PHH CORP
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

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Filed by: PHH Corporation

Pursuant to Rule 14a-12 under the

Securities Exchange Act of 1934

On February 16, 2017, Glen Messina, Chief Executive Officer of PHH Corporation (PHH, or the Company), and Robert Crowl, Chief Financial Officer of PHH, made the following communications in connection with a previously announced conference call (the Conference Call) to discuss the outcomes and conclusions of the Company s evaluation of strategic alternatives, including (a) the proposed transactions under that certain Agreement for the Purchase and Sale of Servicing Rights, dated as of December 28, 2016, by and between New Residential Mortgage LLC, PHH Mortgage Corporation and, solely for the limited purposes set forth therein, PHH, and (b) the proposed transactions under (i) that certain Asset Purchase Agreement, dated as of February 15, 2017, by and between Guaranteed Rate Affinity, LLC, a Delaware limited liability company (Buyer), PHH, PHH Home Loans, LLC, in which PHH owns a 50.1% interest (PHH Home Loans), and RMR Financial, LLC, a wholly-owned subsidiary of PHH Home Loans (RMR) and (ii) that certain JV interests purchase agreement, dated as of February 15, 2017, by and between Realogy Services Venture Partner LLC, PHH and PHH Broker Partner Corporation, a wholly-owned subsidiary of PHH, and (c) certain additional execution actions, and to discuss its fourth quarter 2016 results:

(i) Presentation Slides: PHH Corporation 4th Quarter 2016 Results, dated February 16, 2017, to be used beginning February 16, 2017;

(ii) Transcript of PHH Corporation Fourth Quarter 2016 Earnings Call held on February 16, 2017; and

(iii) A Letter to All Employees of PHH Corporation sent by Glen Messina, President and Chief Executive Officer, on February 16, 2017.

A copy of the slides and an archived webcast version of the Conference Call are also being made available on the Company s website at www.phh.com. The information on PHH s corporate website is not part of this document. The items listed above were first used or made available on February 16, 2017.

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The following is an edited transcript of an investor conference call held on February 16, 2016, by PHH Corporation:

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Operator: Good day, ladies and gentlemen, and welcome to the PHH Corporation fourth quarter 2016 earnings conference call. Your lines will be in a listen only mode during remarks by PHH management. At the conclusion of the company s remarks, we will begin a question and answer session, at which time I will give you instructions on entering the queue to ask your questions. Today s call is also being webcast and recorded for replay purposes. The audio replay can be accessed by dialing 888-203-1112 or 719-457-0820 and using the conference ID 7799107 or by visiting the Investor Relations page on PHH s website, www.phh.com/invest beginning shortly after the conference call. It will be available until March 3, 2017. The access information is also described in the Company s press release and I will repeat it again at the end of our session.

At this time, Hugo Arias, Senior Vice President, Treasurer and Investor Relations, will proceed with the introductions.

Hugo Arias: Good morning, and welcome to PHH Corporation s fourth quarter 2016 earnings conference call. There is an investor presentation to accompany this conference call, including an appendix of supplemental schedules that is posted in the Investors section of our Web site at www.phh.com under webcasts and presentations.

Please note that statements made during this conference call include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as further described in Slide 2 of our fourth quarter 2016 investor presentation. Such forward-looking statements represent our current beliefs regarding future events, and are not guarantees of performance or results. Actual results, performance or achievements, may differ materially from those expressed or implied in such forward-looking statements due to a variety of factors, including but not limited to the factors under the heading, Cautionary Note Regarding Forward-Looking Statements and Risk Factors in our periodic reports filed with the U.S. Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are also available in the Investors section of our Web site. Investors are cautioned not to place undue reliance on such forward-looking statements.

The earnings release we issued yesterday also may be accessed from the Investors section of our Web site or you may request a faxed or mailed copy by calling our Investor hotline.

During this call, we may discuss various non-GAAP financial measures, including core earnings or loss pre-tax, core earnings or loss after-tax, core earnings or loss per share and adjusted cash flow. Please refer to our earnings release and accompanying investor presentation for a description of these and other non-GAAP financial measures, as well as a reconciliation of such measures to their respective most directly comparable GAAP financial measures.

During the call, we may also discuss our proposed MSR sale to New Residential Mortgage LLC or NRZ pursuant to the agreement for the purchase and sale of servicing rights by and between NRZ, PHH Mortgage Corporation, and PHH and our proposed sales of PHH Home Loans pursuant to the asset purchase agreement with Guaranteed Rate Affinity. You are advised to read when available PHH s filings with the Securities and Exchange Commission, including its proxy statements or statements to be used in connection with a solicitation of proxies for the special meetings of stockholders to approve the transactions because these documents will contain important information about the transaction and the participants interest in such transaction. These documents can be obtained without charge by accessing the PHH website at www.phh.com or the SEC website at www.sec.gov.

Speaking on the call today will be Glen Messina, President and Chief Executive Officer; and Rob Crowl, Chief Financial Officer. Other members of PHH s senior management team are also with us and will be available to take your questions.

I now will turn the call over to Glen Messina.

Glen Messina: Thank you, Hugo. Today, I will start by discussing the outcomes and conclusions of our strategic review process and related next steps. I will then turn it over to Rob who will cover the fourth quarter financial results in detail. After Rob s financial review, I ll provide some brief closing remarks before I open the call up for questions.

Now, please turn to Slide 5. We have completed our evaluation of strategic alternatives after a comprehensive examination of all available options. As a result of the process, we expect to monetize substantially all the assets and platforms where we received actionable and compelling offers. We estimate total proceeds of up to $1.1 billion from these actions subject to the assumptions set forth in the supplement. We are exiting those business platforms that were deemed unattractive.

We estimate that up to $550 million of excess cash could be available. This amount is subject to certain assumptions referenced in the supplemental schedules, which I will discuss later, including completion of our asset sales, repayment of debt, payment of certain cost, and maintenance of cash for operations and contingencies. We intend to commence returning to shareholders substantially all of our excess cash following the settlement of substantially all our MSR and PHH Home Loan asset sales.

We have determined that a complete dissolution of the business was suboptimal for shareholders. This is due to its higher cost, average tax consequences, potentially prolonged timing for capital distributions, and unquantifiable risks. We believe the best way to maximize shareholder value is to transition to a capital light business model comprised of sub-servicing and portfolio retention services, which we refer to as PHH 2.0.

We expect this will enable us to maximize near term capital distributions and preserve the value of our tax assets. Additionally, we believe PHH 2.0 can create incremental value through potential future earnings and by maintaining the flexibility to consider future strategic actions.

We believe PHH 2.0 could ultimately generate low double-digit to mid-teen returns on approximately $200 million of required capital and has the potential to generate incremental excess capital from operations and further right sizing of its balance sheet.

I will now discuss in greater detail how we reached our conclusions and the actions we re taking.

Now, please turn to Slide 6. We ran a competitive process to assess the best opportunities to maximize the value of our platforms and assets. We evaluated the strategic potential for our business platforms. As a result of this process, we have entered into transactions, which if completed in their entirety, will monetize a material portion of our balance sheet. These include two separate agreements to sell substantially all of our MSRs and related servicing advances. We expect these actions could generate proceeds of up to $974 million before transaction and other costs based on portfolio composition at 12/31/16 and assuming receipt of all consents. A three-year subservicing arrangement with New Residential, which would cover up to 467,000 mortgage loans and a transaction with Guaranteed Rate Affinity to monetize the value of our investment and the

PHH Home Loans joint venture. We estimate this transaction will generate up to $92 million in proceeds.

In addition, we have entered into an agreement with Lender Live to transfer to them certain operating assets, personnel, and responsibilities and outsource certain PLS mortgage origination fulfillment functions. We believe this will help mitigate certain operating risks associated with the wind down of the PLS originations business.

As previously discussed, we did not receive an actionable proposal to acquire either the entire company or our PLS originations platform. We have exited the correspondent business and we are exiting the PLS originations business. Additionally, we did not receive an actionable proposal for our sub-servicing platform that reflected the future value of its expected cash flows.

Now, please turn to Slide 7. Our potential cash balance would be $1.9 billion for our to considering potential cash uses. This is based on our 12/31 cash position and MSR portfolio composition and assuming all asset sales are completed in their entirety. Our estimated cost to restructure the business is up to $320 million on a pretax basis. This includes up to $220 million of combined PLS operating losses and exit costs, $60 million to execute the contemplated asset sales, and $40 million to reengineer the remaining business infrastructure.

We have also earmarked approximately $700 million of cash to retire our unsecured debt and servicing advance funding facility. In addition, we have updated our liquidity earmarks to approximately $250 million for legal and regulatory matters, loan repurchases, MSR sale indemnifications and other contingencies. Finally, we have earmarked $90 million in cash required to operate PHH 2.0.

As part of this plan, we estimate up to $550 million of potential excess cash could be available. In addition, we believe that operating an ongoing business could facilitate the utilization of $55 million in deferred tax assets. Our estimate of potential excess cash is based on certain assumptions regarding the completion of our asset sales, including MSR portfolio composition as of 12/31/16 and all requisite consents being received for the MSR sales, the value realized from the monetization of the PHH Home Loans joint venture, as well as the requirements for operating cash, contingencies, and transaction restructuring and PLS exist costs. There can be no assurances that the actual amount of excess cash will not vary materially from our estimates.

Now, please turn to Slide 8. We have explored in detail the economics of fully dissolving and shutting down all remaining business operations. We believe this approach is less attractive for shareholders. This is as a result of higher transaction and execution cost, negative tax consequences, and higher uncertainty, which may result in a more prolonged timeframe for capital returns. We believe a dissolution could result in increased execution cost of approximately $90 million on a pretax basis and approximately $80 million of unrealizable tax benefits. We estimate potential excess cash in a dissolution of up to $570 million after adjusting for lower operating cash requirements and higher restructuring expenses on a tax adjusted basis. We expect a dissolution may take up to five years and could give rise to significant claims and litigation risk typically associated with the full company dissolution, which can adversely impact the amount and timing of capital returns.

Now, please turn to Slide 9. After completion of our asset sales, we intend to restructure the business to operate as a capital light subservicing and portfolio retention services business. We believe this will enable us to maximize near term capital distributions and preserve the value of our tax assets. Additionally, we believe PHH 2.0 can create incremental value through potential future earnings and by maintaining the flexibility to consider future strategic actions.

The subservicing agreement with New Residential positions us to become the third largest subservicer at 12/31/16. In addition, we believe we have core strengths and favorable attributes in several key requirements to achieve success in the subservicing business such as reputation, compliance infrastructure, investor performance, and direct cost per loan.

We believe PHH 2.0 could generate low double-digit to mid-teen returns on approximately $200 million of required capital. We expect it to be near breakeven in 2018 and profitable in 2019. We also believe the business has the potential to generate incremental excess capital from business operations and further right sizing of the balance sheet. To achieve these financial targets, we need to realize our cost reengineering, subservicing growth, and portfolio retention improvement assumptions. In addition, we will continue to evaluate opportunities to enhance the scale and operating efficiency of the business through acquisitions or combination transactions.

We believe our growth expectations are supported by a $1.2 trillion subservicing target market. This market segment is comprised of independent mortgage bankers, community banks, credit unions, and other mortgage investors. We expect the market will grow by 10% per annum over the next several years driven by three major dynamics: Slower prepayment speeds and growth in the home purchase related mortgage financing market consistent with MBA projections; lack of operation scale for smaller MSR owners in a target market will need to continually invest in their technology infrastructure to keep pace with consumer, regulatory and investor requirements; and growth of MSR ownership by financial investors who do not have in-house servicing capabilities.

We intend to substantially reengineer and reduce operating and overhead costs. We estimate this will take up to 12 to 18 months to complete and we have formulated an experienced cross functional team to execute these actions. We are targeting total annual shared servicing expenses of approximately $75 million and PHH 2.0 s first full year as a standalone business.

We recognize there are three key risks in our sub-servicing business that we need to manage - natural runoff of servicing units, significant client concentrations, and sure term contractual arrangements with certain clients which provide them termination rights at any time without cause.

Also, market factors such as higher interest rates, evolving regulations and potentially volatile capital market conditions may adversely impact demand for MSRs by non-bank investors and create a more challenging environment for sub-servicing.

In portfolio retention, we have assumed to achieve a 12% recapture rate by 2019 versus 7% at year-end 2016. We believe this improvement in our portfolio capture rate is achievable based on our internal trends and historical market norms for focused portfolio retention platforms. As a point of reference, historical recapture rates for focused platforms tend to be around 20%. However, the ultimate rate of recapture may be heavily dependent on (interest rate) levels and product offerings such as Harp and FHA streamline refinance.

We have built significant momentum in this business as evidenced by having grown our portfolio retention volume from a very small basin 2015 to $1.2 billion in 2016 closings. At this time, we expect to grow our closings to approximately $1.5 billion in 2017 with direct operating margins of around 130 to 170 basis points. These expectations have been calibrated for a projected sharp decline in refinancing volume as a result of higher interest rates and for the sale of our Ginnie Mae MSR portfolio.

Please turn to Slide 10. We are focused on executing the necessary actions to close the contemplated asset sales. In early February, we closed the initial sale of MSRs to Lakeview for total expected proceeds of $88 million.

The transactions with New Residential and Guaranteed Rate Affinity require shareholder approval which we are targeting to complete in the second quarter of 2017.

The New Residential transaction is also subject to certain PLS clients and investor consents and approvals. MSR sales are expected to close in a sequenced approach following all applicable consents and approvals which could stretch closings into the fourth quarter.

With respect to the PHH Home Loans asset sale, Guaranteed Rate Affinity, we ll need to finalize certain operating requirements including state licensing. As a result, the transaction is expected to include a series of interim asset sale closings. The initial closing is targeted for June and a final closing is expected to occur in the fourth quarter.

At the appropriate time, we will also be launching an offer to purchase our unsecured notes as required under the terms of our bond indentures at a price of 101% of outstanding principal amount.

Once we have the appropriate level of certainty with respect to the amount and timing of sources and uses of cash from our strategic actions, we intend to take the necessary actions to commence any return of capital to shareholders. The amount, timing and method of capital return actions will be determined after the completion of certain asset sales that we expect to be no later than the fourth quarter.

We intend to commence our reengineering program concurrent with the PLS wind down and the completion of the asset sales transactions.

With respect to the exit from the PLS business, we re still targeting to be substantially complete by the end of the first quarter of 2018. We currently have transitioned plans to be complete in 2017 for clients representing 55% of our PLS volume. We have increased our estimate of total cash exit and operating costs to $195 million to $220 million including $26 million expense in this quarter. This increase is related to higher expected operating losses due to lower projected volumes and a slower wind down of certain shared services costs. The final amount of PLS operating losses will be primarily dependent on the level of future mortgage origination volumes and the timing of client exits, among other factors. And now I ll turn it over to Rob.

Rob Crowl: Thanks, Glen. Our consolidated results are shown on Slide 11 and it notable items are shown on Slide 12.

For the fourth quarter of 2016, we reported a net loss attributable to PHH Corporation of $133 million, or $2.49 per basic share. This compares to a net loss of $27 million, or 50 cents per basic share, in the prior quarter. Included in this quarter s results were pre-tax market related MSR mark to market adjustments, net of hedging results of negative $55 million as compared to negative $13 million in the third quarter of 2016.

Core loss pretax in the fourth quarter which excludes.net MSR mark: $151 million and included $114 million of PL affected cost and notable items. Notable items this quarter totaled $73 million and were comprised of a $23 million non-cash impairment charge in our stars and equity investment, $22 million in legal and regulatory reserves, $21 million in strategic review expenses, $6 million in reengineering and growth investments and $1 million related to MSR sales. PLS exit costs, which totaled $41 million, were primarily driven by $26 million in severance, retention and contract termination costs and a $50 million non-cash charge related to the asset impairment of PLS specific IT systems and facilities. This compares to a pretax core loss of $22 million last quarter which included $23 million and notable items.

Moving to Slide 13, in the fourth quarter, the mortgage production segment recorded a loss of $62 million which included $61 million in PLS exit costs and notable items. Included in the fourth quarter s results were $33 million in PLS exit costs comprised of $14 million of PLS specific IT systems and facilities impairment, $18 million of severance costs and $1 million and contract termination costs. Notable items totaled $28 million and include a $23 million stars impairment and $4 million in reengineering costs. Fourth-quarter production segment results were also reflective of a lower production environment due to a continued reduction in PLS closings and seasonal declines in real estate origination activities. On a sequential quarter basis, loan closings were $8.9 billion, down 11% and applications were $8.1 million, down 34%. Interest rate lots commitments expected to close were $688 million, down 43%. Total loan margins widened 17 basis points to 405 basis points.

Please turn to Slide 14. Our mortgage servicing segment recorded a loss of $117 million in the fourth quarter of 2016 compared to a signal loss of $52 million in the prior quarter. These results include market related MSR mark to market adjustments, that of hedging results of negative $55 million in the fourth quarter and negative $13 million in the third quarter. Fourth-quarter MSR market related results, net of hedging activities, were comprised of a $74 million positive market related MSR mark to market adjustment driven by increase in rates during the quarter and the related market calibration associated with the economics and our previously announced MSR sale agreements to Lakeview in New Residential. Offset by a loss of $129 million in our MSR hedge primarily due to an 88 basis point increase in the ten year swap rate. At this time, the majority of our MSR hedge positions have been closed out as the ultimate amount realized will be based on portfolio size and composition rather than interest rate fluctuations.

On a core basis, fourth-quarter 2016 mortgage servicing, pretax, core loss, was $62 million compared to a $39 million core loss in the third quarter. Included in fourth quarter s results were $26 million of notable items as compared to $15 million last quarter. The increase in notable items in the fourth quarter was primarily a result of higher legal and regulatory reserves. Loan servicing income fell $7 million to $82 million as compared to the prior quarter including a $3 million decline from sub-servicing revenue due to units transferred during the fourth quarter. Expenses were $12 million higher quarter recorder mostly due to the change in legal and regulatory reserves.

Sub-servicing units were $265,000 versus $476,000 last quarter driven by the transfer of 215,000 units related to Merrill Lynch and HSBC loans during the quarter. In addition, are capitalized portfolio declined by 4% from the prior quarter.

At the end of the fourth quarter, we valued are capitalized MSR at 82 basis points, or $692 million, representing a 2.9 times multiple. Actual annualized prepayment speeds in the fourth quarter were up 18%, unchanged from the third quarter. Fourth-quarter MSR value of $690 million is comprised of $579 million of MSRs attributable to the New Residential sale population, $97 million attributable to the Lakeview sale population and $14 million of residual MSRs.

Now please turn to Slide 15, a summary of important facts, timelines and expectations for PHH 2.0. The PHH 2.0 transition will require a series of coordinated activities throughout 2017 and into 2018 in order to successfully execute the work seems necessary to complete our asset sale agreements, wind down the PLS business and restructure our business operations. We expect the majority of the transition activities and related financial impacts to occur in 2017 based on the timelines provided with the PLS business exit stretching into 2018.

As transition activities are executed and related costs declined, we expect PHH 2.0 to be near breakeven in 2018 and profitable in 2019 based on the current business fundamentals, anticipated growth prospects and targeted corporate overhead levels, we believe the business can ultimately generate low double-digit to mid-teens returns on capital.

Please turn to Slide 16. We continue to act with a sense of urgency to resolve our legacy, legal and regulatory matters.

In the quarter, we reached a final settlement with the New York Department of Financial Services on the previously disclosed consent order and made the required settlement payment of $20 million. This action, combined with a $21 million increase in reserves for other matters, resulted in a $7 million net reduction in reserves during the fourth quarter. Partly corresponding to the increase in reserves, was a $45 million reduction in our estimate of reasonably possible losses in excess of reserves. These changes reflect the most current information about unresolved matters.

In the CFPB matter, we are awaiting the decision of the Circuit Court of Appeals regarding the CFPB s petition for re-hearing en banc. And with respect to the MMC and FHA matters, we remain highly engaged and do not have any material updates at this time. And now I ll send it back over to Glen.

Glen Messina: Thanks, Rob. Now please turn to Slide 17. We expect to monetize substantially all the assets and platforms are have received actionable and compelling offers. We estimate total proceeds of up to $1.1 billion in these actions subject to the assumptions set forth in the supplement. We are exiting those business platforms that were deemed unattractive.

We estimate that up to $550 million of excess cash could be available. This amount is subject to certain assumptions referenced in the supplemental schedules including completion of our asset sales, repayment of debt, payment of certain costs and maintenance of cash for operations and contingencies.

We intend to commence returning to shareholders substantially all of our excess cash following the settlement of substantially all of our MSR and PHH Home Loan asset sales.

We determined that a complete dissolution was sub-optimal for shareholders. This is due to its higher cost, adverse tax consequences, potentially prolonged timing for capital distributions and unquantifiable risks.

We believe the best way to maximize shareholder value is to transition to a capital-light business model comprised of subservicing and portfolio retention services which were referred to as PHH 2.0.

We expect this will enable us to maximize near-term capital distributions and preserve the value of our tax assets. Additionally, we believe PHH 2.0 can create incremental value through potential future earnings and by maintaining the flexibility to consider future strategic actions.

We believe PHH 2.0 could ultimately generate low double-digit to mid-teen returns on approximately $200 million of required capital and has the potential to generate incremental access capital from operations and further right-sizing of the balance sheet.

The amount, timing and method of any capital return actions will be determined as we gain certainty into our excess cash position following the completion of certain of her asset sales transactions which we expect to occur no later than the fourth quarter.

In the near term, we will be focused on closing our announced asset sales, minimizing the PLS exit, reengineering, and operating the business to maximize the return of capital to our shareholders.

We have now transitioned to a critical transaction execution phase that will likely take us through the fourth quarter of 2017 and we ll provide updates as necessary.

I want to recognize and thank the PHH board of directors and my colleagues at PHH for their continued hard work and enduring commitment to creating value for our shareholders and customers. And with that, we re ready to take questions. Evan?

Operator: If you d like to ask a question, please signal by pressing star 1 on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star 1 for questions. And we will take our first question from Bose George. Just one moment, sorry. Again, that s star 1 for questions. Ladies and gentlemen as a reminder, star 1 for questions. We ll pause just for a moment. As a reminder, star 1 if you d like to ask a question.

We ll take our first question from Bose George of KBW.

Bose George: Hey guys. Good morning. The first question, I was just looking at slide 15. I just wanted to confirm the 140 million the remainder, you know, that you have for the legal and regulatory earmarks, does that reflect expenses ahead of the existing reserves? And also, just is the number you have on slide 16, the reasonably possible losses number, does that reflect possible losses ahead of this 140 million?

Glen Messina: Bose, I would think about it all as quite frankly the same categories. So, you know, our legal and regulatory on page 15 of $140 million, that is included in the liquidity earmarks and contingencies on the cash walk page.

Bose George: So, I guess my question really is the numbers you have on page 16, the 85 million and the 20 million of reasonably possible losses, is that part of the 140 million or is...

Glen Messina: Yes.

Bose George: ...that a. Yes, is that part of the 140 million?

Glen Messina: It is, Bose.

Bose George: Okay. So, when you list that 420 million as the remainder, you know, there s a pretty good likelihood that the reasonably possible stuff doesn t happen. So, it could be, you know, lower than that. So, 421 is kind of that worst-case scenario if that whole thing happens. Is that fair?

Glen Messina: 421 is our yes, is in fact including our reasonably possible losses and expectations and reserves for contingencies.

Bose George: Okay. Great. And then the 421 million, does that incorporate possible operating losses in the servicing segment, you know, as you transition towards break even, you know? Or should we think about that as kind of a separate bucket?

Glen Messina: I would think of that as a separate bucket. I mean, those, you know, transitional costs for the subservicing operation specifically are not included in that number.

Bose George: And is there, you know, any way for us to kind of gauge or, you know, think about what those numbers could be, you know, over the next I guess maybe year, year and a half?

Glen Messina: I ll turn it over to Rob.

Rob Crowl: Bose, one proxy for it may be to look at the 2.0 numbers that we ve got back earlier in the presentation. I think it was slide I m having trouble finding...

Bose George: Is it slide nine? Was it?

Rob Crowl: Yes. And basically, you can as a proxy you can take or pro-form an ending subservicing units. The expectation for port retention and margins that Glen described and the targeted overhead and that will give you a proxy sort of for out of the gate, you know, what that business may look like in 2017.

Bose George: Okay. Great. Thanks. And then just in terms of capital return, I mean, you guys, you know, clearly have a fair amount of cash at the moment. The shares are, you know, quite weak today. I mean, does it make sense to opportunistically do some repurchases, you know, before the final kind of bigger capital return later in the year?

Glen Messina: Bose when you, you know, consider the amount of, you know, both sources and uses of cash, when you look at the sources of cash there s over, you know, up to approximately $1.1 billion of cash that is expected from the asset sales transactions. And depending on the timing and sequence of closing of those transactions, we may be in a position to have to pay off taxes and/or pay off debt both secured and non-secured as we move through the process.

So, we think the prudent thing to do is to wait until the, you know, we have material insight into the timing and completion of those asset sales.

Bose George: Okay, thanks. And just one quick one more on the PHH Home Loan sale, you guys said 92 million of cash generated. Is there going to be a gain on sale on that or is that kind of roughly the equity that was in there?

Glen Messina: Rob would you like to address that?

Rob Crowl: There will be a small - we re going to generate a small gain on sale and tax liability related to that.

Bose George: Okay. Great, thanks.

Operator: And we will take our next question from Henry Coffey of Wedbush. Please go ahead.

Henry Coffey: Yes, good morning everyone and thank you for taking may question. I sort of am focused on the same thing Bose is but from a different direction. At this time, maybe this is too simplistic a method. So, you have at the end of all this, if everything s frozen and perfect and exactly the way you think it is, you ll have $550 million of distributable cash. In addition, you ll have a business, a subservicing business, that requires about $200 million of capital which I m going to assume is principally equity for now, at least. And then you have about 53 million shares outstanding. I just pulled that off of SNL so I hope that number s right.

If I do my math correctly, $550 million of cash is $10.28 a share. And then the quote book value of the remaining equity that you re going to keep in the business is 374. And so, we have a company today that would theoretically have a book value of about 14 01 or, you know, a company that could distribute $10 a share to equity holders and have a remaining value of call it 3 75.

Is that the right way to think about all these numbers?

Glen Messina: Henry you re focused on the two correct components. There s a, you know, a hard cash value of up to $550 million and then there s a value of the business operations which would include, you know, it s capital plus it s return on capital.

Henry Coffey: And A plus B divided by share count is about $14 a share. That s how I m looking at it. We can go over that later if that s the incorrect way.

The second thing, in trying to get some insight into the business, I was looking at slides 20 and 19 where you isolate the subservicing activity as you ve done before. Is that enough of a starting point to understand what the business would look like? Or when you take on all - when it becomes a, you know, when the whole platform is subservicing which is essentially whatever subservicing you have left plus the NRZ assets are the economics going to be different than what we re looking at on these two slides?

Glen Messina: Yes, Henry on 19 and 20, you would have to take into consideration the impact of the NRZ transactions. So, there s in that basket called Owned Servicing...

Man Two: Right.

Glen Messina: ...that essentially will convert to subservicing. I think Rob covered slide 15 on the subservicing of business fundamentals, which would basically say, you know, pro-form as of 12/31/16 there d be roughly 730,000 subservicing units with an average subservicing direct margin per unit of $59.00.

Henry Coffey: That $59.00 is net or gross?

Glen Messina: It s direct margin per unit so it s after direct cost but before taxes and overhead.

Henry Coffey: And then how much overhead is really needed to run this business?

Glen Messina: Yes, we had also mentioned on the call that we are reducing our shared services costs to about $75 million in the first full year of operations.

Henry Coffey: And then the gross for this business, who do you see as your direct competitors and is this a business of servicing transfer or do you have to acquire subservicing contracts?

Glen Messina: Look, I think our direct competitors here are the traditional range of subservicers. So you ve got, you know, Cenlar, Dovenmuehle, LoanCare, who s out there in the competitive space. You know, the target market would be as we discussed you know, smaller banks, credit unions, non-bank mortgage companies, and financial investors with MSRs.

And, you know, we re going to have to go out this aggressively from a commercial perspective and you know, approach that client base and win new subservicing agreements.

Now obviously...

Henry Coffey: Well I know it s going...

Glen Messina: I was going to say Henry, you know, the other opportunity to grow is to partner with a financial investor and look to, you know, partner up with them to acquire MSRs as they fill up their basket.

Henry Coffey: And I know it s going to take a while to get there, but this should be interesting.

Glen Messina: We re excited about the opportunity for the subservicing platform. It s an area of the business where we ve got a core expertise. We ve, you know, have demonstrated the ability to grow that platform. And now with a dedicated focus on just servicing and portfolio retention, we re excited to, you know, focus on that business and achieve its full potential.

Henry Coffey: Thank you.

Operator: Well take our take our next question from Fred Small of Compass Point. Please go ahead.

Fred Small: Hey good morning. Thanks. Can you just explain quickly what you mean by incremental excess capital or how you re thinking about that with the subservicing business?

Glen Messina: When we talk about incremental excess capital would be fundamentally operating earnings off the business. The business is going to be a capital light business and only requires $200 million of equity capital. And, you know, the returns on the business should largely be cash returns. There is no more MSR. So, cash returns on the business would result in excess capital to the extent those returns are at cost to capital and are not needed to grow the platform.

Fred Small: Okay so not incremental to - when you re talking about the return on capital of 10-15% that s the - you re not talking about incremental to that.

Glen Messina: No, I m not.

Fred Small: Okay. Got it.

Glen Messina: And you know, I think we also need to consider as we continue to execute the asset sales and wind down the balance sheet, once we get down to the, you know, there will be residual assets that obviously, we ll be able to liquidate off the balance sheet. So, you know, we ll be able to monetize those assets along with the major asset sales that we ve talked about.

Fred Small: And the residual assets that you re talking about liquidating that s contemplated in the 550 number?

Glen Messina: No. We did not include that in the 550.

Fred Small: Can you ballpark? I mean, is that 10 million? Is that 50 million? ((Inaudible)) how we think about that residual potential value.

Glen Messina: Yes, we have not put a value on that right now. And again, that s limited to those assets which are not being sold. So, think about it as REO and things of that nature.

Fred Small: Okay. Thanks. And then just another follow up on the cash from the PHH Home Loans (JV) sale, so the 92 million that you expect in proceeds, is there a payment after that to Realogy or is it 35 is half of the initial sale and then 57 is half of the monetization of the net assets?

Glen Messina: You re thinking about it correctly.

Fred Small: In the second scenario, 92...

Glen Messina: Got it.

Fred Small: ...million even after the payment to Realogy buyer or Realogy seller?

Glen Messina: That s correct.

Man Two: I mean, you know, obviously, the share of the $70 million would be split roughly 35 each between us and Realogy. And then to your point, the residual assets of the entity would be distributed to the current, you know, equity holders us and Realogy. So...

Fred Small: On the residual assets are something like 115 million based on the 57 number.

Glen Messina: In total, that s correct.

Fred Small: Okay. Got it. Cool. Then on just on the resolution of the regulatory items, I don t know if I missed part of the call if you talked about that at all. How long do you expect that to play out? Do you have any sort of update or status on where things are going? I saw that you said in the release that you settled something with the GSEs I think.

Glen Messina: So, we did not provide guidance on, you know, the remaining outstanding legacy regulatory matters. We remain, you know, actively engaged in discussion with them. We re proceeding, you know, with a sense of urgency on our side. But, you know, we at this stage of the game cannot estimate a timeline as to when those matters would be resolved.

Fred Small: Okay got it. Thanks a lot.

Operator: We ll take our next question from Chris Gamaitoni of Autonomous Research.

Chris Gamaitoni: Good morning. I just want to clarify. I think the prepared remarks you said you didn t receive an actionable proposal on the subservicing business that reflected the value of future cash flows.

So should I take that you did and you didn t take it?

Glen Messina: I mean I meant what I said. We received. We did not receive an actionable proposal that reflected the future expected cash flows for that platform.

Chris Gamaitoni: And how do you define the value of the future expected cash flows of the platform?

Glen Messina: We have subservicing contracts to include, you know, the contract we recently entered into with New Residential for the subservicing which is, you know, I think as we disclosed a three year contract.

Chris Gamaitoni: Right. There s - I guess the point I m getting to is, you know, we have a $1.1 billion book value today. You deduct the $200 million of future operating capital. And the $550 million of potential cash return. That leaves $250 million of after tax kind of bleed, you k now, pretax, that s something closer to 4 something.

So was there an opportunity to reduce the cost of existing or reduce that leakage with this sale or do you think the future value of the business will more than offset that kind of leakage that we re incurring related to the subservicing platform?

Glen Messina: Well we do - when you look at Page 8 we do think that of the supplement we do think that the PHH 2.0 model helps us avoid those additional costs that we talked about that we d realize in the event of a dissolution so.

Chris Gamaitoni: Right. But sale isn t a dissolution. So if you re selling the whole platform do you eliminate a lot of dissolution costs? I mean $40 million of additional restructuring costs related to the subservicing business that you highlighted and you ve highlighted, you know, breakeven to modestly and then modestly profitable in 2019. So there s an NPV calculation at your current scale of kind of dead capital that you re not going to be producing a return for multiple years as you try to earn into your future target margins.

Glen Messina: I think that s - you know I think that math is generally appropriate. We would have to realize the expected future cash flows on our anticipated subservicing contracts, you know, to realize the value of that platform.

Chris Gamaitoni: Okay. And then I guess the other question is what are the strategies to - it looks no matter what your growth is you need to significantly reduce shared services for your - for PHH s 2.0 below the current $75 million run rate.

What are the strategies to do that relatively quickly given, you know, the previous numbers you ve outlined have increased with - over time of both restructuring costs and future operating losses. So, you know, I d just like to get comfortable understanding why we should kind of believe that strategic goal at this point.

Glen Messina: Yes. So as I mentioned in the call we did put together, you know, an experienced cross-functional team who looked at doing a bottoms-up buildup of what the shared services support structure would look like for the PHH 2.0 Platform.

So they have been working on it a while. It was part of what we went through during the strategic review process.

And that team is formed and we ll be executing as quickly as possible to reduce our shared services expense base to the $75 million run rate level. That could be...

Chris Gamaitoni: Right. But - go ahead.

Glen Messina: That could be impacted by obviously the timing of our asset sales and the timing of the PLS exit.

Chris Gamaitoni: Right. But is it headcount related? Is it facilities management? Is it executive comp? You know what specifically is going to drive down that number?

Glen Messina: It is headcount. It s compensation, its facilities. So those are the three biggest components of that asset.

Chris Gamaitoni: Okay. And can you give us any clarity what the additional legal charge was for in the quarter or, you know, what outstanding issues are the potential largest drivers of the incremental, you know, $85 million or reasonably possible losses so just so we know what to watch?

Glen Messina: So Chris we don t comment on reserving for specific legal matters as you know as a matter of course. You know we only comment on legal matters as if and when they re settled. So we can t provide specifics on a case-by-case basis.

Chris Gamaitoni: Okay, that s all the questions I had. Thank you.

Glen Messina: Thank you.

Operator: Our next question comes from Mark Hammond of Bank of America. Please go ahead.

Mark Hammond: Thanks. Good morning. Now that the strategic review is concluded I m wondering if you ve given additional thought to what actions you would take if any if all bondholders don t offer their bonds at the 101 changing control offer price given that some of your bonds, the 2019s have been quoted north of 101, closer to 109.

Glen Messina: Right now we re focused on doing what s required of us pursuant to our bond indenture. So as a result of these transactions we believe we have to offer bondholders a, you know, 101% offer on the bonds.

And I m not going to speculate as to what we would or would not do with bondholders to the extent that there s a reaction to that.

Mark Hammond: Okay. And just in another way would you leave some debt leverage on the PHH 2.0 business?

Glen Messina: You know again we re going to proceed as required to in our contract. I m not going to speculate what we d do with our bonds.

Mark Hammond: Thanks for taking the questions.

Operator: And we ll take our next question from J.T. Davis of Silver Point Capital. Please go ahead.

J.T. Davis: Yes. Just wanted to walk through the math here again, on the excess cash I think Henry was asking some questions about how there s $550 million of excess cash and $200 million of equity in PHH 2.0.

I think that s missing the fact that in getting down to that excess cash number you have $140 million contingency. The vast majority of which appears to be reasonably possible losses in excess and for base case some of the regulatory reserves and the MSR indemnification.

But if I m looking at that if I were to assume your base case reserve instead of $550 million that s more like 675 to $690 million of cash.

So am I right to understand that if these things settle out where you have them reserved on the balance sheet that this could be meaningfully more than $550 million of cash?

Glen Messina: So that s correct J.T. I mean look it s a contingency. We ve, you know, there s - these numbers are based on estimates. So and, you know, some of them, you know, are more firm numbers.

But the liquidity earmarks in particular which we ve had that practice for quite some time now, it is an estimate for contingencies to that point. The actual amounts may be different from that number.

J.T. Davis: Okay. So then if I m thinking about it the right way under your base case reserves that s something like $13 per share of cash which is a little bit fascinating with your stock trading at $12.65 because that would - either this is the cheapest thing of all time or the market ascribing no value to your PHH 2.0, in fact is ascribing negative value at this moment.

But if I then take, you know, at the base case if I m looking at high $600 million of cash return which is more than the current market cap then equity in PHH 2.0 of $200 million.

And then I understand correctly, there s also additional residual assets which I assume are - you said ROE but there s what, something like $80 million of equity in the warehouse that would come out as well as you exit PLS.

Glen Messina: The warehouse equity I think we need to be careful with that. A portion of that is associated with the PHH Home Loans Joint Venture. There s obviously warehouse equity for any loans that were MSR related loans that originated through the private label channel and then the port retention stuff doesn t go away either.

So, you know, the - I think that the warehouse equity associated with the PHH Home Loans Joint Venture that is incorporated into our thoughts around the $92 million in total proceeds.

J.T. Davis: I m sorry, the $92 million of total proceeds.

Glen Messina: The up to $92 million in expected proceeds from the sale of the PHH Home Loans Joint Venture.

J.T. Davis: Oh yes. Right, so there is some double counting there, right.

Glen Messina: Yes.

J.T. Davis: But if I look at ROE of $50 million, the portion of the equity in the warehouse that s outside of the joint venture ought to be at least 50 I would think. You know we re looking at something like 16, 17 bucks worth of value, 13 of which is coming back in cash in the near term.

Glen Messina: So that I think the component you re isolating on so the ROE, the warehouse equity outside of the Home Loans Joint Venture, those are residual assets that would ultimately convert to cash in the business as we begin to wind down PLS, as we narrow down to the 2.0 structure.

J. T. Davis: Okay. Yes, so I think Chris questions are very appropriate in that when we look at the cost of winding this down and we assume, you know, a wind down of the servicing business we ought to be thinking about not the cost of winding that down but what is the cost, you know, if we could sell it to somebody for a dollar that may well be better.

And I think when we look at your strategic action math here where you show the potential excess cash from a dissolution we re ignoring, you know, we re ignoring all of the asset value that we just talked about, right, that would ultimately be harvest. We re only looking at the existing cash value.

So it s certainly not clear to us that this is the right outcome. But well and it s obviously not clear to the market because we re trading at a big discount to just the cash that s coming in the near term.

So I think we need to be doing a lot of thinking about this and whether this is the right outcome for shareholders.

Glen Messina: And I appreciate that perspective. Thank you for sharing.

Operator: And as a reminder it s star 1 if you d like to ask a question. And there appear to be no other questions at this time.

Glen Messina: Thank you Evan. And thank you everyone for joining today s call. Look forward to speaking with you next quarter.

Operator: This concludes the PHH Corporation Fourth Quarter 2016 Earnings conference call.

Once again ladies and gentlemen the replay will be available beginning later today at the company s web site www.phh.com/invest or by dialing 888-203-1112 or 719-457-0820 and using the conference ID of 7799107. It will be archived until March 3, 2017.

You may now disconnect.

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The following is a letter to all employees of PHH Corporation sent by Glen Messina, President and Chief Executive Officer, on February 16, 2017:

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Dear Colleagues,

Today we held our fourth quarter 2016 earnings conference call and announced that we have completed our evaluation of strategic alternatives after a comprehensive examination of all available options.

Over the past year, we reached a number of conclusions as a result of our strategic review. We decided to exit the Correspondent Lending business due to its subpar profitability. We decided to exit the Private Label originations business because we believe there are unsurmountable challenges to the long-term viability of the PLS business model. We entered into agreements for the sale of our owned MSR portfolio as we cannot earn our cost of capital on these assets in any interest rate environment. As we announced yesterday, we entered into an agreement for the sale of our PHH Home Loans joint venture because we believe this is the best opportunity to maximize the value of this platform.

I fully recognize that this process and the resulting outcomes have created a great deal of uncertainty and anxiety. These decisions impact everyone either directly or indirectly, and I sincerely thank you for your dedication and professionalism during a time of transition. Now that we have concluded our strategic review, I am sure many of you are asking, What s next for PHH?

We have determined that the optimal path forward for PHH is to transition to a capital-light business model comprised of sub-servicing and portfolio retention services, which we refer to as PHH 2.0. This is a significant strategic shift for PHH but an exciting opportunity for us to thrive and to grow a sizeable portion of our business.

PHH will be the third largest sub-servicer when considering the sub-servicing agreement we entered into with New Residential in December. In addition, we believe we have core strengths and favorable attributes in several key requirements to achieve success in the sub-servicing business, such as reputation, compliance infrastructure, investor performance and direct cost per loan. We believe our growth expectations are supported by a $1.2 trillion sub-servicing market, which is expected to grow by 10% per year over the next several years.

In portfolio retention, we have assumed that we can achieve a 12% recapture rate by 2019 versus 7% at year-end 2016. We have built significant momentum in this business as evidenced by having grown our portfolio retention closing volume from a very small base in 2015 to $1.2 billion in 2016. At this time, we expect to grow our closings to approximately $1.5 billion in 2017.

In order to achieve our goals under the new PHH business model, we will need to substantially re-engineer and reduce operating and overhead costs. We have assembled an experienced, cross-functional team led by Rich Bradfield, SVP, Financial Institutions Group, to design all aspects of PHH 2.0. This team is taking a clean sheet approach to assess and determine the requirements for PHH 2.0 to be successful, including organization structure, cost infrastructure, go-to-market strategy, operational processes, technology requirements, vision, mission and values, among many other aspects of the new organization. The team is making significant progress on the PHH 2.0 model, and the work they have done thus far was a key factor in our decision to take this path forward.

We have largely determined the PHH 2.0 organization structure at a functional level. We expect there will be little, if any, impact to Servicing and Portfolio Retention operations. We will have to substantially re-engineer our Enabling Functions to align our focus and cost structure to the PHH 2.0 business model, and expect there will be reductions in staffing levels for these functions. We intend to begin the evaluation of the organization talent requirements for the PHH 2.0 model immediately and expect to have more detailed information regarding organizational structure and impact to employees in the second quarter.

We intend to commence the PHH 2.0 re-engineering program concurrent with the exit from the PLS business, which is still targeted to be substantially complete by the end of the first quarter 2018, and the completion of the MSR and PHH Home Loans sales transactions, both of which are expected to close in the fourth quarter of 2017. We estimate our PHH 2.0 re-engineering efforts will take up to 12-18 months to complete.

We now have clarity into the longer-term plan for PHH and I am excited about the future growth opportunities for PHH 2.0. We are well positioned in a growing mortgage market segment where we have core strengths and a solid reputation. We have put in motion a number of critical actions as a result of our strategic review, and our key business priorities for 2017 are centered on executing against these actions. We will continue to provide updates across all of these actions throughout the year.

Finally, I want to thank all of you for your commitment to PHH and patience over the past year. I also want to thank all those who had a part in our strategic review process. This was an intense and complex process that we were able to complete in large part due to your determination and teamwork.

Thank you,

Glen A. Messina

President and CEO

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Additional Information and Where to Find It

In connection with (a) the proposed transactions under that certain Agreement for the Purchase and Sale of Servicing Rights, dated as of December 28, 2016, by and between New Residential Mortgage LLC, PHH Mortgage Corporation and, solely for the limited purposes set forth therein, PHH, and (b) the proposed transactions under (i) that certain Asset Purchase Agreement, dated as of February 15, 2017, by and between Guaranteed Rate Affinity, LLC, a Delaware limited liability company (Buyer), PHH, PHH Home Loans, LLC, in which PHH owns a 50.1% interest (PHH Home Loans), and RMR Financial, LLC, a wholly-owned subsidiary of PHH Home Loans (RMR) and (ii) that certain JV interests purchase agreement, dated as of February 15, 2017, by and between Realogy Services Venture Partner LLC, PHH and PHH Broker Partner Corporation, a wholly-owned subsidiary of PHH, PHH will file with the Securities and Exchange Commission (SEC), and furnish to its stockholders, a proxy statement(s) soliciting proxies for a special meeting of stockholders. Stockholders are strongly advised to read each proxy statement and any other relevant documents filed with the SEC as they become available because they will contain important information about the proposed transactions. Stockholders may obtain a copy of each proxy statement when available along with other documents filed by the Company, free of charge, by contacting PHH Investor Relations: in writing at PHH Corporation, 3000 Leadenhall Road, Mt. Laurel, NJ 08054, by telephone at 856-917-7405, by email at investor.relations@phh.com, or by accessing the PHH website at www.phh.com, or the SEC website at www.sec.gov.

Participants in Solicitation

The Company and its directors, executive officers, and certain other members of its management and employees may be deemed to be participants in the solicitation of proxies from its stockholders in connection with the proposed transactions. Information concerning PHH s directors and executive officers is set forth in the proxy statement for PHH s 2016 annual meeting of stockholders as filed with the SEC on Schedule 14A on April 28, 2016, and in its most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the SEC on February 26, 2016. Information regarding the interests of such directors and executive officers in the solicitation will be more specifically set forth in the proxy statement concerning the proposed transaction that will be filed with the SEC. In addition to the proxy statement, PHH files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information at the SEC public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-3030 for further information on the public reference rooms. PHH s filings with the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at http://www.sec.gov.

Forward-Looking Statements

Certain statements in the slides, transcript and letter are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, forward looking-statements are not based on historical facts but instead represent only our current beliefs regarding future events. All forward-looking statements are, by their nature, subject to risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements. Such statements may be identified by words such as expects, anticipates, intends, projects, estimates, plans, may increase, may fluctuate and similar expressions or future or conditional verbs such should, would, may and could.

You should understand that forward-looking statements are not guarantees of performance or results and are preliminary in nature. You should consider the areas of risk described under the heading Cautionary Note Regarding Forward-Looking Statements and Risk Factors in our periodic reports filed with the U.S. Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, in connection with any forward-looking statements that may be made by us or our businesses generally. Such periodic reports are available in the Investors section of our website at http://www.phh.com and are also available at http://www.sec.gov. Except for our ongoing obligations to disclose material information under the federal securities laws, applicable stock exchange listing standards and unless otherwise required by law, we undertake no obligation to release publicly any updates or revisions to any forward-looking statements or to report the occurrence or non-occurrence of anticipated or unanticipated events.