(78,811)

(A) Represents unrealized gains (losses).

11. DEBT OBLIGATIONS

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

	September 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 Averag Life (Years
Repurchase Agreements[C]									
Agency RMBS[D]	$1,846,934	$1,846,934	Oct-17 to Nov-17	1.35%	0.1	$1,845,992	$1,905,003	$1,907,360	0.3
Non-Agency RMBS[E]	4,316,544	4,316,544	Oct-17 to Jan-18	2.76%	0.1	11,050,796	5,024,799	5,404,713	7.7
Residential Mortgage Loans[F]	1,584,033	1,581,980	Oct-17 to Feb-19	3.75%	0.3	2,136,065	1,907,212	1,890,819	4.3
Real Estate Owned[G][H]	102,703	102,570	Oct-17 to Feb-19	3.57%	0.5	N/A	N/A	145,939	N/A
Total Repurchase Agreements	7,850,214	7,848,028		2.64%	0.1				
Notes and Bonds Payable									

Secured Corporate Notes(I)	583,686	583,415	Jun-19 to Jul-22	4.98%	2.9	263,232,259	1,085,585	1,212,791	5.9
MSRs(J)	1,097,085	1,096,380	Feb-18 to Apr-22	5.28%	2.3	223,999,150	1,949,608	2,145,609	6.2
Servicer Advances(K)	4,081,010	4,073,283	Nov-17 to Dec-21	3.29%	2.2	4,297,775	4,591,210	4,680,637	4.5
Residential Mortgage Loans(L)	143,207	143,207	Oct-17 to Apr-20	3.61%	2.5	234,686	184,639	184,639	7.9
Consumer Loans(M)	1,340,943	1,337,708	Dec-21 to Mar-24	3.35%	3.2	1,472,792	1,473,353	1,467,752	3.5
Receivable from government agency(L)	2,974	2,974	Oct-17	3.78%	1.1	N/A	N/A	2,792	N/A
Total Notes and Bonds Payable	7,248,905	7,236,967		3.75%	2.5				
Total/ Weighted Average	$15,099,119	$15,084,995		3.17%	1.3				

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity of October 2017 were refinanced, extended or repaid.

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(C) These repurchase agreements had approximately $18.4 million of associated accrued interest payable as of September 30, 2017.

(D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately $1.8 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 $160.3 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 $213.7 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 3.75%, and includes $370.0 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 3.75%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure these notes.

(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%, $232.9 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 3.50%, 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.

(K) $3.8 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 Advance Investments, as well as servicer advances receivable related to the mortgage servicing rights and mortgage servicing rights financing receivables owned by NRM.

(L) Represents: (i) a $10.8 million note payable to Nationstar that bears interest equal to one-month LIBOR plus 2.88% and (ii) $135.4 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: $1.0 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 $86.3 million face amount note collateralized by newly originated consumer loans which bears interest equal to 4.00%.

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

New Residential has margin exposure on $7.9 billion of repurchase agreements as of September 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.

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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	—	—	—	35,275,158	1,438,585	—	36,713,743
Repayments	—	—	—	(33,530,682)	(526,536)	—	(34,057,218)
Capitalized deferred financing costs, net of amortization	—	—	—	—	871	—	871
Notes and Bonds Payable:							
Borrowings	1,300,354	1,098,058	4,022,655	—	140,323	—	6,561,390
Repayments	(1,450,922)	(973)	(5,502,088)	—	(5,518)	(364,011)	(7,323,512)
Discount on borrowings, net of amortization	—	—	(156)	—	—	1,335	1,179
Capitalized deferred financing costs, net of amortization	4,838	(705)	3,000	—	—	173	7,306
Balance at September 30, 2017	$583,415	$1,096,380	$4,073,283	$6,163,478	$1,830,731	$1,337,708	$15,084,995

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

Maturities

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

Year	Nonrecourse	Recourse	Total
October 1 through December 31, 2017	$185,907	$7,624,943	$7,810,850
2018	829,678	832,334	1,662,012
2019	1,551,725	370,639	1,922,364
2020	511,622	—	511,622
2021	1,223,797	—	1,223,797
2022 and thereafter	1,254,602	713,872	1,968,474
	$5,557,331	$9,541,788	$15,099,119

Borrowing Capacity

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

Debt Obligations / Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Residential mortgage loans and REO	$2,890,000	$1,686,736	$1,203,264
Notes and Bonds Payable				
Secured Corporate Loan	Excess MSRs	750,000	370,000	380,000
MSRs	MSRs	700,000	596,898	103,102
Servicer Advances(A)	Servicer advances	2,339,192	1,474,512	864,680
Consumer Loans	Consumer loans	150,000	86,343	63,657
		$6,829,192	$4,214,489	$2,614,703

(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 collateralized by servicer advances with a current face amount of $93.5 million.

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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 September 30, 2017.

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 September 30, 2017 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
Assets						
Investments in:						
Excess mortgage servicing rights, at fair value[(A)]	$228,173,728	$1,178,308	$—	$—	$1,178,308	$1,178,308
Excess mortgage servicing rights, equity method investees, at fair value[(A)]	53,675,234	175,633	—	—	175,633	175,633
Mortgage servicing rights, at fair value[(A)]	177,285,425	1,702,749	—	—	1,702,749	1,702,749
Mortgage servicing rights financing receivable, at fair value	67,052,949	607,396	—	—	607,396	607,396
Servicer advance investments, at fair value	3,651,705	4,044,802	—	—	4,044,802	4,044,802
Real estate securities, available-for-sale	13,030,161	6,714,846	—	1,190,656	5,524,190	6,714,846
Residential mortgage loans, held-for-investment	820,544	702,227	—	—	713,665	713,665
Residential mortgage loans, held-for-sale	1,619,737	1,426,751	—	—	1,474,430	1,474,430
Consumer loans, held-for-investment	1,472,973	1,467,933	—	—	1,483,223	1,483,223
Derivative assets	5,358,500	10,444	—	10,444	—	10,444
Cash and cash equivalents	279,760	279,760	279,760	—	—	279,760
Restricted cash	152,047	152,047	152,047	—	—	152,047
Other assets	1,427,891	31,150	20,900	—	10,250	31,150
		$18,494,046	$452,707	$1,201,100	$16,914,646	$18,568,453
Liabilities						
Repurchase agreements	$7,850,214	$7,848,028	$—	$7,850,214	$—	$7,850,214
Notes and bonds payable	7,248,905	7,236,967	—	—	7,248,265	7,248,265
Derivative liabilities	3,713,500	82	—	82	—	82

	$15,085,077	$—	$7,850,296	$7,248,265	$15,098,561

(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 Advance Investments	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)	—	—	—	—	—	—	(8,736)	(8,736)
Included in change in fair value of investments in excess mortgage servicing rights(D)	(9,550)	(23,100)	—	—	—	—	—	(32,650)
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees(D)	—		6,056	—	—	—	—	6,056
Included in servicing revenue, net(E)	—	—	—	(81,986)	—	—	—	(81,986)
Included in change in fair value of investments in mortgage servicing rights financing receivable	—	—	—	—	75,828	—	—	75,828
Included in change in fair value of servicer advance investments	—		—	—	—	70,469	—	70,469
Included in gain (loss) on settlement	—	1,993	—	—	—	9,327	18,426	29,746

of investments, net								
Included in other income (loss), net(D)	1,755	193	—	—	—	—	340	2,288
Gains (losses) included in other comprehensive income(F)	—	—	—	—	—	—	259,313	259,313
Interest income	20,505	54,733	—	—	—	446,666	246,890	768,794
Purchases, sales and repayments								
Purchases	—	—	—	1,125,252	467,118	9,328,137	2,418,381	13,338,888
Proceeds from sales	—	—	—	—	—	—	(166,400)	(166,400)
Proceeds from repayments	(60,618)	(135,076)	(25,211)	—	—	(11,035,170)	(787,584)	(12,043,659)
Ocwen Transaction (Note 5)	—	(71,982)	—	—	64,450	(481,220)	—	(488,752)
Balance at September 30, 2017	$333,849	$844,459	$175,633	$1,702,749	$607,396	$4,044,802	$5,524,190	$13,233,078

(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 September 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	9.4 %	2.9 %	30.5 %	21	23
Recaptured Pools	7.2 %	3.7 %	22.9 %	22	25
Recapture Agreement	7.0 %	3.5 %	25.8 %	21	—
	8.7 %	3.1 %	28.5 %	21	23
Non-Agency(G)					
Nationstar and SLS Serviced:					
Original Pools	12.2 %	N/A	15.0 %	15	24
Recaptured Pools	7.0 %	N/A	19.8 %	22	24
Recapture Agreement	7.0 %	N/A	19.7 %	20	—
Ocwen Serviced Pools	9.2 %	N/A	— %	14	26
	9.7 %	N/A	3.9 %	14	26
Total/Weighted Average--Excess MSRs Directly Held	9.4 %	3.1 %	10.9 %	16	25
Excess MSRs Held through Equity Method Investees (Note 4)					
Agency					
Original Pools	11.0 %	4.9 %	34.9 %	18	22
Recaptured Pools	7.4 %	4.6 %	24.3 %	23	24
Recapture Agreement	7.4 %	4.6 %	24.2 %	23	—
Total/Weighted Average--Excess MSRs Held through Investees	9.3 %	4.8 %	29.8 %	20	23
Total/Weighted Average--Excess MSRs All Pools	9.4 %	3.5 %	15.0 %	17	25
MSRs					
Agency					
Mortgage Servicing Rights(H)	10.2 %	0.9 %	25.7 %	27	21

Mortgage Servicing Rights Financing Receivable(H)	10.4 %	0.9 %	14.6 %	27	21
Non-Agency					
Mortgage Servicing Rights Financing Receivable(H)	8.3 %	11.4 %	— %	33	22

(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 $7.26 per loan per month was used to value the agency MSRs, including MSR Financing Receivables. A weighted average cost of subservicing of $12.57 per loan per month was used to value the non-agency MSRs, including MSR Financing Receivables.

(F) Weighted average maturity of the underlying residential mortgage loans in the pool.

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(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 September 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 September 30, 2017, a weighted average discount rate of 9.8% was used to value New Residential's investments in MSRs and a weighted average discount rate of 10.4% was used to value New Residential's investments in mortgage servicing rights financing receivable.

Servicer Advance Investments Valuation

The following table summarizes certain information regarding the inputs used in valuing the Servicer Advance Investments, 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)
September 30, 2017	1.8%	10.1 %	13.2 %	17.2 bps	6.8 %	25.6

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 13.1 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 September 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	$1,123,553	$1,195,281	$1,190,656	$ —	$1,190,656	2
Non-Agency RMBS(C)	11,906,608	5,136,883	5,516,426	7,764	5,524,190	3
Total	$13,030,161	$6,332,164	$6,707,082	$ 7,764	$6,714,846	

(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.

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The third-party pricing services and brokers engaged by New Residential (collectively, "valuation providers") use either the income approach or the market approach, or a combination of the two, in arriving at their estimated valuations of RMBS. Valuation providers using the market approach generally look at prices and other relevant information generated by market transactions involving identical or comparable assets. Valuation providers using the income approach create pricing models that generally incorporate such assumptions as discount rates, expected prepayment rates, expected default rates and expected loss severities. New Residential has reviewed the methodologies utilized by its valuation providers and has found them to be consistent with GAAP requirements. In addition to obtaining multiple quotations, when available, and reviewing the valuation methodologies of its valuation providers, New Residential creates its own internal pricing models for Level 3 securities and uses the outputs of these models as part of its process of evaluating the fair value 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 81.8% 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	$4,521,531	2.07% to 32.75%	0.25% to 20.9%	0.1% to 9.00%	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 $7.3 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 September 30, 2017, assets measured at fair value on a nonrecurring basis were $0.8 billion. The $0.8 billion of assets include approximately $754.4 million of residential mortgage loans held-for-sale and $73.8 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 September 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	$693,427	3.8 %	5.1	9.4 %	1.2 %	37.2 %
Non-Performing Loans	60,979	6.6 %	2.9	3.0 %	3.0 %	30.0 %
Total/Weighted Average	$754,406	4.0 %	4.9	8.9 %	1.3 %	36.6 %

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

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

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

The total change in the recorded value of assets for which a fair value adjustment has been included in the Condensed Consolidated Statement of Income for the nine months ended September 30, 2017 was an increase in net valuation allowance of approximately $18.3 million, consisting of an approximately $19.6 million increase for residential mortgage loans, offset by a reversal of prior valuation allowance of $1.3 million for REO.

Loans for Which Fair Value is Only Disclosed

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

	Carrying Value	Fair Value	Discount Rate	Weighted Average Life (Years)(A)	Prepayment Rate	CDR(B)	Loss Severity(C)
Reverse Mortgage Loans(D)	$9,342	$10,748	7.0 %	4.3	N/A	N/A	6.2 %
Performing Loans	605,007	602,544	7.7 %	5.3	4.2 %	2.6 %	41.9 %
Non-Performing Loans	760,223	820,397	5.8 %	4.0	3.4 %	2.9 %	34.0 %
Total/Weighted Average	$1,374,572	$1,433,689	6.6 %	4.6			37.3 %
Consumer Loans	$1,467,933	$1,483,223	9.0 %	3.5	22.3 %	6.3 %	86.9 %

(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.

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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.

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.

On September 22, 2017, New Residential's board of directors declared a third quarter 2017 dividend of $0.50 per common share or $153.7 million, which was paid on October 27, 2017 to stockholders of record as of October 2, 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 September 30, 2017.

Option Plan

As of September 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 September 30, 2017. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended September 30, 2017 was $16.73 per share.

Recipient	Date of Grant/ Exercise[(A)]	Number of Unexercised Options	Options Exercisable as of September 30, 2017	Weighted Average Exercise Price[(B)]	Intrinsic Value of Exercisable Options as of September 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	4.4
Manager(C)	2014	1,437,500	1,437,500	12.20	6.5
Manager(C)	2015	8,543,539	8,072,518	15.46	10.3
Manager(C)	2016	2,000,000	866,667	14.20	2.2
Manager(C)	2017	5,654,578	1,319,402	15.00	2.3
Outstanding		18,502,188	12,562,658		

(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.

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(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

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)	
September 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 nine months ended September 30, 2017, based on the treasury stock method, New Residential had 1,846,036 and 1,845,597 dilutive common stock equivalents outstanding. During the three and nine months ended September 30, 2016, based on the treasury stock method, New Residential had 497,690 and 309,544 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 September 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 September 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 Advance Investments, 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 $141.0 million of unfunded and available revolving credit privileges as of September 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 September 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.

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

Due to affiliates is comprised of the following amounts:

	September 30, 2017	December 31, 2016
Management fees	$ 4,734	$ 3,689
Incentive compensation	72,123	42,197
Expense reimbursements and other	2,767	1,462
	$ 79,624	$ 47,348

Affiliate expenses and fees were comprised of: