New Residential Investment Corp.
Form 10-Q
October 30, 2018

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from ________________to________________

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

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

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

(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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 ¨
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: 340,354,429 shares outstanding as of October 26, 2018.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- the availability and terms of capital for future investments;

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

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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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, 2018 (Unaudited)	December 31, 2017
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$467,061	$ 1,173,713
Excess mortgage servicing rights, equity method investees, at fair value	154,939	171,765
Mortgage servicing rights, at fair value	2,872,004	1,735,504
Mortgage servicing rights financing receivables, at fair value	1,681,072	598,728
Servicer advance investments, at fair value(A)	799,936	4,027,379
Real estate and other securities, available-for-sale	11,650,257	8,071,140
Residential mortgage loans, held-for-investment (includes $123,606 and $0 at fair value at September 30, 2018 and December 31, 2017, respectively)(A)	776,323	691,155
Residential mortgage loans, held-for-sale	1,996,303	1,725,534
Residential mortgage loans, held-for-sale, at fair value	524,863	—
Real estate owned	115,160	128,295
Residential mortgage loans subject to repurchase	110,181	—
Consumer loans, held-for-investment(A)	1,140,769	1,374,263
Consumer loans, equity method investees	44,787	51,412
Cash and cash equivalents(A)	330,148	295,798
Restricted cash	155,749	150,252
Servicer advances receivable	3,217,121	675,593
Trades receivable	3,424,865	1,030,850
Other assets	629,231	312,181
	$30,090,769	$ 22,213,562
Liabilities and Equity		
Liabilities		
Repurchase agreements	$ 14,387,020	$ 8,662,139
Notes and bonds payable (includes $117,470 and $0 at fair value at September 30, 2018 and December 31, 2017, respectively)(A)	7,254,946	7,084,391
Trades payable	1,791,191	1,169,896
Residential mortgage loans repurchase liability	110,181	—
Due to affiliates	74,135	88,961
Dividends payable	170,177	153,681
Deferred tax liability, net	3,910	19,218
Accrued expenses and other liabilities(A)	462,161	239,114
	24,253,721	17,417,400
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 340,354,429 and 307,361,309 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	3,404	3,074

Additional paid-in capital	4,256,045	3,763,188
Retained earnings	1,014,919	559,476
Accumulated other comprehensive income (loss)	468,952	364,467
Total New Residential stockholders’ equity	5,743,320	4,690,205
Noncontrolling interests in equity of consolidated subsidiaries	93,728	105,957
Total Equity	5,837,048	4,796,162
	$30,090,769	$22,213,562

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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, Advance Purchaser LLC (the "Buyer") (Note 6), Shellpoint Asset Funding Trust 2013-1 ("SAFT 2013-1") and the Shelter retail mortgage origination joint ventures ("Shelter JVs") (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, SAFT 2013-1, Shelter JVs and the Consumer Loan SPVs are included in Notes 6, 8 and 9, respectively. The creditors of the Buyer, SAFT 2013-1, Shelter JVs and the Consumer Loan SPVs do not have recourse to the general credit of New Residential and the assets of the Buyer, SAFT 2013-1, Shelter JVs 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,	
	2018	2017	2018	2017
Interest income	$425,524	$ 397,722	$1,212,902	$1,162,212
Interest expense	162,806	125,278	421,109	338,664
Net Interest Income	262,718	272,444	791,793	823,548
Impairment				
Other-than-temporary impairment (OTTI) on securities	3,889	1,509	23,190	8,736
Valuation and loss provision (reversal) on loans and real estate owned (REO)	5,471	26,700	28,136	65,381
	9,360	28,209	51,326	74,117
Net interest income after impairment	253,358	244,235	740,467	749,431
Servicing revenue, net	175,355	58,014	538,784	269,467
Gain on sale of originated mortgage loans, net	45,732	—	45,732	—
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(4,744)	(14,291)	(55,711)	(32,650)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	3,396	2,054	5,624	6,056
Change in fair value of investments in mortgage servicing rights financing receivables	(88,345)	70,232	63,628	75,828
Change in fair value of servicer advance investments	(5,353)	10,941	(86,581)	70,469
Gain (loss) on settlement of investments, net	(11,893)	1,553	106,064	1,250
Earnings from investments in consumer loans, equity method investees	4,555	6,769	12,343	12,649
Other income (loss), net	19,086	9,887	39,047	7,696
	(83,298)	87,145	84,414	141,298
Operating Expenses				
General and administrative expenses	98,587	19,919	139,169	47,788
Management fee to affiliate	15,464	14,187	46,027	41,447
Incentive compensation to affiliate	23,848	19,491	65,169	72,123
Loan servicing expense	11,060	13,690	33,609	40,068
Subservicing expense	43,148	49,773	135,703	123,435
	192,107	117,060	419,677	324,861
Income Before Income Taxes	199,040	272,334	989,720	835,335
Income tax expense (benefit)	3,563	32,613	(5,957)	121,053
Net Income	$195,477	$ 239,721	$995,677	$714,282
Noncontrolling Interests in Income of Consolidated Subsidiaries	$10,869	$ 13,600	$32,058	$45,051
Net Income Attributable to Common Stockholders	$184,608	$ 226,121	$963,619	$669,231

Net Income Per Share of Common Stock

Basic	$0.54	$ 0.74	$2.87	$2.23
Diluted	$0.54	$ 0.73	$2.86	$2.21
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	340,044,440	307,361,309	335,615,566	300,511,550
Diluted	340,868,403	309,207,345	337,078,824	302,357,147
Dividends Declared per Share of Common Stock	$0.50	$ 0.50	$1.50	$1.48

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,	
	2018	2017	2018	2017
Comprehensive income (loss), net of tax				
Net income	$195,477	$239,721	$995,677	$714,282
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	(22,445)	75,845	14,600	277,805
Reclassification of net realized (gain) loss on securities into earnings	32,626	(5,833)	89,885	(20,856)
	10,181	70,012	104,485	256,949
Total comprehensive income	$205,658	$309,733	$1,100,162	$971,231
Comprehensive income attributable to noncontrolling interests	$10,869	$13,600	$32,058	$45,051
Comprehensive income attributable to common stockholders	$194,789	$296,133	$1,068,104	$926,180

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 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, 2017	307,361,309	$3,074	$3,763,188	$559,476	$364,467	$4,690,205	$105,957	$4,796,162
Dividends declared	—	—	—	(508,176)	—	(508,176)	—	(508,176)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(51,735)	(51,735)
Issuance of common stock	29,241,659	292	491,312	—	—	491,604	—	491,604
Option exercise	3,694,228	37	(37)	—	—	—	—	—
Other dilution	—	—	(63)	—	—	(63)	—	(63)
Purchase of Noncontrolling Interests	—	—	627	—	—	627	7,448	8,075
Director share grants	57,233	1	1,018	—	—	1,019	—	1,019
Comprehensive income (loss)								
Net income (loss)	—	—	—	963,619	—	963,619	32,058	995,677
Net unrealized gain (loss) on securities	—	—	—	—	14,600	14,600	—	14,600
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	89,885	89,885	—	89,885
Total comprehensive income (loss)						1,068,104	32,058	1,100,162
Equity - September 30, 2018	340,354,429	$3,404	$4,256,045	$1,014,919	$468,952	$5,743,320	$93,728	$5,837,048

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED), CONTINUED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 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.

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

	Nine Months Ended September 30,	
	2018	2017
Cash Flows From Operating Activities		
Net income	$995,677	$714,282
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	55,711	32,650
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(5,624)	(6,056)
Change in fair value of investments in mortgage servicing rights financing receivables	(63,628)	(75,828)
Change in fair value of servicer advance investments	86,581	(70,469)
Change in fair value of residential mortgage loans, at fair value, and notes and bonds payable, at fair value	1,462	—
(Gain) / loss on settlement of investments (net)	(106,064)	(1,250)
Earnings from investments in consumer loans, equity method investees	(12,343)	(12,649)
Unrealized (gain) / loss on derivative instruments	(27,985)	124
Unrealized (gain) / loss on other ABS	(12,001)	(340)
(Gain) / loss on transfer of loans to REO	(16,609)	(16,791)
(Gain) / loss on transfer of loans to other assets	1,648	(359)
(Gain) / loss on Excess MSRs	(5,257)	(1,948)
(Gain) / loss on Ocwen common stock	(4,655)	(6,987)
Accretion and other amortization	(528,981)	(811,922)
Other-than-temporary impairment	23,190	8,736
Valuation and loss provision on loans and real estate owned	28,136	65,381
Non-cash portions of servicing revenue, net	(35,118)	81,986
Non-cash directors' compensation	1,019	699
Deferred tax provision	(12,680)	114,016
Changes in:		
Servicer advances receivable	441,351	(7,774)
Other assets	(168,862)	(35,799)
Due to affiliates	(14,826)	32,276
Accrued expenses and other liabilities	161,246	48,442
Other operating cash flows:		
Interest received from excess mortgage servicing rights	33,521	53,067
Interest received from servicer advance investments	25,901	136,431
Interest received from Non-Agency RMBS	156,420	170,931
Interest received from residential mortgage loans, held-for-investment	6,656	5,906
Interest received from PCD consumer loans, held-for-investment	27,681	40,762
Distributions of earnings from excess mortgage servicing rights, equity method investees	7,976	11,054
Distributions of earnings from consumer loan equity method investees	6,176	4,291
Purchases of residential mortgage loans, held-for-sale	(3,295,378)	(4,146,740)
Origination of residential mortgage loans, held-for-sale	(1,678,606)	—
Proceeds from sales of purchased and originated residential mortgage loans, held-for-sale	3,706,334	2,986,992
Principal repayments from purchased residential mortgage loans, held-for-sale	146,170	69,069
Net cash provided by (used in) operating activities	(75,761)	(617,817)

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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,	
	2018	2017
Cash Flows From Investing Activities		
Acquisition of Shellpoint, net of cash acquired	(118,285)	—
Purchase of servicer advance investments	(1,790,635)	(9,328,137)
Purchase of MSRs, MSR financing receivables and servicer advances receivable	(971,079)	(1,586,063)
Purchase of Agency RMBS	(6,574,783)	(6,352,488)
Purchase of Non-Agency RMBS	(2,714,991)	(2,070,898)
Purchase of residential mortgage loans	(85,778)	(585,983)
Purchase of derivatives	—	—
Purchase of real estate owned and other assets	(26,807)	(25,667)
Purchase of investment in consumer loans, equity method investees	(292,616)	(344,902)
Draws on revolving consumer loans	(45,017)	(41,930)
Payments for settlement of derivatives	(59,113)	(146,898)
Return of investments in excess mortgage servicing rights	43,690	142,626
Return of investments in excess mortgage servicing rights, equity method investees	14,474	14,157
Return of investments in consumer loans, equity method investees	279,669	276,601
Principal repayments from servicer advance investments	1,845,411	10,898,739
Principal repayments from Agency RMBS	76,515	76,744
Principal repayments from Non-Agency RMBS	565,460	615,657
Principal repayments from residential mortgage loans	110,770	59,673
Proceeds from sale of residential mortgage loans	21,278	—
Principal repayments from consumer loans	237,129	312,132
Proceeds from sale of Agency RMBS	4,121,325	6,205,573
Proceeds from sale of Non-Agency RMBS	81,325	166,460
Proceeds from settlement of derivatives	146,146	81,505
Proceeds from sale of real estate owned	111,459	63,476
Net cash provided by (used in) investing activities	(5,024,453)	(1,569,623)

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,	
	2018	2017
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(58,414,966)	(34,057,218)
Margin deposits under repurchase agreements and derivatives	(1,374,374)	(820,678)
Repayments of notes and bonds payable	(7,512,484)	(7,323,512)
Payment of deferred financing fees	(12,838)	(5,702)
Common stock dividends paid	(491,680)	(416,552)
Borrowings under repurchase agreements	63,696,426	36,713,743
Return of margin deposits under repurchase agreements and derivatives	1,263,220	815,903
Borrowings under notes and bonds payable	7,547,541	6,561,390
Issuance of common stock	492,285	835,465
Costs related to issuance of common stock	(681)	(936)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(51,735)	(70,493)
Purchase of noncontrolling interests	(653)	(65,860)
Net cash provided by (used in) financing activities	5,140,061	2,165,550
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	39,847	(21,890)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	446,050	453,697
Cash, Cash Equivalents, and Restricted Cash, End of Period	$485,897	$431,807
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$405,672	$320,804
Cash paid during the period for income taxes	3,176	4,956
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$170,177	$153,681
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,791,191	1,076,086
Sale of investments, primarily Agency RMBS, settled after quarter end	3,424,865	1,785,708
Transfer from residential mortgage loans to real estate owned and other assets	88,376	105,750
Non-cash distributions from LoanCo	25,739	30,337
MSR purchase price holdback	8,692	79,045
Shellpoint Acquisition purchase price holdback	10,173	—
Shellpoint Acquisition contingent consideration	42,770	—
Real estate securities retained from loan securitizations	762,056	310,579
Residential mortgage loans subject to repurchase	110,181	—
Ocwen transaction (Note 5) - excess mortgage servicing rights	638,567	23,080
Ocwen transaction (Note 5) - servicer advance investments	3,175,891	71,982
Ocwen transaction (Note 5) - mortgage servicing rights financing receivables	1,017,993	481,220

See notes to condensed consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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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. 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 investment funds that until June 2018, owned 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). The Manager also manages investment funds that until August 2, 2018, indirectly owned approximately 40.5% of the outstanding interests in Nationstar Mortgage LLC ("Nationstar"), a leading residential mortgage servicer. As of September 30, 2018, such ownership of the outstanding interests in Nationstar, through ownership of its parent, WMIH Corp. ("WMIH"), was limited to 2.5%.

As of September 30, 2018, New Residential conducted its business through the following segments: (i) Servicing and Originations, (ii) Residential Securities and Loans, (iii) Consumer Loans and (iv) Corporate.

Approximately 0.5 million shares of New Residential's common stock were held by Fortress, through its affiliates, as of September 30, 2018. In addition, Fortress, through its affiliates, held options relating to approximately 4.1 million shares of New Residential's common stock as of September 30, 2018.

Interim Financial Statements

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2017 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2017. 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 are required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 was effective for New Residential in the first quarter of 2018. New Residential has evaluated the new guidance and determined that interest income, gains and losses on financial instruments and income from servicing residential mortgage loans are outside the scope of ASC No. 606. For income from servicing residential mortgage loans, New Residential considered that the FASB Transition Resource Group members generally agreed that an entity should look to ASC No. 860, Transfers and Servicing, to determine the appropriate accounting for these fees and ASC No. 606 contains a scope exception for contracts that fall under ASC No. 860. In addition, NRM determined that ancillary income generated from services for mortgage loans and REO properties represent servicing fees due to a servicer, through contractual terms, that would no longer be received by a servicer if the owners of the serviced loans were to exercise their authority to shift the servicing to another servicer and, therefore, similarly fall under ASC No. 860. Finally, New Residential determined that fee income on residential mortgage loan originations is outside the scope of ASC No. 606 as it continues to be accounted for in accordance with ASC 948. As a result, the adoption of ASU No. 2014-09 did not have a material impact on the condensed consolidated financial statements.

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

In February 2016, the FASB issued ASU No. 2016-02, Leases. The standard requires that lessees recognize a right-of-use asset and corresponding lease liability on the balance sheet for most leases. The guidance applied by a lessor under ASU No. 2016-02 is substantially similar to existing GAAP. ASU No. 2016-02 is effective for New Residential in the first quarter of 2019. Early adoption is permitted upon issuance. An entity should apply ASU No. 2016-02 by means of a modified retrospective transition method for all leases existing at, or entered into after, the date of initial application. The adoption of ASU No. 2016-02 is not expected to have a material impact on the condensed consolidated financial statements.

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

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory. The standard requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU No. 2016-16 was effective for New Residential in the first quarter of 2018. The adoption of ASU No. 2016-16 did not have a material impact on the condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment (Topic 805). The standard simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in the current two-step impairment test. Under the new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit’s carrying value and fair value, but it is limited to the carrying value of goodwill. ASU No. 2017-04 is effective for New Residential in the first quarter of 2020 and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of ASU No. 2017-04 is not expected to have a material impact on the condensed consolidated financial statements.

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In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820). The standard: (i) adds incremental requirements for entities to disclose (a) the amount of total gains or losses for the period recognized in other comprehensive income that is attributable to fair value changes in assets and liabilities held as of the balance sheet date and categorized within Level 3 of the fair value hierarchy, (b) the range and weighted average used to develop significant unobservable inputs and (c) how the weighted average was calculated for fair value measurements categorized within Level 3 of the fair value hierarchy and (ii) eliminates disclosure requirements for (a) transfers between Level 1 and Level 2 and (b) valuation processes for Level 3 fair value measurements. ASU No. 2018-13 is effective for New Residential in the first quarter of 2020. The adoption of ASU No. 2018-13 is not expected to have a material impact on the condensed consolidated financial statements.

Acquisition of Shellpoint Partners LLC

On November 29, 2017, NRM Acquisition LLC (the “Shellpoint Purchaser”), a Delaware limited liability company and a wholly owned subsidiary of New Residential, entered into a Securities Purchase Agreement (the “Shellpoint SPA”) to acquire Shellpoint Partners LLC, a Delaware limited liability company (“Shellpoint”).

On July 3, 2018, the Shellpoint Purchaser acquired 100% of the outstanding equity interests of Shellpoint for a purchase price of $212.3 million (the “Shellpoint Acquisition”). As additional consideration for the Shellpoint Acquisition, the Shellpoint Purchaser may make up to three cash earnout payments, which will be calculated following each of the first three anniversaries of the Shellpoint closing as a percentage of the amount by which the pre-tax income of certain of Shellpoint’s businesses exceeds certain specified thresholds, up to an aggregate maximum amount of $60.0 million (the “Shellpoint Earnout Payments”). The Shellpoint Earnout Payments are classified as contingent consideration recorded at fair value at the acquisition date and included in the total consideration transferred for the Shellpoint Acquisition.

Shellpoint is a vertically integrated mortgage platform with established origination and servicing capabilities and provides New Residential with in-house servicing, asset origination and recapture capabilities. The results of Shellpoint’s operations have been included in the Company’s condensed consolidated statements of income for the three and nine months ended September 30, 2018 from the date of the acquisition and represent $97.0 million and $11.7 million of revenue and net income, respectively.

The acquisition date fair value of the consideration transferred includes $212.3 million in cash consideration, $42.8 million in contingent consideration and $180.3 million in effective settlement of preexisting relationships. The total consideration is summarized as follows:

Total Consideration	Amount
Cash Consideration	$ 212.3
Earnout Payment[(A)]	42.8
Effective Settlement of Preexisting Relationships[(B)]	180.3
Total Consideration	$ 435.4

(A) The range of outcomes for this contingent consideration is from $0 to $60.0 million, dependent on the performance of Shellpoint. New Residential derived a fair value of the contingent consideration payment in three years of $48.7 million inclusive of payments to Shellpoint employees of $5.9 million. Contingent payments to the long-term employee incentive plans require continuing employment and will be recognized as compensation expense within General and Administrative expenses in the post-acquisition consolidated financial statements separate from New Residential's acquisition of assets and assumption of liabilities in the business combination. As a result, New Residential recorded contingent consideration of $42.8 million.

(B) Represents the effective settlement of preexisting relationships between New Residential and Shellpoint including 1) MSR acquisitions, 2) a note payable and 3) operating accounts receivable and payable existing prior to the acquisition date. The effective settlement of these preexisting relationships had no impact to New Residential's condensed consolidated statements of income.

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New Residential has performed a preliminary allocation of the total consideration of $435.4 million to Shellpoint's assets and liabilities, as set forth below. The final amount and allocation of total consideration may differ from the amounts included herein to reflect new information obtained primarily relating to the valuation of contingent consideration and intangible assets that existed as of the acquisition date.

Total Consideration ($ in millions)	$435.4
Assets	
Cash and cash equivalents	$84.1
Restricted cash	9.9
Residential mortgage loans, held-for-sale, at fair value	488.2
Mortgage servicing rights, at fair value[(A)]	286.6
Residential mortgage loans, held-for-investment, at fair value	125.3
Residential mortgage loans subject to repurchase	121.4
Intangible assets	4.3
Other assets	81.1
Total Assets Acquired	$1,200.9
Liabilities	
Repurchase agreements	$439.6
Notes and bonds payable	25.4
Mortgage-backed securities issued, at fair value	120.7
Residential mortgage loans repurchase liability	121.4
Excess spread financing, at fair value	48.3
Accrued expenses and other liabilities	50.7
Total Liabilities Assumed	$806.1
Noncontrolling Interest	$8.3
Net Assets	$386.5
Goodwill	$48.9

(A) Includes $135.3 million of Ginnie Mae MSRs where New Residential acquired the rights to the economic value of the servicing rights from Shellpoint prior to the acquisition date.

The goodwill of $48.9 million primarily includes the synergies and benefits expected to result from combining operations with Shellpoint and adding in-house servicing, asset origination and recapture capabilities. The full amount of goodwill for tax purposes of $46.7 million is expected to be deductible. New Residential will assess the goodwill annually on October 1 and in interim periods in case of events or circumstances make it more likely than not that an impairment may have occurred.

Certain transactions were recognized separately from New Residential's acquisition of assets and assumption of liabilities in the business combination. These separately recognized transactions include 1) contingent payments to Shellpoint's employees and 2) effective settlement of preexisting relationships discussed above.

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Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined Servicing and Originations Revenue, which is comprised of 1) servicing revenue, net and 2) gain on sale of originated mortgage loans, net, and Income Before Income Taxes for the three and nine months ended September 30, 2018 and 2017 prepared as if the Shellpoint Acquisition had been consummated on January 1, 2017.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Pro Forma				
Servicing and Originations Revenue	$221,087	$141,002	$710,742	$513,076
Income Before Income Taxes	199,040	278,274	1,006,743	850,509

The unaudited supplemental pro forma financial information has not been adjusted for transactions other than the Shellpoint Acquisition, or for the conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the Shellpoint Acquisition and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Shellpoint Acquisition occurred on January 1, 2017.

2. OTHER INCOME, ASSETS AND LIABILITIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Gain (loss) on sale of real estate securities, net	$(28,737)	$7,342	$(66,695)	$29,592
Gain (loss) on sale of acquired residential mortgage loans, net	4,065	9,029	(1,358)	37,967
Gain (loss) on settlement of derivatives	19,459	(18,756)	76,092	(58,326)
Gain (loss) on liquidated residential mortgage loans	(1,113)	(2,152)	(2,267)	(7,996)
Gain (loss) on sale of REO	(4,971)	(1,864)	(12,114)	(7,176)
Gains reclassified from change in fair value of investments in excess MSRs and servicer advance investments	—	11,320	113,002	11,320
Other gains (losses)	(596)	(3,366)	(596)	(4,131)
	$(11,893)	$1,553	$106,064	$1,250

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Unrealized gain (loss) on derivative instruments	$24,299	$3,560	$27,985	$(124)
Unrealized gain (loss) on other ABS	7,197	189	12,001	340
Unrealized gain (loss) on residential mortgage loans, held-for-investment, at fair value	647	—	647	—

Unrealized gain (loss) on notes and bonds payable	900	—	900	—
Gain (loss) on transfer of loans to REO	6,119	5,179	16,609	16,791
Gain (loss) on transfer of loans to other assets	(1,528)	66	(1,648)	359
Gain (loss) on Excess MSRs	987	606	5,257	1,948
Gain (loss) on Ocwen common stock	(145)	6,987	4,655	6,987
Other income (loss)	(19,390)	(6,700)	(27,359)	(18,605)
	$19,086	$9,887	$39,047	$7,696

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Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	September 30, 2018	December 31, 2017		September 30, 2018	December 31, 2017
Margin receivable, net	$163,357	$53,150	Interest payable	$38,284	$28,821
Other receivables	23,023	10,635	Accounts payable	109,852	73,017
Principal and interest receivable	66,283	48,373	Derivative liabilities (Note 10)	2,294	697
Receivable from government agency	20,158	41,429	Due to servicers	73,524	24,571
Call rights	290	327	MSR purchase price holdback	109,982	101,290
Derivative assets (Note 10)	27,212	2,423	Excess spread financing, at fair value	44,374	—
Servicing fee receivables	76,815	60,520	Contingent Consideration	42,770	—
Ginnie Mae EBO servicer advances receivable, net	934	8,916	Reserve for sales recourse	6,214	—
Due from servicers	74,539	38,601	Other liabilities	34,867	10,718
Goodwill	48,921	—		$462,161	$239,114
Intangible assets	4,308	—			
Ocwen common stock, at fair value	23,876	19,259			
Prepaid expenses	13,976	7,308			
Other assets	85,539	21,240			
	$629,231	$312,181			

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

	Nine Months Ended September 30,	
	2018	2017
Accretion of servicer advances receivable discount and servicer advance investments	$207,428	$451,824
Accretion of excess mortgage servicing rights income	32,371	75,237
Accretion of net discount on securities and loans(A)	296,961	295,753
Amortization of deferred financing costs	(6,180)	(9,525)
Amortization of discount on notes and bonds payable	(1,599)	(1,367)
	$528,981	$811,922

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

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) Servicing and Originations, (ii) Residential Securities and Loans, (iii) Consumer Loans and (iv) 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 Servicing and Originations and Consumer Loans segments, respectively. Secured corporate loans effectively collateralized by Excess MSRs are included in the

Servicing and Originations segment.

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During the third quarter of 2018, New Residential changed the composition of its reportable segments primarily to reflect the (i) aggregation of the similar MSR, Excess MSR and Servicer Advance segments as the new Servicing and Originations segment and (ii) incorporation of the Shellpoint Acquisition. Segment information for prior periods has been restated to reflect this change.

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:

		Residential Securities and Loans				
	Servicing and Originations	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended September 30, 2018						
Interest income	$ 193,424	$ 138,197	$ 42,942	$ 50,961	$—	$ 425,524
Interest expense	62,994	67,117	22,374	10,321	—	162,806
Net interest income (expense)	130,430	71,080	20,568	40,640	—	262,718
Impairment	—	3,889	(4,436)	9,907	—	9,360
Servicing revenue, net	175,355	—	—	—	—	175,355
Gain on sale of originated mortgage loans, net	45,732	—	—	—	—	45,732
Other income (loss)	(92,243)	17,994	(12,729)	3,795	(115)	(83,298)
Operating expenses	132,542	63	6,436	8,467	44,599	192,107
Income (Loss) Before Income Taxes	126,732	85,122	5,839	26,061	(44,714)	199,040
Income tax expense (benefit)	495	—	3,100	(32)	—	3,563
Net Income (Loss)	$ 126,237	$ 85,122	$ 2,739	$ 26,093	$ (44,714)	$ 195,477
Noncontrolling interests in income (loss) of consolidated subsidiaries	$ 1,086	$—	$ —	$ 9,783	$—	$ 10,869
Net income (loss) attributable to common stockholders	$ 125,151	$ 85,122	$ 2,739	$ 16,310	$ (44,714)	$ 184,608

		Residential Securities and Loans				
	Servicing and Originations	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2018						
Interest income	$ 579,824	$ 354,922	$ 118,019	$ 158,631	$ 1,506	$ 1,212,902
Interest expense	173,759	157,195	57,299	32,856	—	421,109
Net interest income (expense)	406,065	197,727	60,720	125,775	1,506	791,793
Impairment	—	23,190	(8,683)	36,819	—	51,326
Servicing revenue, net	538,784	—	—	—	—	538,784
Gain on sale of originated mortgage loans, net	45,732	—	—	—	—	45,732
Other income (loss)	48,128	45,346	(27,219)	13,363	4,796	84,414
Operating expenses	235,417	1,003	25,658	26,743	130,856	419,677
Income (Loss) Before Income Taxes	803,292	218,880	16,526	75,576	(124,554)	989,720

Income tax expense (benefit)	(6,458)	—	289	212	—	(5,957)
Net Income (Loss)	$ 809,750	$218,880	$16,237	$75,364	$(124,554)	$995,677
Noncontrolling interests in income (loss) of consolidated subsidiaries	$ 3,525	$—	$—	$28,533	$—	$32,058
Net income (loss) attributable to common stockholders	$ 806,225	$218,880	$16,237	$46,831	$(124,554)	$963,619

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	Servicing and Originations	Residential Securities and Loans		Consumer Loans	Corporate	Total
		Real Estate Securities	Residential Mortgage Loans			
September 30, 2018						
Investments	$6,722,697	$11,650,257	$2,775,145	$1,185,556	$—	$22,333,655
Cash and cash equivalents	260,353	2,841	3,764	22,050	41,140	330,148
Restricted cash	119,243	—	—	36,506	—	155,749
Other assets	3,411,968	3,631,769	48,846	42,855	86,858	7,222,296
Goodwill	48,921	—	—	—	—	48,921
Total assets	$10,563,182	$15,284,867	$2,827,755	$1,286,967	$127,998	$30,090,769
Debt	$6,824,326	$11,423,562	$2,291,314	$1,102,764	$—	$21,641,966
Other liabilities	476,430	1,839,578	33,977	10,662	251,108	2,611,755
Total liabilities	7,300,756	13,263,140	2,325,291	1,113,426	251,108	24,253,721
Total equity	3,262,426	2,021,727	502,464	173,541	(123,110)	5,837,048
Noncontrolling interests in equity of consolidated subsidiaries	62,480	—	—	31,248	—	93,728
Total New Residential stockholders' equity	$3,199,946	$2,021,727	$502,464	$142,293	$(123,110)	$5,743,320
Investments in equity method investees	$154,939	$—	$—	$44,787	$—	$199,726

	Servicing and Originations	Residential Securities and Loans		Consumer Loans	Corporate	Total
		Real Estate Securities	Residential Mortgage Loans			
Three Months Ended September 30, 2017						
Interest income	$ 188,194	$114,181	$ 31,645	$ 63,527	$175	$397,722
Interest expense	61,418	35,211	15,487	13,162	—	125,278
Net interest income (expense)	126,776	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
Gain on sale of originated mortgage loans, net	—	—	—	—	—	—
Other income (loss)	76,745	(6,035)	2,653	6,796	6,986	87,145
Operating expenses	54,998	351	9,759	10,764	41,188	117,060
Income (Loss) Before Income Taxes	206,537	71,075	(5,047)	33,796	(34,027)	272,334
Income tax expense (benefit)	42,253	—	(9,640)	—	—	32,613
Net Income (Loss)	$ 164,284	$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	$ 163,060	$71,075	$ 4,593	$ 21,420	$(34,027)	$226,121

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	Servicing and Originations	Residential Securities and Loans Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2017						
Interest income	$ 561,312	$321,464	$ 75,276	$203,631	$529	$1,162,212
Interest expense	176,678	85,663	34,655	41,668	—	338,664
Net interest income (expense)	384,634	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
Gain on sale of originated mortgage loans, net	—	—	—	—	—	—
Other income (loss)	126,114	(27,005)	22,491	12,712	6,986	141,298
Operating expenses	135,666	979	24,018	33,746	130,452	324,861
Income (Loss) Before Income Taxes	644,549	199,081	21,752	92,890	(122,937)	835,335
Income tax expense (benefit)	128,047	—	(7,164)	170	—	121,053
Net Income (Loss)	$ 516,502	$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	$ 506,130	$199,081	$ 28,916	$58,041	$(122,937)	$669,231

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

	Servicer Nationstar	SLS(A)	Ocwen(B)	Total
Balance as of December 31, 2017	$532,233	$2,913	$638,567	$1,173,713
Purchases	—	—	—	—
Interest income	32,357	14	—	32,371
Other income	4,601	—	—	4,601
Proceeds from repayments	(76,888)	(495)	—	(77,383)
Proceeds from sales	(12,380)	—	—	(12,380)
Change in fair value	(15,420)	126	(40,417)	(55,711)
New Ocwen Agreements (Note 5)	—	—	(598,150)	(598,150)
Balance as of September 30, 2018	$464,503	$2,558	$—	$467,061

(A) Specialized Loan Servicing LLC ("SLS").

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

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

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

New Residential has entered into a “recapture agreement” with respect to each of the Excess MSR investments serviced by Nationstar and SLS. Under such arrangements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. These recapture agreements do not apply to New Residential’s Servicer Advance Investments (Note 6).

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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, 2018							December 31, 2017
	UPB of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years(A)	Amortized Cost Basis(B)	Carrying Value(C)	Carrying Value(C)
		New Residential(D)	Fortress-managed funds	Nationstar				
Agency								
Original and Recaptured Pools	$55,677,339	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	5.6	$215,972	$242,655	$280,033
Recapture Agreements	—	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	12.9	15,930	31,198	44,603
	55,677,339				6.1	231,902	273,853	324,636
Non-Agency(E)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	$56,376,994	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.8	$140,698	$174,680	$190,696
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.7	4,983	18,528	19,814
Ocwen Serviced Pools	—	—%	—%	—%	—	—	—	638,567
	56,376,994				6.0	145,681	193,208	849,077
Total	$112,054,333				6.1	$377,583	$467,061	$1,173,713

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.
(C) Carrying Value represents the fair value of the pools or recapture agreements, as applicable.
(D) Amounts in parentheses represent weighted averages.
(E)

New Residential also invested in related Servicer Advance Investments, including the basic fee component of the related MSR as of September 30, 2018 (Note 6) on $42.3 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,	
	2018	2017	2018	2017
Original and Recaptured Pools	$(851)	$(12,047)	$(46,540)	$(41,032)
Recapture Agreements	(3,893)	(2,244)	(9,171)	8,382
	$(4,744)	$(14,291)	$(55,711)	$(32,650)

As of September 30, 2018, a weighted average discount rate of 8.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

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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, 2018	December 31, 2017
Excess MSR assets	$ 284,957	$ 321,197
Other assets	25,607	22,333
Other liabilities	(687)	—
Equity	$ 309,877	$ 343,530
New Residential's investment	$ 154,939	$ 171,765
New Residential's ownership	50.0 %	50.0 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest income	$8,935	$6,969	$21,026	$20,083
Other income (loss)	(2,143)	(2,843)	(9,778)	(7,908)
Expenses	—	(18)	—	(63)
Net income (loss)	$6,792	$4,108	$11,248	$12,112

New Residential's investments in equity method investees changed during the nine months ended September 30, 2018 as follows:

Balance at December 31, 2017	$171,765
Contributions to equity method investees	—
Distributions of earnings from equity method investees	(7,976)
Distributions of capital from equity method investees	(14,474)
Change in fair value of investments in equity method investees	5,624
Balance at September 30, 2018	$154,939

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

	September 30, 2018					
	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	New Residential Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and Recaptured Pools	$44,239,405	66.7 %	50.0 %	$ 189,567	$245,562	5.6

Recapture Agreements	—	66.7 %	50.0 %	20,566	39,395	12.8
Total	$44,239,405			$210,133	$284,957	6.3

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

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

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

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

State Concentration	Aggregate Direct and Equity Method Investees Percentage of Total Outstanding Unpaid Principal Amount September 30, 2018		December 31, 2017	
California	24.8	%	24.0	%
Florida	8.0	%	8.7	%
New York	6.6	%	8.5	%
Texas	4.5	%	4.6	%
New Jersey	3.9	%	4.1	%
Maryland	3.8	%	3.7	%
Illinois	3.6	%	3.5	%
Georgia	3.5	%	3.1	%
Virginia	3.3	%	3.0	%
Arizona	2.6	%	2.5	%
Washington	2.6	%	2.4	%
Pennsylvania	2.5	%	2.6	%
Other U.S.	30.3	%	29.3	%
	100.0	%	100.0	%

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

See Note 11 regarding the financing of Excess MSRs.

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

Mortgage Servicing Rights

In 2016, a subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), became a licensed or otherwise eligible mortgage servicer. NRM is presently licensed or otherwise eligible to hold MSRs in all states within the United States and the District of Columbia. Additionally, NRM has received approval from the Federal Housing Administration ("FHA") to hold MSRs associated with FHA-insured mortgage loans, from the Federal National Mortgage Association ("Fannie Mae") to hold MSRs associated with loans owned by Fannie Mae, and from the Federal Home Loan Mortgage Corporation ("Freddie Mac") to hold MSRs associated with loans owned by Freddie Mac. Fannie Mae and Freddie Mac are collectively referred to as the Government Sponsored Enterprises ("GSEs"). As an approved Fannie Mae Servicer, Freddie Mac Servicer and FHA-approved mortgagee, NRM is required to conduct aspects of its operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. NRM engages third party licensed mortgage servicers as subservicers to perform the operational servicing duties in connection with the MSRs it acquires, in exchange for a subservicing fee which is recorded as "Subservicing expense" on New Residential's Condensed Consolidated Statements of Income. As of September 30, 2018, these subservicers include Nationstar, Ocwen, Ditech Financial LLC ("Ditech"), PHH Mortgage Corporation ("PHH"), and Flagstar, which subservice 25.7%, 24.0%, 21.8%, 11.5%, and 0.6% of the underlying UPB of the related mortgages, respectively (includes both Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables).

New Residential has entered into recapture agreements with respect to each of its MSR investments subserviced by Ditech 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.

Shellpoint

On November 29, 2017, concurrently with the Shellpoint Purchaser's entry into the Shellpoint SPA with Shellpoint, NRM entered into (i) a Bulk Agreement for the Purchase and Sale of Mortgage Servicing Rights (the "Shellpoint MSR Purchase Agreement") with New Penn Financial LLC ("New Penn"), a Delaware limited liability company and a wholly owned subsidiary of Shellpoint, pursuant to which NRM has agreed to purchase from New Penn the mortgage servicing rights relating to a portfolio of Fannie Mae and Freddie Mac mortgage loans having an aggregate UPB of approximately $7.8 billion for a purchase price of approximately $81.0 million (the "Shellpoint MSR Purchase"), which closed on January 16, 2018, and (ii) a Subservicing Agreement (the "Shellpoint Subservicing Agreement") with New Penn, pursuant to which New Penn has agreed to subservice Fannie Mae and Freddie Mac mortgage loans for which NRM has acquired the right to service such loans. Under the Shellpoint Subservicing Agreement, New Penn is entitled to certain monthly and other servicing compensation, and both NRM and New Penn may terminate the Shellpoint Subservicing Agreement, subject to certain specified terms, notice periods and other requirements.

During the first and second quarters of 2018, New Residential entered into several transactions with New Penn to acquire the rights to the economic value of the servicing rights related to MSRs owned by New Penn with respect to certain mortgage loans guaranteed by Ginnie Mae, together with existing servicer advances and the obligation to fund future servicer advances. New Residential acquired these economic rights related to approximately $11.4 billion UPB of Ginnie Mae guaranteed residential mortgage loans serviced by New Penn for an aggregate purchase price of $139.1 million (the "Ginnie Mae MSRs"). As a result of New Penn continuing to own the MSRs and remaining the named servicer of the Ginnie Mae guaranteed residential mortgage loans, although the rights to the economic value of the MSRs were legally sold, solely for accounting purposes, New Residential determined that each purchase agreement would not be treated as a sale under GAAP and accounted for as Mortgage Servicing Rights Financing Receivable.

As a result of the Shellpoint Acquisition completed on July 3, 2018, New Residential, through its wholly owned subsidiary, New Penn, owns the Ginnie Mae MSRs and now accounts for these assets as Mortgage Servicing Rights rather than Mortgage Servicing Rights Financing Receivable as disclosed in the first and second quarters of 2018.

New Penn, as an approved issuer of Ginnie Mae MBS, originates, sells and securitizes government-insured residential mortgage loans into Ginnie Mae guaranteed securitizations and New Penn retains the right to service the underlying residential mortgage loans. As the servicer, New Penn, holds an option to repurchase delinquent loans from the securitization at its discretion ("Ginnie Mae Buy-Back Option"). In accordance with the accounting guidance in ASC 860, New Penn recognizes any delinquent loans subject to the Ginnie Mae Buy-Back option and an offsetting repurchase liability on its balance sheet regardless of whether New Penn executes its option to repurchase. As of September 30, 2018, New Residential holds approximately $110.2 million in Residential mortgage loans subject to repurchase and Residential mortgage loans repurchase liability on its condensed consolidated balance sheets.

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During the nine months ended September 30, 2018, New Residential, through its wholly owned subsidiaries, completed the following MSR acquisitions accounted for as Mortgage Servicing Rights (in millions):

Date of Acquisition	Collateral Type	UPB (in billions)	Purchase Price
January 16, 2018	Agency	$ 11.5	$ 101.5
January 16, 2018	Agency	7.8	81.0
February 28, 2018	Agency	3.3	33.5
March 28, 2018	Agency & Ginnie Mae	8.1	96.6
May 1, 2018	Ginnie Mae	4.6	46.8
May 25, 2018	Agency	2.1	26.3
May 31, 2018	Agency & Ginnie Mae	6.1	79.9
June 1, 2018	Ginnie Mae	0.5	6.1
June 4, 2018	Agency	2.1	19.3
June 28, 2018	Ginnie Mae	4.7	66.5
August 31, 2018	Agency & Ginnie Mae	18.5	220.5
September 28, 2018	Agency	1.1	13.6
September 28, 2018	Agency	10.1	126.4
Various(A)	Agency	3.6	34.1
Total		$ 84.1	$ 952.1

(A) Represents Flow MSR acquisitions from Ditech and Shellpoint for the nine months ended September 30, 2018.

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,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Servicing fee revenue	$158,458	$113,741	$408,967	$299,642
Ancillary and other fees	43,638	24,641	94,699	51,811
Servicing fee revenue and fees	202,096	138,382	503,666	351,453
Amortization of servicing rights	(70,933)	(68,850)	(191,499)	(159,451)
Change in valuation inputs and assumptions(A) (B)	44,192	(11,518)	226,617	77,465
Servicing revenue, net	$175,355	$58,014	$538,784	$269,467

(A) Change in valuation inputs and assumptions includes changes in inputs or assumptions used in the valuation model and other changes due to the realization of expected cash flows.
(B) Includes $3.9 million of fair value adjustment to Excess spread financing for the three and nine months ended September 30, 2018.

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

Balance as of December 31, 2017	$1,735,504
Purchases	801,366
Transfer In(A)	135,288
Shellpoint Acquisition(B) (C)	151,312
Originations(D)	17,282
Amortization of servicing rights(E)	(191,499)
Change in valuation inputs and assumptions(F)	222,751
Balance as of September 30, 2018	$2,872,004

(A) Represents Ginnie Mae MSRs previously accounted for as Mortgage Servicing Rights Financing Receivable.
(B) Represents MSRs acquired through New Residential's acquisition of Shellpoint Partners LLC.
(C) Includes $48.3 million of MSRs legally sold by New Penn treated as a secured borrowing as it did not meet the criteria for sale treatment. New Residential elected to record the excess spread financing liability at fair value pursuant to the fair value option.
(D) Represents MSRs retained on the sale of originated mortgage loans.
(E) 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.
(F) Change in valuation inputs and assumptions includes changes in inputs or assumptions used in the valuation model and other changes due to the realization of expected cash flows.

The following is a summary of New Residential's investments in MSRs as of September 30, 2018:

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Amortized Cost Basis	Carrying Value(B)
Agency	$214,959,796	6.5	$2,068,667	$2,479,734
Non-Agency	2,056,930	6.8	13,391	20,555
Ginnie Mae	29,933,137	7.5	308,021	371,715
Total	$246,949,863	6.6	$2,390,079	$2,872,004

(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, 2018, a weighted average discount rate of 8.7% was used to value New Residential's investments in MSRs.

Mortgage Servicing Rights Financing Receivable

In certain cases, New Residential has legally purchased MSRs or the right to the economic interest in MSRs, however, New Residential has determined that the purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSRs, New Residential has recorded an investment in mortgage servicing rights financing receivables. Income from this investment (net of subservicing fees) is recorded as interest income, and New Residential has elected to measure the investment at fair value, with changes in fair value flowing through change in fair value of investments in mortgage servicing rights financing receivables in the Condensed Consolidated Statements of Income.

PHH Transaction

As of September 30, 2018, MSRs purchased from PHH, and related servicer advances receivables, with respect to private-label residential mortgage loans of approximately $3.7 billion in total UPB with a purchase price of approximately $21.0 million had not been settled. 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. New Residential has entered into a recapture agreement with respect to each of its MSR investments subserviced by PHH. Under the recapture agreement, New Residential is generally entitled to the MSRs on any initial or subsequent refinancing by PHH of a loan in the original portfolio.

Ocwen Transaction

As of September 30, 2018, MSRs representing approximately $15.5 billion UPB of underlying loans have been transferred pursuant to the Ocwen Transaction. Economics related to the remaining MSRs subject to the Ocwen Transaction were transferred pursuant to the New Ocwen Agreements (described below). Through September 30, 2018, $334.2 million of related lump sum payments have been made or accrued by New Residential to Ocwen. Upon such transfer, or subsequent to the New Ocwen Agreements (described below), any interests already held by New Residential are reclassified (from Excess MSRs or Servicer Advance Investments) to become part of the basis of the MSR financing receivables or servicer advances receivable, as appropriate, held by NRM. As a result of the length of the initial term of the related subservicing agreement between NRM and Ocwen, although the MSRs transferred pursuant to the Ocwen Transaction were legally sold, solely for accounting purposes, New Residential determined that substantially all of the risks and rewards inherent in owning the MSRs had not been transferred to NRM, and that the purchase agreement would not be treated as a sale under GAAP.

During July 2017, New Residential and Ocwen entered into the Ocwen Transaction. While New Residential continues the process of obtaining the third party consents necessary to transfer the related MSRs to New Residential's subsidiary, NRM, Ocwen and New Residential have entered into new agreements, which have accelerated the implementation of certain parts of the Ocwen Transaction in order to achieve its intent sooner. These new agreements are described in further detail below.

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

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

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

The New Ocwen RMSR Agreement provides, among other things:

- the Existing Ocwen Subject MSRs will remain in the parties' ownership structure under the Existing Ocwen Agreements while they continue to seek third party consents to transfer Ocwen's remaining rights to the Existing

Ocwen Subject MSRs to New Residential or any permitted assignee of New Residential;

- Ocwen will continue to service the related mortgage loans pursuant to the terms of the Ocwen Servicing Addendum until the transfer of the Existing Ocwen Subject MSRs;
- under the arrangements contemplated by the New Ocwen RMSR Agreement, Ocwen will receive substantially identical compensation for servicing the related mortgage loans underlying the Existing Ocwen Subject MSRs that it would receive if the Existing Ocwen Subject MSRs had been transferred to NRM as named servicer and Ocwen subserviced such mortgage loans for NRM as named servicer;
- in the event that the required third party consents are not obtained with respect to any Existing Ocwen Subject MSRs by certain dates specified in the New Ocwen RMSR Agreement, in accordance with the process set forth in the New Ocwen RMSR Agreement, the Rights to MSRs (as defined in the Existing Ocwen Agreements) related to such Existing Ocwen Subject MSRs could either: (i) remain subject to the New Ocwen RMSR Agreement at the option of New Residential,

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(ii) if New Residential does not opt for the New Ocwen RMSR Agreement to remain in place with respect to certain Existing Ocwen Subject MSRs, Ocwen may acquire such Existing Ocwen Subject MSRs at a price determined in accordance with the terms of the New Ocwen RMSR Agreement, or (iii) if Ocwen does not acquire such Existing Ocwen Subject MSRs, be sold to a third party in accordance with the terms of the New Ocwen RMSR Agreement, as determined pursuant to the terms of the New Ocwen RMSR Agreement;

- New Residential agreed to waive any rights New Residential may have had under the Existing Ocwen Agreements to replace Ocwen as named servicer with respect to the Existing Ocwen Subject MSRs based on Ocwen's residential servicer rating agency related downgrades; and
- Ocwen will offer refinancing opportunities to borrowers and New Residential is entitled to the MSRs on any initial or subsequent refinancing by Ocwen of a loan in the original portfolio.

Pursuant to the Ocwen Servicing Addendum, Ocwen will service the mortgage loans related to the Existing Ocwen Subject MSRs. In consideration of servicing such mortgage loans, Ocwen will receive a servicing fee based on the unpaid principal balance as of the first of each month as set forth in the Ocwen Servicing Addendum. The initial term of the Ocwen Servicing Addendum is for the five years following July 23, 2017. At any time during the initial term, New Residential may terminate the Ocwen Servicing Addendum for convenience, subject to Ocwen's right to receive a termination fee calculated in accordance with the Ocwen Servicing Addendum and specified notice. Following the initial term, (i) New Residential may extend the term of the Ocwen Servicing Addendum for additional three-month periods by delivering written notice to Ocwen of its desire to extend such contract thirty days prior to the end of such three-month period and (ii) the Ocwen Servicing Addendum may be terminated by Ocwen on an annual basis. In addition, New Residential and Ocwen will have the right to terminate the Ocwen Servicing Addendum for cause if certain conditions specified in the Ocwen Servicing Addendum occur. If the Ocwen Servicing Addendum is terminated or not renewed in accordance with these provisions, New Residential will have the right to direct the transfer of servicing to a third party, subject to Ocwen's option to purchase the Existing Ocwen Subject MSRs and related assets in certain cases. To the extent that servicing of the loans cannot be transferred in accordance with these provisions, the Ocwen Servicing Addendum will remain in place with respect to the servicing of any remaining loans.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Servicing fee revenue	$181,495	$38,510	$575,909	$41,185
Ancillary and other fees	39,257	4,327	109,852	4,402
Less: subservicing expense	(61,454)	(11,139)	(192,275)	(11,433)
Interest income, investments in mortgage servicing rights financing receivables	$159,298	$31,698	$493,486	$34,154

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Amortization of servicing rights	$(49,016)	$(18,883)	$(154,559)	$(20,010)
Change in valuation inputs and assumptions[(A)]	(39,329)	89,115	218,187	95,838
Change in fair value of investments in mortgage servicing rights financing receivables	$(88,345)	$70,232	$63,628	$75,828

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(A) Change in valuation inputs and assumptions includes changes in inputs or assumptions used in the valuation model and other changes due to the realization of expected cash flows.

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

Balance as of December 31, 2017	$598,728
Investments made	138,993
Transfer Out[(A)]	(135,288)
New Ocwen Agreements	1,017,993
Proceeds from sales	(2,982)
Amortization of servicing rights[(B)]	(154,559)
Change in valuation inputs and assumptions[(C)]	218,187
Balance as of September 30, 2018	$1,681,072

(A) Represents Ginnie Mae MSRs owned by New Penn accounted for as Mortgage Servicing Rights as a result of the Shellpoint Acquisition.
(B) 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.
(C) Change in valuation inputs and assumptions includes changes in inputs or assumptions used in the valuation model and other changes due to the realization of expected cash flows.

The following is a summary of New Residential's investments in mortgage servicing rights financing receivables as of September 30, 2018:

	UPB of Underlying Mortgages	Weighted Average Life (Years)[(A)]	Amortized Cost Basis	Carrying Value[(B)]
Agency	$43,997,628	6.0	$380,949	$467,613
Non-Agency	91,532,019	7.0	970,423	1,213,459
Total	$135,529,647	6.7	$1,351,372	$1,681,072

(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, 2018, a weighted average discount rate of 10.3% was used to value New Residential's investments in mortgage servicing rights financing receivables.

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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 receivables:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount September 30, 2018	December 31, 2017
California	20.5 %	19.0 %
New York	8.1 %	6.3 %
Florida	7.0 %	6.0 %
Texas	5.2 %	5.7 %
New Jersey	5.1 %	5.2 %
Illinois	3.9 %	4.1 %
Massachusetts	3.6 %	3.8 %
Maryland	3.4 %	2.8 %
Pennsylvania	3.2 %	3.3 %
Virginia	3.2 %	3.1 %
Other U.S.	36.8 %	40.7 %
	100.0 %	100.0 %

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

Mortgage Subservicing

New Penn performs servicing of residential mortgage loans for third parties under subservicing agreements. Mortgage subservicing does not meet the criteria to be recognized as a servicing right asset and, therefore, is not recognized on New Residential’s condensed consolidated balance sheets. The UPB of residential mortgage loans subserviced for others as of September 30, 2018 was $44.7 billion and subservicing revenue of $30.3 million is included within servicing revenue, net in the Condensed Consolidated Statements of Income.

Servicer Advances Receivable

In connection with its investments in MSRs and MSR financing receivables, New Residential generally acquires any related outstanding servicer advances (not included in the purchase prices described above), which it records at fair value within servicer advances receivable upon acquisition.

In addition to receiving cash flows from the MSRs, NRM and New Penn, as servicers, have 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.

The following types of advances are included in the Servicer Advances Receivable:

	September 30, 2018	December 31, 2017
Principal and interest advances	$ 816,290	$ 172,467
Escrow advances (taxes and insurance advances)	2,095,423	482,884
Foreclosure advances	212,206	16,017
Total(A) (B) (C)	$ 3,123,919	$ 671,368

(A) Includes $189.9 million and $167.9 million of servicer advances receivable related to Agency MSRs, respectively, recoverable from the Agencies.

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(B) Includes $10.0 million and $0.0 million of servicer advances receivable related to Ginnie Mae MSRs, respectively, recoverable from Ginnie Mae.
(C) Net of $93.2 million and $4.2 million, respectively, in unamortized discount and accrual for advance recoveries.

New Residential's Servicer Advances Receivable related to Non-Agency MSRs generally have the highest reimbursement priority (i.e., "top of the waterfall") and New Residential is generally entitled to repayment from respective loan or REO liquidation proceeds before any interest or principal is paid on the bonds that were issued by the trust. In the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool-level proceeds. Furthermore, to the extent that advances are not recoverable by New Residential as a result of the subservicer's failure to comply with applicable requirements in the relevant servicing agreements, New Residential has a contractual right to be reimbursed by the subservicer. New Residential assesses the recoverability of Servicer Advance Receivables periodically and as of September 30, 2018 and December 31, 2017, expected full recovery of the Servicer Advance Receivables.

See Note 11 regarding the financing of MSRs.

6. SERVICER ADVANCE INVESTMENTS

All of New Residential's Servicer Advance Investments are comprised of outstanding servicer advances, the requirement to purchase all future servicer advances made with respect to a specified pool of residential mortgage loans, and the basic fee component of the related MSR. 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.

A taxable wholly-owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 73.2% interest in the Buyer as of September 30, 2018. As of September 30, 2018, 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, 2018, the noncontrolling third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $322.0 million and $289.5 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.

See Note 5 regarding the New Ocwen Agreements. Subsequent to the New Ocwen Agreements, the Servicer Advance Investments serviced by Ocwen became reclassified, as described in Note 5.

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, 2018					
Servicer Advance Investments	$783,141	$799,936	5.9 %	5.8 %	5.9
As of December 31, 2017					
Servicer Advance Investments	$3,924,003	$4,027,379	6.8 %	7.3 %	5.1

(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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Change in Fair Value of Servicer Advance Investments	$(5,353)	$10,941	$(86,581)	$70,469

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)		Cost of Funds(C)	
					Gross	Net(B)	Gross	Net
September 30, 2018								
Servicer Advance Investments(D)	$42,323,957	$637,102	1.5 %	$630,422	89.3%	88.2%	3.7%	3.1%
December 31, 2017								
Servicer Advance Investments(D)	$139,460,371	$3,581,876	2.6 %	$3,461,718	93.2%	92.0%	3.3%	3.0%

(A) Based on outstanding servicer advances, excluding purchased but unsettled servicer advances.
(B) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.

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(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, 2018	December 31, 2017
Principal and interest advances	$ 114,351	$ 909,133
Escrow advances (taxes and insurance advances)	236,799	1,636,381
Foreclosure advances	285,952	1,036,362
Total	$ 637,102	$ 3,581,876

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest income, gross of amounts attributable to servicer compensation	$ 21,183	$ 83,979	$ 63,731	$ 290,933
Amounts attributable to base servicer compensation	(2,347)	(38,549)	(6,354)	(145,055)
Amounts attributable to incentive servicer compensation	(7,095)	84,724	(14,255)	300,788
Interest income from Servicer Advance Investments	$ 11,741	$ 130,154	$ 43,122	$ 446,666

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, 2018	December 31, 2017
Assets		
Servicer advance investments, at fair value	$ 774,851	$ 1,002,102
Cash and cash equivalents	30,073	40,929
All other assets	10,592	13,011
Total assets(A)	$ 815,516	$ 1,056,042
Liabilities		
Notes and bonds payable	$ 610,277	$ 789,979
All other liabilities	3,055	3,308
Total liabilities(A)	$ 613,332	$ 793,287

(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, 2018	December 31, 2017
Total Advance Purchaser LLC equity	$ 202,184	$ 262,755
Others’ ownership interest	26.8 %	27.2 %
Others’ interest in equity of consolidated subsidiary	$ 54,118	$ 71,491

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Advance Purchaser LLC income	$(299)	$3,584	$8,667	$20,460
Others' ownership interest as a percent of total[(A)]	27.1 %	34.2 %	27.2 %	50.7 %
Others' interest in net income of consolidated subsidiaries	$(81)	$1,224	$2,358	$10,372

(A) Nine months ended September 30, 2018 reflects 27.2% for the first six months.

See Note 11 regarding the financing of Servicer Advance Investments.

7. INVESTMENTS IN REAL ESTATE AND OTHER 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 and other securities were as follows:

	Nine Months Ended September 30, 2018 (in millions)		
	Treasury	Agency	Non-Agency
Purchases			
Face	$—	$7,153.6	$ 6,866.9
Purchase Price	—	7,226.4	3,475.1
Sales			
Face	$862.0	$5,626.7	$ 105.1
Amortized Cost	858.0	5,710.4	82.3
Sale Price	849.8	5,652.1	81.3
Gain (Loss) on Sale	(8.2)	(58.3)	(1.0)

As of September 30, 2018, New Residential had sold and purchased $3.4 billion and $1.8 billion face amount of Agency RMBS for $3.4 billion and $1.8 billion, respectively, and purchased $15.1 million face amount of Non-Agency RMBS for $13.5 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.

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The following is a summary of New Residential's real estate and other 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, 2018										
			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)	Princip Subord
Treasury	$—	$—	$—	$—	$—	—	N/A	— %	— %	—	N/A
Agency RMBS(F) (G)	2,653,034	2,678,375	705	(5,217)	2,673,863	31	AAA	3.95%	3.82%	9.8	N/A
Non-Agency RMBS(H) (I)	17,980,244	8,491,714	549,206	(64,526)	8,976,394	858	B	3.22%	5.50%	7.1	12.4%
Total/ Weighted Average	$20,633,278	$11,170,089	$549,911	$(69,743)	$11,650,257	889	BB+	3.39%	5.09%	7.8	

(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 221 bonds with a carrying value of $431.4 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 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 $220.0 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.

(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 $2.7 billion for fixed rate securities and $0.0 billion for floating rate securities as of September 30, 2018.

(H) The total outstanding face amount was $3.7 billion (including $1.4 billion of residual and fair value option notional amount) for fixed rate securities and $14.3 billion (including $5.9 billion of residual and fair value option notional amount) for floating rate securities as of September 30, 2018.

(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 MSRs and (iii) bonds backed by consumer loans.

			Gross Unrealized			Weighted Average					
Asset Type	Outstanding Face	Amortized Cost	Gains	Losses	Carrying Value	Number of	Rating	Coupon	Yield	Life (Years)	Principal Subordination

	Amount	Basis				Securities					
Corporate debt	$ 85,000	$ 85,000	$ —	$ (2,550)	$ 82,450	1	B-	8.25 %	8.25 %	6.5	N/A
Consumer loan bonds	62,241	61,687	204	(6,022)	55,869	6	B	5.50 %	18.94 %	1.6	N/A
MSR bonds	228,000	228,000	1,734	—	229,734	2	BBB-	4.95 %	4.86 %	8.8	N/A
Fair Value Option Securities:											
Interest-only securities	5,279,031	231,257	21,609	(9,388)	243,478	66	AA+	1.48 %	4.88 %	3.0	N/A
Servicing Strips	996,167	8,662	1,908	(216)	10,354	28	N/A	0.21 %	13.83 %	6.0	N/A

Unrealized losses that are considered other-than-temporary and are attributable to credit losses are recognized currently in earnings. During the nine months ended September 30, 2018, New Residential recorded OTTI charges of $23.2 million with respect to real estate securities. Any remaining unrealized losses on New Residential’s securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

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The following table summarizes New Residential's securities in an unrealized loss position as of September 30, 2018.

		Amortized Cost Basis						Weighted Average			
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment(A)	After Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Rating(B)	Coupon	Yield	Life (Years)
Less than 12 Months	$4,844,162	$3,096,895	$(3,530)	$3,093,365	$(44,043)	$3,049,322	224	BB+	3.44%	4.58%	7.7
12 or More Months	1,230,875	457,146	(359)	456,787	(25,700)	431,087	77	BB-	1.80%	6.42%	6.0
Total/Weighted Average	$6,075,037	$3,554,041	$(3,889)	$3,550,152	$(69,743)	$3,480,409	301	BB+	3.23%	4.81%	7.5

(A) This amount represents OTTI recorded on securities that are in an unrealized loss position as of September 30, 2018.

(B) The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 65 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.

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, 2018			
			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	1,013,029	1,036,994	(3,889)	(23,965)
Non-credit impaired securities	2,467,380	2,513,158	—	(45,778)
Total debt securities in an unrealized loss position	$3,480,409	$3,550,152	$(3,889)	$ (69,743)

(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, 2018.

(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.

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

	Nine Months Ended September 30, 2018
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$ 23,821
Increases to credit losses on securities for which an OTTI was previously recognized and a portion of an OTTI was recognized in other comprehensive income	14,090
Additions for credit losses on securities for which an OTTI was not previously recognized	9,100
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	(846)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$ 46,165

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

	September 30, 2018		December 31, 2017	
Geographic Location(A)	Outstanding Face Amount	Percentage of Total Outstanding	Outstanding Face Amount	Percentage of Total Outstanding
Western U.S.	$ 6,439,635	36.1 %	$ 4,882,136	38.4 %
Southeastern U.S.	4,231,388	23.7 %	3,005,519	23.6 %
Northeastern U.S.	3,515,723	19.7 %	2,555,514	20.1 %
Midwestern U.S.	1,958,309	11.0 %	1,337,980	10.5 %
Southwestern U.S.	1,242,546	7.0 %	927,647	7.3 %
Other(B)	445,402	2.5 %	18,871	0.1 %
	$ 17,833,003	100.0 %	$ 12,727,667	100.0 %

(A) Excludes $62.2 million and $29.7 million face amount of bonds backed by consumer loans and $85.0 million and $0.0 million face amount of bonds backed by corporate debt as of September 30, 2018 and December 31, 2017, respectively.
(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, 2018, excluding residual and fair value option securities, the face amount of these real estate securities was $1,444.7 million, with total expected cash flows of $1,271.9 million and a fair value of $965.6 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, 2018	$6,368,757	$4,234,978
December 31, 2017	5,364,847	3,493,723

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

	Nine Months Ended September 30, 2018
Balance at December 31, 2017	$2,000,266
Additions	306,298
Accretion	(181,610)
Reclassifications from (to) non-accretable difference	146,240
Disposals	(3,277)
Balance at September 30, 2018	$2,267,917

See Note 11 regarding the financing of real estate securities.

8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

New Residential accumulated its residential mortgage loan portfolio through various bulk acquisitions and the execution of call rights. As a result of the Shellpoint Acquisition, New Residential, through its wholly owned subsidiary, New Penn, originates residential mortgage loans for sale and securitization to third parties and generally retains the servicing rights on the underlying 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-Investment, at fair value
- Loans Held-for-Sale
- Loans Held-for-Sale, at fair value
- 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, 2018									December 31, 2017
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV")(B)	Weighted Avg. Delinquency(C)	Weighted Average FICO(D)	Carrying Value
Loan Type										
Performing Loans(G)(J)	$665,939	$620,303	8,968	7.3 %	5.0	16.8 %	79.4 %	7.1 %	672	$507,615

Purchased Credit Deteriorated Loans(H)	211,564	156,020	1,828	7.7	%	3.1	15.9	%	85.6	%	75.5	%	595	183,540
Total Residential Mortgage Loans, held-for-investment	$877,503	$776,323	10,796	7.4	%	4.5	16.6	%	80.9	%	23.6	%	653	$691,155
Reverse Mortgage Loans(E) (F)	$15,271	$6,813	41	7.9	%	4.9	10.1	%	135.1	%	70.0	%	N/A	$6,870
Performing Loans(G) (I)	1,558,201	1,582,174	13,155	4.1	%	4.3	55.6	%	62.0	%	3.9	%	713	1,071,371
Non-Performing Loans(H) (I)	518,317	407,316	4,605	6.0	%	2.9	17.9	%	89.7	%	73.2	%	589	647,293
Total Residential Mortgage Loans, held-for-sale	$2,091,789	$1,996,303	17,801	4.6	%	3.9	45.9	%	69.4	%	21.6	%	682	$1,725,534
Originated Loans	514,516	524,863	1,948	4.9	%	28.8	96.0	%	80.9	%	4.0	%	717	—
Total Residential Mortgage Loans, held-for-sale, at fair value(K)	$514,516	$524,863	1,948	4.9	%	28.8	96.0	%	80.9	%	4.0	%	717	$—

(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.

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(E) Represents a 70% participation interest that New Residential holds in a portfolio of reverse mortgage loans. Nationstar holds the other 30% interest and services the loans. The average loan balance outstanding based on total UPB was $0.5 million. Approximately 52% 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, 2018, New Residential has placed Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.

(I) Includes $25.7 million and $56.5 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

(J) Includes $124.4 million UPB of non-agency mortgage loans underlying the SAFT 2013-1 securitization, which are carried at fair value based on New Residential's election of the fair value option. Interest earned on loans measured at fair value are reported in other income.

(K) New Residential elected the fair value option to measure these loans at fair value on a recurring basis. Interest earned on loans measured at fair value are reported in other income.

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.

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

	Percentage of Total Outstanding Unpaid Principal Amount			
State Concentration	September 30, 2018		December 31, 2017	
California	19.3	%	9.1	%
New York	12.0	%	12.8	%
Florida	6.3	%	8.2	%
Texas	5.6	%	6.6	%
New Jersey	5.2	%	5.2	%
Illinois	3.2	%	3.9	%
Pennsylvania	2.9	%	3.4	%
Massachusetts	2.8	%	2.7	%
Maryland	2.4	%	2.7	%
Washington	1.7	%	1.7	%
Other U.S.	38.6	%	43.7	%
	100.0	%	100.0	%

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

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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 2018	—	$ —	$ —	$ —	$ —	$ —	Jan 2018	$ 726.5	$ (17.8)	$ 76.8	$ 265.3	$ 239.0	$ 14.4
January 2018	7	0.4	0.2	32.5	32.8	0.1	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]
March 2018	25	85.9	75.4	458.[illegible]	461.4	4.1	May 2018	435.3	(6.7)	52.9	56.0	46.8	4.6
April 2018	8	5.8	4.8	218.[illegible]	222.3	2.0	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]
May 2018	12	6.7	4.7	475.[illegible]	473.5	3.2	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]
June 2018	12	32.3	19.4	409.[illegible]	400.6	3.6	August 2018	658.5	(12.4)	535.8	521.8	499.1	8.7
August 2018	6	9.6	6.7	145.[illegible]	142.8	0.9	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]	N/A[C]
September 2018	4	14.7	9.1	104.[illegible]	105.2	2.0	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 loans from the fourth quarter of 2017 calls were securitized in January 2018. The May 2018 securitization primarily included loans from the January 2018 and March 2018 calls, but also included $33.5 million of previously acquired loans. The August 2018 securitization primarily included loans from April, May, and June 2018 calls, but also included $78.3 million of previously acquired loans. No loans from the December 2016 call, January 2017 calls, the last two June 2017 calls, the August 2018 calls or the September 2018 calls were securitized by September 30, 2018.

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, 2018
Days Past Due

	Delinquency Status(A)	
Current	83.9	%
30-59	7.0	%
60-89	2.2	%
90-119(B)	1.1	%
120+(C)	5.8	%
	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.

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

	Performing Loans
Balance at December 31, 2017	$ 507,615
Shellpoint acquisition	125,350
Purchases/additional fundings	55,993
Proceeds from repayments	(77,646)
Accretion of loan discount (premium) and other amortization(A)	12,964
Provision for loan losses	(604)
Transfer of loans to other assets(B)	—
Transfer of loans to real estate owned	(2,768)
Transfers of loans to held for sale	(1,248)
Fair value adjustment	647
Balance at September 30, 2018	$ 620,303

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

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, 2017	$ 196
Provision for loan losses(A)	604
Charge-offs(B)	(800)
Balance at September 30, 2018	$ —

(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.

Purchased Credit Deteriorated Loans

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

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

Balance at December 31, 2017	$183,540
Purchases/additional fundings	29,785
Sales	—
Proceeds from repayments	(30,261)
Accretion of loan discount and other amortization	18,282
(Allowance) reversal for loan losses[(A)]	—
Transfer of loans to real estate owned	(20,215)
Transfer of loans to held-for-sale	(25,111)
Balance at September 30, 2018	$156,020

(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.

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, 2018	$211,564	$156,020
December 31, 2017	249,254	183,540

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

Balance at December 31, 2017	$88,631
Additions	16,523
Accretion	(18,282)
Reclassifications from (to) non-accretable difference[(A)]	(3,414)
Disposals[(B)]	(5,235)
Transfer of loans to held-for-sale[(C)]	(8,437)
Balance at September 30, 2018	$69,786

(A) Represents a probable and significant increase (decrease) 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:

Balance at December 31, 2017	$1,725,534
Purchases[(A)]	3,295,432
Transfer of loans from held-for-investment[(B)]	26,359
Sales	(2,858,074)
Transfer of loans to other assets[(C)]	(6,254)
Transfer of loans to real estate owned	(44,252)
Proceeds from repayments	(151,942)
Valuation (provision) reversal on loans[(D)]	9,500
Balance at September 30, 2018	$1,996,303

(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 $14.0 million of provision related to the call transactions executed during the nine months ended September 30, 2018.

Loans Held-for-Sale, at Fair Value

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

Balance at December 31, 2017	$—
Shellpoint acquisition	488,233
Originations	1,678,606
Sales	(1,635,220)
Proceeds from repayments	(3,747)
Change in fair value	(3,009)
Balance at September 30, 2018	$524,863

Gain on Sale of Originated Mortgage Loans, Net

New Penn, a wholly owned subsidiary of New Residential, originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. The GSEs or Ginnie Mae guarantee conventional and government insured mortgage securitizations and mortgage investors issue nonconforming private label mortgage securitizations while New Penn generally retains the right to service the underlying residential mortgage loans. In connection with the transfer of loans to the GSEs or mortgage investors, New Residential reports gain on sale of originated mortgage loans, net in the condensed consolidated statements of income.

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Gain on sale of originated mortgage loans, net is summarized below:

Gain on loans originated and sold[(A)]	$24,684
Gain (loss) on settlement of mortgage loan origination derivative instruments[(B)]	(2,757)
MSRs retained on transfer of loans[(C)]	17,282
Other[(D)]	6,523
Gain on sale of originated mortgage loans, net	$45,732

(A) Includes loan origination fees and direct loan origination costs. Other indirect costs related to loan origination are included within general and administrative expenses.
(B) Represents settlement of forward securities delivery commitments utilized as an economic hedge for mortgage loans not included within forward loan sale commitments.
(C) Represents the initial fair value of the capitalized mortgage servicing rights upon loan sales with servicing retained.
(D) Includes fees for services associated with the loan origination process.

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, 2017	$128,295
Purchases	26,807
Transfer of loans to real estate owned	83,844
Sales	(123,573)
Valuation (provision) reversal on REO	(213)
Balance at September 30, 2018	$115,160

As of September 30, 2018, New Residential had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $303.8 million.

In addition, New Residential has recognized $20.1 million in unpaid claims receivable from FHA on Ginnie Mae 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.

Variable Interest Entities

A wholly owned subsidiary of New Penn, Shelter Mortgage Company LLC (“Shelter”) is a mortgage originator specializing in retail origination. Shelter operates its business through a series of joint ventures and was deemed to be the primary beneficiary of the joint ventures as a result of its ability to direct activities that most significantly impact the economic performance of the entities and its ownership of a significant equity investment.

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The following table presents information on the assets and liabilities of the Shelter JVs.

	September 30, 2018
Assets	
Cash and cash equivalents	$ 17,421
Property and equipment, net	157
Intangible assets, net	74
Prepaid expenses and other assets	1,309
Total assets	$ 18,961
Liabilities	
Accounts payable and accrued expenses	$ 1,514
Reserve for sales recourse	921
Total liabilities	$ 2,435

Noncontrolling Interests

Noncontrolling interests in the equity of the Shelter JVs is computed as follows:

	September 30, 2018	
Total consolidated equity of JVs	$16,526	
Noncontrolling ownership interest	50.6	%
Noncontrolling equity interest in consolidated JVs	$8,362	
Total consolidated net income of JVs	$2,306	
Noncontrolling ownership interest in net income	50.6	%
Noncontrolling interest in net income of consolidated JVs	$1,167	

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. Additionally, New Penn, a wholly owned subsidiary of New Residential, was deemed to be the primary beneficiary of the SAFT 2013-1 securitization entity as a result of its ability to direct activities that most significantly impact the economic performance of the entity in its role as servicer and its ownership of subordinate retained interests. The following table summarizes certain characteristics of the underlying residential mortgage loans, and related financing, in these securitizations as of September 30, 2018:

Residential mortgage loan UPB	$6,878,247	
Weighted average delinquency[(A)]	1.88	%
Net credit losses for the nine months ended September 30, 2018	$6,486	
Face amount of debt held by third parties[(B)]	$956,125	
Carrying value of bonds retained by New Residential[(C)]	$1,230,214	
Cash flows received by New Residential on these bonds for the nine months ended September 30, 2018	$113,325	

(A) Represents the percentage of the UPB that is 60+ days delinquent.
(B) Excludes bonds retained by New Residential.
(C) Includes bonds retained pursuant to required risk retention regulations.

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9. INVESTMENTS IN CONSUMER LOANS

New Residential, through newly formed limited liability companies (together, the “Consumer Loan Companies”), has a co-investment in a portfolio of consumer loans. The portfolio includes personal unsecured loans and personal homeowner loans. OneMain is the servicer of the loans and provides all servicing and advancing functions for the portfolio. As of September 30, 2018, New Residential owns 53.5% of the limited liability company interests in, and consolidates, the Consumer Loan Companies.

New Residential also purchased certain newly originated consumer loans from a third party (“Consumer Loan Seller”). These loans are not held in the Consumer Loan Companies and have been designated as performing consumer loans, held-for-investment. In addition, see “Equity Method Investees” below.

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, 2018									
Consumer Loan Companies									
Performing Loans	$858,817	53.5	%	$901,166	18.8	%	3.7	5.2	%
Purchased Credit Deteriorated Loans(C)	236,988	53.5	%	196,346	16.0	%	3.4	11.3	%
Other - Performing Loans	46,253	100.0	%	43,257	14.1	%	0.8	5.8	%
Total Consumer Loans, held-for-investment	$1,142,058			$1,140,769	18.0	%	3.5	6.5	%
December 31, 2017									
Consumer Loan Companies									
Performing Loans	$1,005,570	53.5	%	$1,052,561	18.7	%	3.7	6.0	%
Purchased Credit Deteriorated Loans(C)	282,540	53.5	%	236,449	16.2	%	3.3	12.5	%
Other - Performing Loans	89,682	100.0	%	85,253	14.1	%	1.0	4.5	%
Total Consumer Loans, held-for-investment	$1,377,792			$1,374,263	17.9	%	3.5	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, 2018

Days Past Due	Delinquency Status[A]	
Current	94.7	%
30-59	2.0	%
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.

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(B) Includes loans more than 90 days past due and still accruing interest.
(C) Interest is accrued up to the date of charge-off at 180 days past due.

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

	Performing Loans
Balance at December 31, 2017	$1,137,814
Purchases	—
Additional fundings[(A)]	45,017
Proceeds from repayments	(196,589)
Accretion of loan discount and premium amortization, net	1,596
Gross charge-offs	(45,112)
Additions to the allowance for loan losses, net	1,697
Balance at September 30, 2018	$944,423

(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, 2017	$ 4,429	$ 1,676	$6,105
Provision (reversal) for loan losses	36,860	(264)	36,596
Net charge-offs[(C)]	(38,293)	—	(38,293)
Balance at September 30, 2018	$ 2,996	$ 1,412	$4,408

(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, 2018, there are $14.4 million in UPB and $13.4 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 $6.8 million in recoveries of previously charged-off UPB.

Purchased Credit Deteriorated Loans

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

Balance at December 31, 2017	$236,449
(Allowance) reversal for loan losses[(A)]	—
Proceeds from repayments	(68,221)
Accretion of loan discount and other amortization	28,118

Balance at September 30, 2018	$196,346

(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, 2018	$236,988	$196,346
December 31, 2017	282,540	236,449

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

Balance at December 31, 2017	$132,291
Accretion	(28,118)
Reclassifications from (to) non-accretable difference[(A)]	28,474
Balance at September 30, 2018	$132,647

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

Noncontrolling Interests

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

	September 30, 2018	December 31, 2017
Total Consumer Loan Companies equity	$67,200	$74,071
Others' ownership interest	46.5 %	46.5 %
Others' interests in equity of consolidated subsidiary	$31,248	$34,466

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Consumer Loan Companies income (loss)	$21,038	$26,616	$61,359	$74,580
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	$9,783	$12,376	$28,533	$34,679

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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, 2018	December 31, 2017
Assets		
Consumer loans, held-for-investment	$1,097,512	$1,289,010
Restricted cash	10,479	11,563
Accrued interest receivable	16,351	19,360
Total assets(A)	$1,124,342	$1,319,933
Liabilities		
Notes and bonds payable(B)	$1,088,954	$1,284,436
Accounts payable and accrued expenses	4,144	4,007
Total liabilities(A)	$1,093,098	$1,288,443

(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 face amount 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 accounts 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 96.3 million Series F convertible preferred stock in ParentCo as of August 31, 2018, and New Residential and LoanCo co-investors are vested in the warrants to purchase an aggregate of 30.0 million Series F convertible preferred stock in ParentCo as of August 31, 2018. 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 accounts 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, 2018(A)	December 31, 2017
Consumer loans, at fair value	$85,424	$178,422
Warrants, at fair value	110,311	80,746
Other assets	56,296	46,342
Warehouse financing	(49,668)	(117,944)
Other liabilities	(8,909)	(13,059)
Equity	$193,454	$174,507
Undistributed retained earnings	$—	$—
New Residential's investment	$46,888	$42,473
New Residential's ownership	24.2 %	24.3 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018(B)	2017(B)	2018(B)	2017(B)
Interest income	$16,513	$12,276	$38,032	$25,105
Interest expense	(4,364)	(2,635)	(10,082)	(5,768)
Change in fair value of consumer loans and warrants	5,676	12,475	24,750	16,030
Gain on sale of consumer loans	2,379	6,928	3,512	18,778
Other expenses	(1,604)	(1,459)	(6,201)	(3,039)
Net income	$18,600	$27,585	$50,011	$51,106
New Residential's equity in net income	$4,555	$6,769	$12,343	$12,649
New Residential's ownership	24.5 %	24.5 %	24.7 %	24.8 %

(A) Data as of August 31, 2018 as a result of the one month reporting lag.
(B) Data for the periods ended August 31, 2018 and 2017, respectively, as a result of the one month reporting lag.

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, 2018(C)	$ 85,424	25.0 %	$ 85,424	14.4 %	1.2	2.3 %

(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, 2018 as a result of the one month reporting lag.

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

Balance at December 31, 2017	$51,412
Contributions to equity method investees	292,616

Distributions of earnings from equity method investees	(6,176)
Distributions of capital from equity method investees	(305,408)
Earnings from investments in consumer loans, equity method investees	12,343
Balance at September 30, 2018	$44,787

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10. DERIVATIVES

As of September 30, 2018, 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, 2018, New Residential held to-be-announced forward contract positions ("TBAs") of $5.5 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, 2018, New Residential separately held TBAs of $4.2 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.

In addition, as of September 30, 2018, New Residential held Interest rate lock commitments ("IRLCs") and forward loan sale and securities delivery commitments of $572.7 million and $28.4 million, respectively. IRLCs represent a commitment to a particular interest rate provided the borrower is able to close the loan within a specified period and mortgage loan sale commitments represent a commitment to sell specific mortgage loans at prices which are fixed as of the forward commitment date.

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

	Balance Sheet Location	September 30, 2018	December 31, 2017
Derivative assets			
Interest Rate Caps	Other assets	$ 8	$ 2,423
Interest Rate Lock Commitments	Other assets	8,357	—
Forward Loan Sale Commitments	Other assets	305	—
TBAs	Other assets	18,542	—
		$ 27,212	$ 2,423
Derivative liabilities			
Interest Rate Swaps[(A)]	Accrued expenses and other liabilities	$ 2,294	$ —
TBAs	Accrued expenses and other liabilities	—	697
		$ 2,294	$ 697

(A) Net of $6.8 million of related variation margin accounts as of September 30, 2018. As of December 31, 2017, no variation margin accounts existed.

The following table summarizes notional amounts related to derivatives:

	September 30, 2018	December 31, 2017
Interest Rate Caps[(A)]	$ 162,500	$ 772,500
Interest Rate Swaps[(B)]	4,242,000	—
Interest Rate Lock Commitments	572,654	—
Forward Loan Sale Commitments	28,402	—
TBAs, short position[(C)]	5,466,100	3,101,100
TBAs, long position[(C)]	4,207,800	1,014,000

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(A) As of September 30, 2018, caps LIBOR at 4.00% for $162.5 million of notional. The weighted average maturity of the interest rate caps as of September 30, 2018 was 4 months.
(B) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of September 30, 2018 was 50 months and the weighted average fixed pay rate was 2.93%.
(C) Represents the notional amount of Agency RMBS, classified as derivatives.

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,	
	2018	2017	2018	2017
Other income (loss), net(A)				
Interest Rate Caps	$(2)	$(1,083)	$436	$(1,353)
Interest Rate Swaps	18,785	5,300	19,668	349
Unrealized gains(losses) on Interest Rate Lock Commitments	(2,247)	—	(2,247)	—
Forward Loan Sale Commitments	(17)	—	(17)	—
TBAs	$7,780	$(657)	$10,145	$880
	24,299	3,560	27,985	(124)
Gain (loss) on settlement of investments, net				
Interest Rate Caps	—	322	(603)	(240)
Interest Rate Swaps	(656)	(2,499)	37,287	(12,097)
TBAs(B)	20,115	(16,579)	39,408	(45,989)
	19,459	(18,756)	76,092	(58,326)
Total income (losses)	$43,758	$(15,196)	$104,077	$(58,450)

(A) Represents unrealized gains (losses).
(B) Excludes $2.8 million in loss on settlement included within gain on sale of originated mortgage loans, net (Note 8).

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11. DEBT OBLIGATIONS

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

	September 30, 2018								
						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)	$4,152,930	$4,152,930	Oct-18	2.24%	0.1	$4,270,689	$4,338,416	$4,304,875	2.0
Non-Agency RMBS (E)	7,438,875	7,438,647	Oct-18 to Mar-19	3.32%	0.1	15,895,795	8,379,793	8,861,324	7.1
Residential Mortgage Loans(F)	2,707,458	2,706,521	Oct-18 to Aug-20	3.92%	0.5	3,155,945	2,992,424	2,996,601	11.2
Real Estate Owned(G)(H)	88,960	88,922	Oct-18 to Dec-19	4.36%	0.2	N/A	N/A	108,684	N/A
Total Repurchase Agreements	14,388,223	14,387,020		3.13%	0.2				
Notes and Bonds Payable									
Excess MSRs(I)	297,759	297,563	Feb-20 to Jul-22	4.90%	3.0	144,869,048	386,578	492,684	5.7
MSRs(J)	2,450,580	2,441,750	Feb-19 to Jul-24	4.24%	3.2	382,479,510	3,741,451	4,553,076	6.7
Servicer Advances(K)	3,390,918	3,385,842	Mar-19 to Dec-21	3.54%	2.0	3,832,948	4,000,262	4,017,057	1.4
Residential Mortgage Loans(L)	125,355	123,097	Oct-18 to Jul-43	3.74%	6.3	132,091	128,702	125,928	6.4
Consumer Loans(M)	1,008,341	1,004,608	Dec-21 to Mar-24	3.39%	2.9	1,141,907	1,145,026	1,140,618	3.5
Receivable from government agency(L)	2,086	2,086	Oct-18	4.42%	0.1	N/A	N/A	1,461	N/A
Total Notes and Bonds Payable	7,275,039	7,254,946		3.82%	2.6				
Total/ Weighted Average	$21,663,262	$21,641,966		3.36%	1.0				

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity through October 30, 2018 were refinanced, extended or repaid.
(C) These repurchase agreements had approximately $27.6 million of associated accrued interest payable as of September 30, 2018.
(D)

All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately $3.4 billion of related trade and other receivables.

(E) $7,193.3 million face amount of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates while the remaining $245.6 million face amount of the Non-Agency RMBS repurchase agreements have a fixed rate. This also includes repurchase agreements of $166.1 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 $197.8 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 3.00%, and includes corporate loans with $100.0 million balance currently outstanding which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 2.50%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the interests in MSRs that secure these notes.

(J) Includes: $574.5 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 2.25%; $38.4 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 2.50%; and $1,837.7 million of public notes with fixed interest rates ranging from 3.55% to 4.62%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and mortgage servicing rights financing receivables that secure these notes.

(K) $3.0 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 2.0%

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to 2.2%. 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 $7.7 million note payable to Nationstar that bears interest equal to one-month LIBOR plus 2.88%.

(M) Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: $730.3 million 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 $30.6 million face amount note which bears interest equal to 4.00%.

As of September 30, 2018, 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 $14.4 billion of repurchase agreements as of September 30, 2018. To the extent that the value of the collateral underlying these repurchase agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

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

	Excess MSRs	MSRs	Servicer Advances(A)	Real Estate Securities	Residential Mortgage Loans and REO	Consumer Loans	Total
Balance at December 31, 2017	$483,978	$1,157,179	$4,060,156	$6,694,454	$2,108,007	$1,242,756	$15,746,530
Repurchase Agreements:							
Borrowings(B)	—	—	—	59,467,769	4,668,289	—	64,136,058
Repayments	—	—	—	(54,570,418)	(3,841,165)	—	(58,411,583)
Capitalized deferred financing costs, net of amortization	—	—	—	(228)	634	—	406
Notes and Bonds Payable:							
Borrowings(B)	240,000	3,543,776	3,784,496	—	120,702	—	7,688,974
Repayments	(426,440)	(2,251,280)	(4,460,114)	—	(134,941)	(239,709)	(7,512,484)
	—	—	33	—	—	1,187	1,220

Discount on borrowings, net of amortization							
Unrealized gain on notes, fair value	—	—	—	—	(900)	—	(900)
Capitalized deferred financing costs, net of amortization	25	(7,925)	1,271	—	—	374	(6,255)
Balance at September 30, 2018	$297,563	$2,441,750	$3,385,842	$11,591,577	$2,920,626	$1,004,608	$21,641,966

(A) New Residential net settles daily borrowings and repayments of the Notes and Bonds Payable on its servicer advances.
(B) Includes $639.0 million of borrowings associated with the Shellpoint Acquisition.

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Maturities

New Residential's debt obligations as of September 30, 2018 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
October 1 through December 31, 2018	$—	$12,480,602	$12,480,602
2019	826,188	2,472,426	3,298,614
2020	812,745	115,465	928,210
2021	1,784,596	784,589	2,569,185
2022	38,378	197,759	236,137
2023 and thereafter	1,097,462	1,053,052	2,150,514
	$4,559,369	$17,103,893	$21,663,262

Borrowing Capacity

The following table represents New Residential's borrowing capacity as of September 30, 2018:

Debt Obligations / Collateral	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements			
Residential mortgage loans and REO	$5,197,961	$2,796,418	$2,401,543
Notes and Bonds Payable			
Excess MSRs	150,000	100,000	50,000
MSRs	990,000	612,899	377,101
Servicer advances[A]	1,710,000	1,377,259	332,741
Consumer loans	150,000	30,607	119,393
	$8,197,961	$4,917,183	$3,280,778

(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 $86.3 million.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in New Residential's equity or a 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, 2018.

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12. FAIR VALUE MEASUREMENT

The carrying values and fair values of New Residential's assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of September 30, 2018 were as follows:

			Fair Value			
	Principal Balance or Notional Amount	Carrying Value	Level 1	Level 2	Level 3	Total
Assets						
Investments in:						
Excess mortgage servicing rights, at fair value(A)	$112,054,333	$467,061	$—	$—	$467,061	$467,061
Excess mortgage servicing rights, equity method investees, at fair value(A)	44,239,405	154,939	—	—	154,939	154,939
Mortgage servicing rights, at fair value(A)	246,949,863	2,872,004	—	—	2,872,004	2,872,004
Mortgage servicing rights financing receivables, at fair value	135,529,647	1,681,072	—	—	1,681,072	1,681,072
Servicer advance investments, at fair value	637,102	799,936	—	—	799,936	799,936
Real estate and other securities, available-for-sale	20,633,278	11,650,257	—	2,673,863	8,976,394	11,650,257
Residential mortgage loans, held-for-investment	629,017	652,717	—	—	652,529	652,529
Residential mortgage loans, held-for-sale	2,091,784	1,996,303	—	—	2,037,078	2,037,078
Residential mortgage loans, held-for-sale, at fair value	514,516	524,863	—	468,824	56,038	524,862
Residential mortgage loans, held-for-investment, at fair value	124,079	123,606	—	—	123,606	123,606
Residential mortgage loans subject to repurchase	110,181	110,181	—	110,181	—	110,181
Consumer loans, held-for-investment	1,142,058	1,140,769	—	—	1,128,410	1,128,410
Derivative assets	10,437,456	27,212	—	18,854	8,357	27,211
Cash and cash equivalents	330,148	330,148	330,148	—	—	330,148
Restricted cash	155,749	155,749	155,749	—	—	155,749
Other assets		33,642	23,876	—	9,766	33,642
		$22,720,459	$509,773	$3,271,722	$18,967,190	$22,748,685
Liabilities						
Repurchase agreements	$14,388,223	$14,387,020	$—	$14,388,223	$—	$14,388,223
Notes and bonds payable(B)	7,275,039	7,254,946	—	—	7,240,544	7,240,544
	110,181	110,181	—	110,181	—	110,181

Residential mortgage loans repurchase liability						
Derivative liabilities	4,242,000	2,294	—	2,294	—	2,294
Excess spread financing	3,608,770	44,374	—	—	44,374	44,374
Contingent consideration	N/A	42,770	—	—	42,770	42,770
		$21,841,585	$—	$14,500,698	$7,327,688	$21,828,386

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

(B) Includes the SAFT 2013-1 mortgage-backed securities issued for which the fair value option for financial instruments was elected and resulted in a fair value of $117.5 million as of September 30, 2018.

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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	Excess MSRs(A) Non-Agency	Excess MSRs in Equity Method Investees(A)(B)	MSRs(A)	Mortgage Servicing Rights Financing Receivable(A)	Servicer Advance Investments	Non-Agency RMBS	Derivatives	Reside Mortga Loans
Balance at December 31, 2017	$324,636	$849,077	$171,765	$1,735,504	$598,728	$4,027,379	$5,974,789	$—	$—
Transfers(C)									
Transfers from Level 3	—	—	—	—	—	—	—	—	—
Transfers to Level 3	—	—	—	—	—	—	—	—	—
Shellpoint Acquisition (Note 1)	—	—	—	286,600	(135,288)	—	—	10,604	156,82
Gains (losses) included in net income									
Included in other-than-temporary impairment on securities(D)	—	—	—	—	—	—	(18,113)	—	—
Included in change in fair value of investments in excess mortgage servicing rights(D)	(14,738)	(40,973)	—	—	—	—	—	—	—
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees(D)	—	—	5,624	—	—	—	—	—	—
Included in servicing revenue, net(E)	—	—	—	31,252	—	—	—	—	—
Included in change in fair value of investments in mortgage servicing rights financing receivables(D)	—	—	—	—	63,628	—	—	—	—
Included in change in fair value of servicer advance investments	—	—	—	—	—	(86,581)	—	—	—
	—	40,417	—	—	—	72,585	(994)	—	—

Included in gain (loss) on settlement of investments, net									
Included in other income (loss), net(D)	4,401	200	—	—	—	—	12,001	(2,247)	(692
Gains (losses) included in other comprehensive income(F)	—	—	—	—	—	—	97,538	—	—
Interest income	16,954	15,417	—	—	—	43,122	239,036	—	—
Purchases, sales and repayments									
Purchases	—	—	—	801,366	138,993	1,817,581	3,475,138	—	36,520
Proceeds from sales	(12,380)	—	—	—	(2,982)		(81,325)	—	(19,90
Proceeds from repayments	(45,020)	(32,363)	(22,450)	—	—	(1,871,312)	(721,676)	—	(3,236
Other	—	—	—	17,282	—	—	—	—	—
New Ocwen Agreements (Note 5)	—	(638,567)	—	—	1,017,993	(3,202,838)	—	—	—
Balance at September 30, 2018	$273,853	$193,208	$154,939	$2,872,004	$1,681,072	$799,936	$8,976,394	$8,357	$169,5

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

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

	Level 3 Excess Spread Financing	Mortgage-Backed Securities Issued	Contingent Consideration	Total
Balance at December 31, 2017	$—	$ —	$ —	$—
Transfers(A)				
Transfers from Level 3	—	—	—	—
Transfers to Level 3	—	—	—	—
Shellpoint Acquisition (Note 1)	48,262	120,702	42,770	211,734
Gains (losses) included in net income				
Included in other-than-temporary impairment on securities(B)	—	—	—	—
Included in change in fair value of investments in excess mortgage servicing rights	—	—	—	—
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees(B)	—	—	—	—
Included in servicing revenue, net(C)	(3,888)	—	—	(3,888)
Included in change in fair value of investments in notes receivable - rights to MSRs	—	—	—	—
Included in change in fair value of servicer advance investments	—	—	—	—
Included in gain (loss) on settlement of investments, net	—	—	—	—
Included in other income(B)	—	(900)	—	(900)
Gains (losses) included in other comprehensive income, net of tax(D)	—	—	—	—
Interest income	—	—	—	—
Purchases, sales and repayments				
Purchases	—	—	—	—
Proceeds from sales	—	—	—	—
Proceeds from repayments	—	(2,332)	—	(2,332)
Other	—	—	—	—
Ocwen Transaction	—	—	—	—
Balance at September 30, 2018	$44,374	$ 117,470	$ 42,770	$204,614

(A) Transfers are assumed to occur at the beginning of the respective period.
(B) 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.
(C) The components of Servicing revenue, net are disclosed in Note 5.
(D) 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, MSRs and MSR Financing Receivables Valuation

The following table summarizes certain information regarding the weighted average inputs used as of September 30, 2018:

	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	9.7 %	2.6 %	26.1 %	21	22
Recaptured Pools	7.4 %	2.2 %	23.8 %	22	24
Recapture Agreement	7.2 %	2.2 %	24.6 %	22	—
	8.8 %	2.5 %	25.4 %	21	23
Non-Agency[G]					
Nationstar and SLS Serviced:					
Original Pools	10.6 %	N/A	15.4 %	15	24
Recaptured Pools	9.1 %	N/A	20.2 %	23	24
Recapture Agreement	9.1 %	N/A	20.1 %	20	—
	10.3 %	N/A	16.3 %	16	24
Total/Weighted Average--Excess MSRs Directly Held	9.4 %	2.5 %	21.6 %	19	23
Excess MSRs Held through Equity Method Investees (Note 4)					
Agency					
Original Pools	10.8 %	4.0 %	28.8 %	19	21
Recaptured Pools	7.7 %	2.6 %	29.2 %	23	23
Recapture Agreement	7.8 %	2.7 %	30.5 %	23	—
Total/Weighted Average--Excess MSRs Held through Investees	9.2 %	3.3 %	29.2 %	21	22
Total/Weighted Average--Excess MSRs All Pools	9.3 %	2.8 %	24.5 %	20	23
MSRs					
Agency					
Mortgage Servicing Rights[H] [I]	8.9 %	1.2 %	22.9 %	26	22

Mortgage Servicing Rights Financing Receivables	9.2 %	1.1 %	14.3 %	27	20
Non-Agency					
Mortgage Servicing Rights	14.0%	0.9 %	10.0 %	26	26
Mortgage Servicing Rights Financing Receivables	8.4 %	15.1 %	5.0 %	45	26
Ginnie Mae					
Mortgage Servicing Rights(I)	10.4%	3.6 %	23.6 %	34	27

(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 $7.40 per loan per month was used to value the agency MSRs, including MSR Financing Receivables. A weighted average cost of subservicing of $11.52 per loan per month was used to value

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the non-agency MSRs, including MSR Financing Receivables. A weighted average cost of subservicing of $10.02 per loan per month was used to value the Ginnie Mae MSRs.
(F) Weighted average maturity of the underlying residential mortgage loans in the pool.
(G) For certain pools, the Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO). For these pools, no delinquency assumption is used.
(H) For certain pools, recapture rate represents the expected recapture rate with the successor subservicer appointed by NRM.
(I) Includes valuation of the related Excess spread financing (Note 5).

With respect to valuing the Ocwen-serviced mortgage servicing rights financing receivables, which include a significant servicer advances receivable component, the cost of financing servicer advances receivable is assumed to be LIBOR plus 0.9%.

As of September 30, 2018, a weighted average discount rate of 8.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees). As of September 30, 2018, a weighted average discount rate of 8.7% was used to value New Residential's investments in MSRs and a weighted average discount rate of 10.3% was used to value New Residential's investments in MSR financing receivables.

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, 2018	1.5%	11.1 %	18.2 %	19.6 bps	5.9 %	23.2

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 9.3 bps which represents the amount New Residential paid its servicers as a monthly servicing fee.
(C) Weighted average maturity of the underlying residential mortgage loans in the pool.

Real Estate and Other Securities Valuation

As of September 30, 2018, New Residential's securities valuation methodology and results are further detailed as follows:

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Fair Value			Level
			Multiple Quotes(A)	Single Quote(B)	Total	
Agency RMBS	$2,653,034	$2,678,375	$2,673,863	$—	$2,673,863	2
Non-Agency RMBS(C)	17,980,244	8,491,714	8,957,869	18,525	8,976,394	3
Total	$20,633,278	$11,170,089	$11,631,732	$18,525	$11,650,257	

(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, for non-agency RMBS, there is a wide disparity

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between the quotes New Residential receives. New Residential believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on New Residential's own fair value analysis, it selects one of the quotes which is believed to more accurately reflect fair value. New Residential has not adjusted any of the quotes received in the periods presented. These quotations are generally received via email and contain disclaimers which state that they are "indicative" and not "actionable" — meaning that the party giving the quotation is not bound to actually purchase the security at the quoted price. New Residential's investments in Agency RMBS are classified within Level 2 of the fair value hierarchy because the market for these securities is very active and market prices are readily observable.

The third-party pricing services and brokers engaged by New Residential (collectively, "valuation providers") use either the income approach or the market approach, or a combination of the two, in arriving at their estimated valuations of RMBS. Valuation providers using the market approach generally look at prices and other relevant information generated by market transactions involving identical or comparable assets. Valuation providers using the income approach create pricing models that generally incorporate such assumptions as discount rates, expected prepayment rates, expected default 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 61.8% 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	$5,550,819	2.66% to 30.00%	0.25% to 21.4%	0.25% 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.

Residential Mortgage Loans Valuation

New Residential, through its wholly owned subsidiary, New Penn, originates mortgage loans that it intends to sell into Fannie Mae, Freddie Mac, and Ginnie Mae mortgage backed securitizations. Residential mortgage loans held-for-sale, at fair value are typically pooled together and sold into certain exit markets, depending upon underlying attributes of the loan, such as agency eligibility, product type, interest rate, and credit quality. Residential mortgage loans held-for-sale, at fair value are valued using a market approach by utilizing either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. As these prices are derived from market observable inputs, New Residential classifies these valuations as Level 2 in the fair value hierarchy.

Residential mortgage loans held-for-sale, at fair value also includes certain nonconforming mortgage loans originated for sale to private investors, which are valued using internal pricing models to forecast loan level cash flows based on a potential securitization exit using inputs such as default rates, prepayments speeds and discount rates. As the internal pricing model is based on certain unobservable inputs, New Residential classifies these valuations as Level 3 in the fair value hierarchy.

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The following table summarizes certain information regarding the inputs used in valuing residential mortgage loans held-for-sale, at fair value classified as Level 3:

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Residential Mortgage Loans Held-for-Sale, at Fair Value	$524,862	3.75% to 4.00%	10.00% to 15.00%	0.00% to 4.0%	0.0% to 50.0%

Residential mortgage loans held-for-investment, at fair value includes mortgage loans underlying the SAFT 2013-1 securitization, which are valued using internal pricing models using inputs such as default rates, prepayment speeds and discount rates. As the internal pricing model is based on certain unobservable inputs, New Residential classifies these valuations as Level 3 in the fair value hierarchy.

The following table summarizes certain information regarding the inputs used in valuing residential mortgage loans held-for-investment, at fair value classified as Level 3:

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Residential Mortgage Loans Held-for-Investment, at Fair Value	$123,606	4.00%	10.0%	0.2%	20.0%

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 classified as Level 2 in the fair value hierarchy.

As a part of the mortgage loan origination business, New Residential enters into forward loan sale and securities delivery commitments, which are valued based on observed market pricing for similar instruments and therefore, are classified as Level 2. In addition, New Residential enters into IRLCs, which are valued using internal pricing models incorporating i) market pricing for instruments with similar characteristics (ii) estimating the fair value of the servicing rights expected to be recorded at sale of the loan and (iii) adjusted for anticipated loan funding probability. Both the fair value of servicing rights expected to be recorded at the date of sale of the loan and anticipated loan funding probability are significant unobservable inputs and therefore, IRLCs are classified as Level 3 in the fair value hierarchy.

The following table summarizes certain information regarding the inputs used in valuing IRLCs:

	Fair Value	Loan Funding Probability	Fair Value of initial servicing rights (bps)
IRLCs	$8,357	46.00% to 100%	0 to 326

Mortgage-Backed Securities Issued

New Penn, a wholly owned subsidiary of New Residential, was deemed to be the primary beneficiary of the SAFT 2013-1 securitization entity and therefore, New Residential's condensed consolidated balance sheets include the mortgage-backed securities issued by SAFT 2013-1. New Residential elected the fair value option for these financial instruments and the mortgage-backed securities issued were valued consistently with New Residential's Non-Agency RMBS described above.

The following table summarizes certain information regards the inputs used in valuing Mortgage-Backed Securities Issued:

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Mortgage-Backed Securities Issued	$117,470	3.50% to 5.25%	9.0% to 12.0%	0% to 0.25%	10.0%

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Contingent Consideration Valuation

New Residential, as additional consideration for the Shellpoint Acquisition, may make up to three cash earnout payments, which will be calculated following each of the first three anniversaries of the Shellpoint Closing as a percentage of the amount by which the pre-tax income of certain of Shellpoint's businesses exceeds certain specified thresholds, up to an aggregate maximum amount of $60.0 million (the "Shellpoint Earnout Payments"). In accordance with ASC 805, New Residential measures its contingent consideration at fair value on a recurring basis using a scenario-based method to weigh the probability of multiple outcomes to arrive at an expected payment cash flow and then discounts the expected cash flow. The inputs utilized in valuing the contingent consideration include a discount rate of 8% and the application of probability weighting of income scenarios, which are significant unobservable inputs and therefore, contingent consideration is classified as Level 3 in the fair value hierarchy. This valuation is preliminary and subject to change (Note 1).

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, 2018, assets measured at fair value on a nonrecurring basis were $0.3 billion. The $0.3 billion of assets include approximately $227.1 million of residential mortgage loans held-for-sale and $70.5 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, 2018:

	Fair Value and Carrying Value	Discount Rate		Weighted Average Life (Years)(A)	Prepayment Rate		CDR(B)		Loss Severity(C)	
Performing Loans	$186,157	4.7	%	3.9	7.7	%	4.3	%	32.8	%
Non-Performing Loans	40,985	5.3	%	2.4	2.1	%	2.8	%	30.0	%
Total/Weighted Average	$227,142	4.8	%	3.6	6.7	%	4.0	%	32.3	%

(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.

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 Statements of Income for the nine months ended September 30, 2018 was a reversal of net valuation allowance of approximately $8.7 million, consisting of a reversal of prior valuation allowance of $8.9 million for residential mortgage loans, offset by $0.2 million increased allowance for REO.

13. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

In January 2018, New Residential issued 28.8 million shares of its common stock in a public offering at a price to the public of $17.10 per share for net proceeds of approximately $482.3 million. 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 2.9 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately $3.8 million as of the grant date. The assumptions used in valuing the options were: a 2.58% risk-free rate, a 9.86% dividend yield, 23.16% volatility and a 10-year term.

On July 30, 2018, New Residential entered into a Distribution Agreement to sell shares of its common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). During the three months ended September 30, 2018, New Residential sold 0.5 million ATM Shares for an aggregate proceeds of $9.1 million. In connection with the shares sold under the ATM program, New Residential granted options to the Manager relating to 0.05 million shares of New Residential's common stock at the offering price, which had fair value of approximately $0.1 million as of the grant date.

On September 20, 2018, New Residential's board of directors declared a third quarter 2018 dividend of $0.50 per common share or $170.2 million.

Approximately 0.5 million shares of New Residential's common stock were held by Fortress, through its affiliates, at September 30, 2018.

Option Plan

As of September 30, 2018, New Residential's outstanding options were summarized as follows:

Held by the Manager	4,086,222
Issued to the Manager and subsequently assigned to certain of the Manager's employees	1,530,916
Issued to the independent directors	6,000
Total	5,623,138

The following table summarizes New Residential's outstanding options as of September 30, 2018. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended September 30, 2018 was $17.82 per share.

Recipient	Date of Grant/ Exercise(A)	Number of Unexercised Options	Options Exercisable as of September 30, 2018	Weighted Average Exercise Price(B)	Intrinsic Value of Exercisable Options as of

					September 30, 2018 (millions)
Directors	Various	6,000	6,000	$ 13.49	$ —
Manager(C)	2016	533,334	200,000	13.70	0.8
Manager(C)	2017	2,638,804	565,459	14.50	1.9
Manager(C)	2018	2,445,000	288,798	17.11	0.2
Outstanding		5,623,138	1,060,257		

(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. A portion of New Residential's 2017 dividends was deemed to be a return of capital and the exercise prices were adjusted accordingly.

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

Date of Grant to Manager	Range of Exercise Prices	Total Unexercised Inception to Date
2016	$13.70	400,000
2017	$14.50	1,130,916
Total		1,530,916

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

	Amount	Weighted Average Exercise Price
December 31, 2017 outstanding options	18,502,188	
Options granted	2,924,166	$ 17.13
Options exercised	(15,803,216)	$ 14.30
Options expired unexercised	—	
September 30, 2018 outstanding options	5,623,138	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 nine months ended September 30, 2018, based on the treasury stock method, New Residential had 1,463,258 dilutive common stock equivalents outstanding. During the nine months ended September 30, 2017, based on the treasury stock method, New Residential had 1,845,597 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 Servicer Advance Investments (Note 6), Shelter JVs (Note 8) and Consumer Loans (Note 9).

14. COMMITMENTS AND CONTINGENCIES

Litigation – New Residential is or may become, from time to time, 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 business, financial position or results of operations. 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.

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, 2018, 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, 2018, 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 generally 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.

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Mortgage Origination Reserves — New Penn, a wholly owned subsidiary of New Residential, originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. The GSEs or Ginnie Mae guarantee conventional and government insured mortgage securitizations and mortgage investors issue nonconforming private label mortgage securitizations while New Penn generally retains the right to service the underlying residential mortgage loans. In connection with the transfer of loans to the GSEs or mortgage investors, New Penn makes representations and warranties regarding certain attributes of the loans and, subsequent to the sale, if it is determined that a sold loan is in breach of these representations and warranties, New Penn generally has an obligation to cure the breach. If New Penn is unable to cure the breach, the purchaser may require New Penn to repurchase the loan.

In addition, for Ginnie Mae guaranteed securitizations, New Penn holds a Ginnie Mae Buy-Back Option to repurchase delinquent loans from the securitization at its discretion. While New Penn is not obligated to repurchase the delinquent loans, New Penn generally executes its option to repurchase that will result in an economic benefit. As of September 30, 2018, New Residential's estimated liability associated with representations and warranties and Ginnie Mae repurchases was $6.3 million and $110.2 million, respectively. See Notes 5 and 8 for information on New Residential's Ginnie Mae Buy-Back Option and mortgage origination, respectively.

Mortgage Origination Unfunded Commitments — As of September 30, 2018, New Penn was committed to fund approximately $809.9 million of mortgage loans and had forward loan sale commitments of $33.4 million. The forward sales are expected to close during the fourth quarter of 2018.

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 $182.6 million of unfunded and available revolving credit privileges as of September 30, 2018. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at New Residential's discretion.

Leases — New Residential, through its wholly owned subsidiary, Shellpoint, has leases on office space expiring through 2025. Future commitments under non-cancelable leases are approximately $26.7 million.

Environmental Costs — As a residential real estate owner, through its REO, New Residential is subject to potential environmental costs. At September 30, 2018, 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.

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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 (i) the equity transferred by Drive Shack Inc. ("Drive Shack"), formerly Newcastle Investment Corp., which was the sole stockholder of New Residential until the spin-off of New Residential completed on May 15, 2013, on the date of the spin-off, (ii) plus total net proceeds from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

In addition, the Manager is entitled to receive annual incentive compensation in an amount equal to the product of (A) 25% of the dollar amount by which (1) (a) New Residential's funds from operations before the incentive compensation, excluding funds from operations from investments in the Consumer Loan Companies and any unrealized gains or losses from mark-to-market valuation changes on investments and debt (and any deferred tax impact thereof), per share of common stock, plus (b) earnings (or losses) from the Consumer Loan Companies computed on a level-yield basis (such that the loans are treated as if they qualified as loans acquired with a discount for credit quality as set forth in ASC No. 310-30, as such codification was in effect on June 30, 2013) as if the Consumer Loan Companies had been acquired at their GAAP basis on May 15, 2013, plus earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, plus gains (or losses) from debt restructuring and gains (or losses) from sales of property, and plus non-routine items, minus amortization of non-routine items, in each case per share of common stock, exceed (2) an amount equal to (a) the weighted average of the book value per share of the equity transferred by Drive Shack on the date of the spin-off and the prices per share of New Residential's common stock in any offerings (adjusted for prior capital dividends or capital distributions) multiplied by (b) a simple interest rate of 10% per annum, multiplied by (B) the weighted average number of shares of common stock outstanding. "Funds from operations" means net income (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and gains (or losses) from sales of property, plus depreciation on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations will be computed on an unconsolidated basis. The computation of funds from operations may be adjusted at the direction of New Residential's independent directors based on changes in, or certain applications of, GAAP. Funds from operations is determined from the date of the spin-off and without regard to Drive Shack's prior performance.

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

Due to affiliates is comprised of the following amounts:

	September 30, 2018	December 31, 2017
Management fees	$ 5,166	$ 4,734
Incentive compensation	65,169	81,373
Expense reimbursements and other	3,800	2,854
Total	$ 74,135	$ 88,961

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Affiliate expenses and fees were comprised of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Management fees	$15,464	$14,187	$46,027	$41,447
Incentive compensation	23,848	19,491	65,169	72,123
Expense reimbursements[(A)]	125	125	375	375
Total	$39,437	$33,803	$111,571	$113,945

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

See Notes 4, 5, 6, 8, 11 and 14 for a discussion of transactions with Nationstar. As of September 30, 2018, 99.2%, 25.7% and 97.0% of the UPB of the loans underlying New Residential's investments in Excess MSRs, MSRs and Servicer Advance Investments, respectively, was serviced, subserviced or master serviced by Nationstar. As of September 30, 2018, a total face amount of $4.3 billion of New Residential's Non-Agency RMBS portfolio and approximately $27.6 million of New Residential's Agency RMBS portfolio was serviced or master serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately $38.3 billion as of September 30, 2018. New Residential holds a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar whereby, when the outstanding balance of the underlying residential mortgage loans falls below a pre-determined threshold, it can effectively purchase the underlying residential mortgage loans at par, plus unreimbursed servicer advances, and repay all of the outstanding securitization financing at par, in exchange for a fee of 0.75% of UPB paid to Nationstar at the time of exercise. In connection with New Residential's exercise of certain of these call rights, and certain other call rights acquired by New Residential, New Residential has made, and expects to continue to make, payments to funds managed by an affiliate of Fortress in respect of Excess MSRs held by the funds affected by the exercise of the call rights ("MSR Fund Payments"). During 2018, New Residential accrued for MSR Fund Payments in an aggregate amount of approximately $0.2 million and has also caused an aggregate of $0.5 million of securities to be transferred to such funds in 2018. New Residential continues to evaluate the call rights it purchased from Nationstar, and its ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The actual UPB of the residential mortgage loans on which New Residential can successfully exercise call rights and realize the benefits therefrom may differ materially from its initial assumptions. As of September 30, 2018, $878.8 million UPB of New Residential's residential mortgage loans and $13.1 million of New Residential's REO were being serviced or master serviced by Nationstar. Additionally, in the ordinary course of business, New Residential engages Nationstar to administer the termination of securitization trusts that it collapses pursuant to its call rights. As a result of these relationships, New Residential routinely has receivables from, and payables to, Nationstar, which are included in Other Assets and Accrued Expenses and Other Liabilities, respectively.

See Note 4 regarding co-investments with Fortress-managed funds.

16. RECLASSIFICATION FROM ACCUMULATED OTHER COMPREHENSIVE INCOME INTO NET INCOME

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

Accumulated Other Comprehensive Income Components	Statement of Income Location	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Reclassification of net realized (gain) loss on securities into earnings	Gain (loss) on settlement of investments, net	$28,737	$(7,342)	$66,695	$(29,592)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	3,889	1,509	23,190	8,736
Total reclassifications		$32,626	$(5,833)	$89,885	$(20,856)

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

17. INCOME TAXES

Income tax expense (benefit) consists of the following:

	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Current:				
Federal	$5,691	$4,072	$6,299	$6,683
State and Local	(263)	131	424	354
Total Current Income Tax Expense (Benefit)	5,428	4,203	6,723	7,037
Deferred:				
Federal	(1,201)	20,977	(12,829)	97,053
State and Local	(664)	7,433	149	16,963
Total Deferred Income Tax Expense (Benefit)	(1,865)	28,410	(12,680)	114,016
Total Income Tax Expense (Benefit)	$3,563	$32,613	$(5,957)	$121,053

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2018. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

New Residential operates various securitization vehicles and has made certain investments, particularly its investments in MSRs (Note 5), Servicer Advance Investments (Note 6) and REO (Note 8), through taxable REIT subsidiaries ("TRSs") that are subject to regular corporate income taxes which have been provided for in the provision for income taxes, as applicable.

New Residential has recorded a net deferred tax liability of approximately $3.9 million as of September 30, 2018, primarily related to unrealized gains and discount accruals offset by net operating loss carry forwards.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was signed into law. The TCJA includes a number of significant changes to existing U.S. corporate income tax laws, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. New Residential measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. New Residential is still analyzing certain aspects of the TCJA and refining its calculations, which could potentially affect the measurement of these balances or give rise to new deferred tax amounts.

18. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to September 30, 2018 (referred to as “subsequent events”) through the issuance of these condensed consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

On September 20, 2018, New Residential’s board of directors declared a third quarter 2018 dividend of $0.50 per common share or $170.2 million. On October 26, 2018, New Residential paid the third quarter dividend to stockholders of record as of October 1, 2018.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Residential. The following should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein, and with "Risk Factors."

GENERAL

New Residential is a publicly traded REIT primarily focused on opportunistically investing in, and actively managing, investments related to residential real estate. We primarily target investments in mortgage servicing related assets and related opportunistic investments. We are externally managed by an affiliate of Fortress pursuant to the Management Agreement. Our goal is to drive strong risk-adjusted returns primarily through our investments, and our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets in diverse markets, including non-real estate related assets such as consumer loans. We generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation.

Our portfolio is currently composed of mortgage servicing related assets, Non-Agency RMBS (and associated call rights), residential mortgage loans and other opportunistic investments. Our asset allocation and target assets may change over time, depending on our investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below under "—Our Portfolio."

MARKET CONSIDERATIONS

Developments in the U.S. Housing Market

In response to the changing landscape of the mortgage industry and bank capital requirements, banks have sold MSRs totaling more than $3.5 trillion since 2010. As of the second quarter of 2018, the top 100 mortgage servicers serviced over 98% out of the $10.7 trillion one-to-four family mortgage debt outstanding, according to Inside Mortgage Finance. Furthermore, according to Inside Mortgage Finance, approximately 65% of such outstanding mortgage debt was serviced by the top 25 mortgage servicers as of the second quarter of 2018. Given current market dynamics and an overall challenging servicing environment, we may expect additional market consolidation among non-bank servicers. In addition, we believe that non-bank servicers who are constrained by capital limitations will continue to sell MSRs, Excess MSRs and other servicing assets. As a result, we believe additional MSR sales will be likely for some period of time. These factors have resulted in increased opportunities for us to acquire interests in MSRs and to provide capital to non-bank servicers. In addition, approximately $1.6 trillion of new loans are expected to be originated in 2018, according to the Mortgage Bankers Association. We believe this creates an opportunity to enter into "flow arrangements," whereby loan originators or servicers agree to sell MSRs or Excess MSRs on newly originated loans on a recurring basis (often monthly or quarterly). Recently, strong demand for mortgage assets in general has led to tighter spreads and lower required rates of return. This, in turn, creates a reach for yield and increased difficulty in sourcing accretive investments in the current investment landscape. These market conditions have driven prices higher, thereby also increasing the value of certain of our existing investments.

There can be no assurance that we will make additional investments in MSRs or Excess MSRs or that any future investment in MSRs or Excess MSRs will generate returns similar to the returns on our original investments in MSRs or Excess MSRs. The timing, size and potential returns of our future investments in MSRs and Excess MSRs may be less attractive than our prior investments in this sector due to a number of factors, most of which are beyond our control. Such factors include, but are not limited to, changes in interest rates and recent increased competition for more recently originated MSRs. In addition, the acquisition of Agency MSRs requires GSE and, in certain cases, other regulatory approval. The process to obtain such approvals is extensive and will extend transaction settlement times when compared to our experience with the acquisition of Excess MSRs. In general, regulatory and GSE approval processes have been more extensive and taken longer than the processes and timelines we experienced in prior periods, which has increased the amount of time and effort required to complete transactions.

Interest Rates and Prepayment Rates

As further described in “Quantitative and Qualitative Disclosures About Market Risk,” increasing interest rates are generally associated with declining prepayment rates for residential mortgage loans since they increase the cost of borrowing for homeowners. Declining prepayment rates, in turn, would generally be expected to increase the value of our interests in Excess MSRs, MSRs and Servicer Advance Investments, which include the right to a portion of the related MSRs, because the duration of the cash flows we are entitled to receive becomes extended with no reduction in current cash flows. Changes in interest rates will also directly impact our costs of borrowing either immediately (floating rate debt) or upon refinancing (fixed rate debt) and may also be associated with changes in credit spreads and/or the discount rates used in valuing investments. Declining prepayment rates have a negative impact on the value of investments purchased at a significant discount since the recovery of that discount is delayed.

In the third quarter of 2018, both current interest rates and expected future interest rates generally increased. For instance, the 10-year treasury yield increased from 2.85% to 3.06%. With respect to our Non-Agency RMBS, which were generally purchased at a significant discount, while market interest rates increased, market credit spreads for these investments decreased, with the net result being an increase in value during the quarter.

The value of our MSRs and Excess MSRs is subject to a variety of factors, as described in “Quantitative and Qualitative Disclosures About Market Risk” and in “Risk Factors.” In the third quarter of 2018, the fair value of our direct investments in Excess MSRs and our share of the fair value of the Excess MSRs held through equity method investees decreased by approximately $6.5 million in the aggregate, primarily as a result of a decrease in recapture assumptions, while the weighted average discount rate of the portfolio remained unchanged at 8.8%. In addition, a decrease in prepayment rates due to an increase in interest rates and an increase in the custodial earnings rate, partially offset by lower recapture assumptions caused the fair value of our MSRs, including MSR financing receivables, to increase by approximately $4.9 million during the period.

Changes in interest rates did not have a meaningful impact on the net interest spread of our Agency and Non-Agency RMBS portfolios. Our RMBS are primarily floating rate or hybrid (i.e., fixed to floating rate) securities, which we generally finance with floating rate debt, or are economically hedged with respect to interest rates. Therefore, while rising interest rates will generally result in a higher cost of financing, they will also result in a higher coupon payable on the securities. The net interest spread on our Agency RMBS portfolio as of September 30, 2018 was 1.58%, compared to 1.25% as of June 30, 2018. The spread changed primarily as a result of higher yields from new securities purchased partially offset by increased funding costs during the third quarter of 2018. The net interest spread on our Non-Agency RMBS portfolio as of September 30, 2018 was 2.18%, compared to 2.50% as of June 30, 2018. This spread changed primarily to lower yields on securities owned and new securities purchased partially offset by decreased funding costs during the third quarter of 2018.

General U.S. Economy and Unemployment

In the last twelve months, the U.S. unemployment rate generally continued to decline and equity market prices trended up, signaling a general improvement in the U.S. economy. In our view, an improvement in the economy, as demonstrated through such measures, generally improves the value of housing and the ability of borrowers to make payments on their loans, thereby decreasing delinquencies and defaults on residential mortgage loans, consumer loans and RMBS. This relationship held true as the Case Shiller Home Price Index increased from 203 as of the third quarter of 2017 to 214 as of the third quarter of 2018. In addition, according to CoreLogic, the total number of mortgaged residential properties with negative equity stood at 2.2 million, or 4.3 percent, as of the second quarter of 2018, down from 4.7 percent, as of the first quarter of 2018. This trend has helped to support the values of our residential mortgage loans, consumer loans and RMBS.

Credit Spreads

Corporate credit spreads, which generally have an impact on the value of yield driven financial instruments (e.g., RMBS and loan portfolios), were flat during the third quarter of 2018. While a useful market proxy, corporate credit spreads are not necessarily indicative or directly correlated to mortgage credit spreads, which tightened during the quarter. Collateral performance, market liquidity, mortgage credit spreads and other factors related specifically to certain investments within our mortgage securities and loan portfolio caused a slight increase to the value of the portion of this portfolio that was owned for the entire quarter.

For more information regarding these and other market factors which impact our portfolio, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

Our Manager

On December 27, 2017, SoftBank Group Corp. ("SoftBank") announced that it completed its previously announced acquisition of Fortress (the "SoftBank Merger"). In connection with the SoftBank Merger, Fortress operates within SoftBank as an independent business headquartered in New York.

OUR PORTFOLIO

Our portfolio is currently composed of mortgage servicing related assets, residential securities and loans and other investments, as described in more detail below. The assets in our portfolio are described in more detail below (dollars in thousands), as of September 30, 2018.

	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Weighted Average Life (years)(A)
Investments in:					
Excess MSRs(B)	$156,293,738	$482,650	2.3 %	$622,000	6.2
MSRs(B)	246,949,863	2,390,079	11.5 %	2,872,004	6.6
Mortgage Servicing Rights Financing Receivables(B) (C)	135,529,647	1,351,372	6.5 %	1,681,072	6.7
Servicer Advance Investments(B) (D)	637,102	783,141	3.6 %	799,936	5.9
Agency RMBS(E)	2,653,034	2,678,375	12.9 %	2,673,863	9.8
Non-Agency RMBS(E)	17,980,244	8,491,714	41.0 %	8,976,394	7.1
Residential Mortgage Loans	3,483,808	3,320,429	16.0 %	3,297,489	7.8
Real Estate Owned	N/A	124,568	0.6 %	115,160	—
Consumer Loans	1,142,058	1,145,177	5.6 %	1,140,769	3.5
Consumer Loans, Equity Method Investees	85,424	N/A	N/A	44,787	1.2
Total/Weighted Average		$20,767,505	100.0 %	$22,223,474	7.1
Reconciliation to GAAP total assets:					
Cash and restricted cash				485,897	
Residential mortgage loans subject to repurchase				110,181	
Servicer advances receivable				3,217,121	
Trades receivable				3,424,865	
Other assets				629,231	
GAAP total assets				$30,090,769	

(A) Weighted average life is based on the timing of expected principal reduction on the asset.
(B) The outstanding face amount of Excess MSRs, MSRs, Mortgage Servicing Rights Financing Receivables, and Servicer Advance Investments is based on 100% of the face amount of the underlying residential mortgage loans and currently outstanding advances, as applicable.
(C) Includes certain MSRs where our subsidiary, NRM, is the named servicer.
(D) The value of our Servicer Advance Investments also includes the rights to a portion of the related MSR.
(E) Amortized cost basis is net of impairment.

Servicing Related Assets

MSRs and Mortgage Servicing Rights Financing Receivables

As of September 30, 2018, we had $4.6 billion carrying value of MSRs and mortgage servicing rights financing receivables within our servicer subsidiary, NRM.

NRM has contracted with certain subservicers to perform the related servicing duties on the residential mortgage loans underlying its MSRs. As of September 30, 2018, these subservicers include Nationstar, Ocwen, Ditech, PHH, and

Flagstar, which subservice 25.7%, 24.0%, 21.8%, 11.5%, and 0.6% of the underlying UPB of the related mortgages, respectively (includes both Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables). NRM has entered into agreements with Ditech, Nationstar, PHH, and Ocwen whereby NRM is entitled to the MSR on any refinancing by such subservicer of a loan in the related original portfolio.

The table below summarizes our investments in MSRs and mortgage servicing rights financing receivables as of September 30, 2018.

	Current UPB (bn)	Weighted Average MSR (bps)		Carrying Value (mm)
Mortgage Servicing Rights				
Agency	$215.0	26	bps	$2,479.7
Non-Agency	2.1	26		20.6
Ginnie Mae	29.9	34		371.7
Mortgage Servicing Rights Financing Receivables				
Agency	44.0	27		467.6
Non-Agency	91.5	45		1,213.5
Total	$382.5	31	bps	$4,553.1

The following table summarizes the collateral characteristics of the loans underlying our investments in MSRs and mortgage servicing rights financing receivables as of September 30, 2018 (dollars in thousands):

	Collateral Characteristics											
	Current Carrying Amount	Current Principal Balance	Number of Loans	WA FICO Score[A]	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %[B]	Three Month Average CPR[C]	Three Month Average CRR[D]	Three Month Average CDR[E]	Three Month Average Recapture Rate
Mortgage Servicing Rights												
Agency	$2,479,734	$214,959,796	1,408,271	744	4.3 %	264	64	3.1 %	11.3 %	10.9 %	0.2 %	15.3 %
Non-Agency	20,555	2,056,930	4,264	759	3.9 %	309	37	6.2 %	6.2 %	0.4 %	5.9 %	4.8 %
Ginnie Mae	371,715	29,933,137	141,512	685	3.7 %	326	29	7.8 %	13.3 %	12.9 %	0.5 %	6.8 %
Mortgage Servicing Rights Financing Receivables												