New Residential Investment Corp.
Form 10-Q
May 02, 2019

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us-gaap:SecuritiesSoldUnderAgreementsToRepurchaseMember 2019-01-01 2019-03-31 0001556593
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nrz:NonAgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember
us-gaap:MeasurementInputPrepaymentRateMember nrz:GinnieMaeMember 2019-03-31 0001556593
srt:WeightedAverageMember nrz:DirectlyHeldMember nrz:RecapturedPoolsMember

us-gaap:MeasurementInputExpectedTermMember nrz:NonAgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 nrz:MortgageServicingRightsFinancingReceivableMember us-gaap:MeasurementInputPrepaymentRateMember nrz:NonAgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember us-gaap:MeasurementInputPrepaymentRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 srt:WeightedAverageMember nrz:HeldthroughEquityMethodInvesteesMember nrz:RecapturedPoolsMember us-gaap:MeasurementInputExpectedTermMember us-gaap:AgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember nrz:RecapturedPoolsMember us-gaap:MeasurementInputDefaultRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 srt:WeightedAverageMember nrz:DirectlyHeldMember nrz:OriginalPoolsMember us-gaap:MeasurementInputExpectedTermMember nrz:NonAgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember nrz:ExcessMSRsSegmentMember nrz:MeasurementInputRecaptureRateMember 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember nrz:OriginalPoolsMember us-gaap:MeasurementInputDefaultRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember nrz:MeasurementInputRecaptureRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:OriginalPoolsMember us-gaap:MeasurementInputDefaultRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsFinancingReceivableMember us-gaap:MeasurementInputDefaultRateMember nrz:NonAgencySecuritiesMember 2019-03-31 0001556593 srt:WeightedAverageMember nrz:MortgageServicingRightsMember us-gaap:MeasurementInputExpectedTermMember nrz:NonAgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:RecapturedPoolsMember nrz:MeasurementInputRecaptureRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember us-gaap:MeasurementInputDefaultRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 srt:WeightedAverageMember nrz:HeldthroughEquityMethodInvesteesMember nrz:OriginalPoolsMember us-gaap:MeasurementInputExpectedTermMember us-gaap:AgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputPrepaymentRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 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nrz:DirectlyHeldMember nrz:OriginalPoolsMember nrz:MeasurementInputRecaptureRateMember nrz:NonAgencySecuritiesMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:ExcessMSRsSegmentMember nrz:MeasurementInputRecaptureRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember nrz:RecapturedPoolsMember nrz:MeasurementInputRecaptureRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember nrz:MeasurementInputRecaptureRateMember nrz:GinnieMaeMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:RecapturedPoolsMember us-gaap:MeasurementInputDefaultRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:RecapturedPoolsMember us-gaap:MeasurementInputPrepaymentRateMember nrz:NonAgencySecuritiesMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputDefaultRateMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 srt:WeightedAverageMember nrz:ExcessMSRsSegmentMember us-gaap:MeasurementInputExpectedTermMember 2019-01-01 2019-03-31 0001556593 srt:WeightedAverageMember nrz:MortgageServicingRightsMember us-gaap:MeasurementInputExpectedTermMember us-gaap:AgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:IRLCsMember 2019-03-31 0001556593 nrz:MortgageBackedSecuritiesIssuedMember us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001556593 nrz:MortgageBackedSecuritiesIssuedMember 2019-03-31 0001556593 nrz:ServicerAdvancesFairValueMember 2019-03-31 0001556593 srt:WeightedAverageMember nrz:ServicerAdvancesFairValueMember us-gaap:MeasurementInputExpectedTermMember 2019-01-01 2019-03-31 0001556593 nrz:ServicerAdvancesFairValueMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 nrz:ServicerAdvancesFairValueMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 nrz:ServicerAdvancesFairValueMember us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001556593 nrz:SingleQuoteMember 2019-03-31 0001556593 nrz:MultipleQuotesMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel2Member us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember nrz:SingleQuoteMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember nrz:MultipleQuotesMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel2Member us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember nrz:MultipleQuotesMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel2Member us-gaap:MortgageBackedSecuritiesIssuedByUSGovernmentSponsoredEnterprisesMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember nrz:SingleQuoteMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:MortgageBackedSecuritiesIssuedMember 2019-01-01 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:ExcessSpreadFinancingMember 2019-01-01 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:ContingentConsiderationMember 2019-01-01 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:MortgageBackedSecuritiesIssuedMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:ContingentConsiderationMember 2018-12-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:ExcessSpreadFinancingMember 2018-12-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:ExcessSpreadFinancingMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:MortgageBackedSecuritiesIssuedMember 2018-12-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember nrz:ContingentConsiderationMember 2019-03-31 0001556593 us-gaap:CarryingReportedAmountFairValueDisclosureMember us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel3Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel2Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001556593 us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsRecurringMember 2019-03-31 0001556593 us-gaap:FairValueInputsLevel1Member us-gaap:EstimateOfFairValueFairValueDisclosureMember us-gaap:FairValueMeasurementsRecurringMember

2019-03-31 0001556593 srt:MinimumMember 2019-03-31 0001556593
nrz:ResidentialMortgageBackedSecuritiesLoanMember us-gaap:FairValueMeasurementsNonrecurringMember
2019-03-31 0001556593 nrz:MortgageServicingRightsFinancingReceivableMember
us-gaap:LondonInterbankOfferedRateLIBORMember 2019-01-01 2019-03-31 0001556593
us-gaap:FairValueMeasurementsNonrecurringMember 2019-03-31 0001556593
nrz:LoansHeldforsaleAndHeldForInvestmentMember 2019-01-01 2019-03-31 0001556593
srt:WeightedAverageMember nrz:NonAgencySecuritiesMember 2019-01-01 2019-03-31 0001556593
srt:MaximumMember 2019-03-31 0001556593 us-gaap:RealEstateAcquiredInSatisfactionOfDebtMember
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nrz:GinnieMaeMember 2019-01-01 2019-03-31 0001556593 nrz:RealEstateOwnedMember 2019-01-01 2019-03-31
0001556593 nrz:ShellpointAcquisitionMember 2018-09-20 2018-09-20 0001556593 srt:WeightedAverageMember
us-gaap:AgencySecuritiesMember 2019-01-01 2019-03-31 0001556593 nrz:SellerMember nrz:SingleQuoteMember
2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:RecaptureAgreementMember
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nrz:MortgageServicingRightsFinancingReceivableMember nrz:ServicingAmountPercentMember
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nrz:OriginalPoolsMember nrz:ServicingAmountPercentMember us-gaap:AgencySecuritiesMember 2019-03-31
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us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember
nrz:ServicingAmountPercentMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593
nrz:HeldthroughEquityMethodInvesteesMember nrz:RecapturedPoolsMember nrz:ServicingAmountPercentMember
us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:MortgageServicingRightsMember
nrz:ServicingAmountPercentMember nrz:NonAgencySecuritiesMember 2019-03-31 0001556593
nrz:DirectlyHeldMember nrz:ExcessMSRsSegmentMember nrz:ServicingAmountPercentMember 2019-03-31
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us-gaap:AgencySecuritiesMember 2019-03-31 0001556593 nrz:DirectlyHeldMember nrz:RecapturedPoolsMember
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nrz:DirectlyHeldMember nrz:RecapturedPoolsMember nrz:ServicingAmountPercentMember
nrz:NonAgencySecuritiesMember 2019-03-31 0001556593 nrz:HeldthroughEquityMethodInvesteesMember
nrz:ExcessMSRsSegmentMember nrz:ServicingAmountPercentMember 2019-03-31 0001556593
nrz:HeldthroughEquityMethodInvesteesMember nrz:RecaptureAgreementMember
nrz:ServicingAmountPercentMember us-gaap:AgencySecuritiesMember 2019-03-31 0001556593
nrz:ExcessMSRsSegmentMember nrz:ServicingAmountPercentMember 2019-03-31 0001556593
nrz:MortgageServicingRightsMember nrz:ServicingAmountPercentMember nrz:GinnieMaeMember 2019-03-31
0001556593 srt:MinimumMember nrz:MortgageBackedSecuritiesIssuedMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 srt:MinimumMember
nrz:MortgageBackedSecuritiesIssuedMember us-gaap:MeasurementInputDiscountRateMember 2019-03-31
0001556593 srt:MaximumMember nrz:MortgageBackedSecuritiesIssuedMember
us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 srt:MaximumMember
nrz:MortgageBackedSecuritiesIssuedMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31
0001556593 srt:MaximumMember nrz:MortgageBackedSecuritiesIssuedMember
us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001556593 srt:MinimumMember
nrz:MortgageBackedSecuritiesIssuedMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31
0001556593 nrz:ServicerAdvancesFairValueMember 2019-01-01 2019-03-31 0001556593 srt:MinimumMember
nrz:IRLCsMember nrz:MeasurementInputTypeLoanFundingProbabilityMember 2019-03-31 0001556593

srt:MinimumMember nrz:IRLCsMember nrz:MeasurementInputTypeInitialServicingRightsMember 2019-03-31 0001556593 srt:MaximumMember nrz:IRLCsMember nrz:MeasurementInputTypeLoanFundingProbabilityMember 2019-03-31 0001556593 srt:MaximumMember nrz:IRLCsMember nrz:MeasurementInputTypeInitialServicingRightsMember 2019-03-31 0001556593 nrz:ResidentialMortgageLoansHeldforInvestmentAtFairValueMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputPrepaymentRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputDefaultRateMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputDiscountRateMember 2019-03-31 0001556593 srt:MinimumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001556593 srt:MaximumMember us-gaap:FinancialAssetOriginatedMember nrz:ResidentialMortgageLoansHeldforSaleAtFairValueMember us-gaap:MeasurementInputLossSeverityMember 2019-03-31 0001556593 us-gaap:DirectorMember 2019-03-31 0001556593 us-gaap:OtherAffiliatesMember 2019-03-31 0001556593 us-gaap:ManagementMember 2019-03-31 0001556593 nrz:ManagementEmployeesMember 2019-03-31 0001556593 nrz:A2018Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-03-31 0001556593 us-gaap:StockOptionMember us-gaap:DirectorMember 2019-03-31 0001556593 nrz:A2019Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-01-01 2019-03-31 0001556593 nrz:A2016Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-03-31 0001556593 nrz:A2019Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-03-31 0001556593 nrz:A2016Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-01-01 2019-03-31 0001556593 nrz:A2018Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-01-01 2019-03-31 0001556593 us-gaap:StockOptionMember us-gaap:DirectorMember 2019-01-01 2019-03-31 0001556593 nrz:A2017Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-03-31 0001556593 nrz:A2017Member us-gaap:StockOptionMember nrz:ManagerOneMember 2019-01-01 2019-03-31 0001556593 2019-02-01 2019-02-28 0001556593 2019-03-25 2019-03-25 0001556593 2019-02-28 0001556593 nrz:OptionsGrantedin2017Member 2019-03-31 0001556593 nrz:OptionsGrantedin2016Member 2019-03-31 0001556593 nrz:OptionsGrantedIn2018Member 2019-03-31 0001556593 nrz:OptionsAssignedMember 2019-03-31 0001556593 srt:MinimumMember nrz:OptionsGrantedIn2018Member 2019-03-31 0001556593 srt:MaximumMember nrz:OptionsGrantedIn2018Member 2019-03-31 0001556593 nrz:ConsumerLoanCompaniesMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-03-31 0001556593 nrz:NewPennMortgageCorporationMember 2019-03-31 0001556593 nrz:ManagerMember 2018-01-01 2018-03-31 0001556593 nrz:ManagerMember 2019-01-01 2019-03-31 0001556593 nrz:ManagerMember 2019-03-31 0001556593 nrz:ManagerMember 2018-12-31 0001556593 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0001556593 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-03-31 0001556593 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember 2018-01-01 2018-03-31 0001556593 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetInvestmentGainLossIncludingPortionAttributableToNoncontrollingInterestMember 2019-01-01 2019-03-31 0001556593 us-gaap:SubsequentEventMember 2019-04-26 2019-04-26 iso4217:USD xbrli:pure iso4217:USD xbrli:shares nrz:earnout_payment xbrli:shares nrz:bond nrz:security nrz:loan nrz:trust nrz:investor nrz:agreement iso4217:USD nrz:Loan nrz:source

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

# FORM 10-Q

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

For the quarterly period ended March 31, 2019

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) N/A

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 Regulation 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.

| | | |
|---|---|---|
| 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.

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class: | Trading Symbol: | Name of each exchange on which registered: |
|---|---|---|
| Common Stock, $0.01 par value per share | NRZ | New York Stock Exchange (NYSE) |

**Common stock, $0.01 par value per share: 415,429,677 shares outstanding as of May 1, 2019.**

**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**

**INDEX**

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
## CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

| | March 31, 2019 (Unaudited) | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Investments in: | | |
| Excess mortgage servicing rights, at fair value | $ 436,137 | $ 447,860 |
| Excess mortgage servicing rights, equity method investees, at fair value | 143,200 | 147,964 |
| Mortgage servicing rights, at fair value | 3,017,453 | 2,884,100 |
| Mortgage servicing rights financing receivables, at fair value | 1,717,872 | 1,644,504 |
| Servicer advance investments, at fair value(A) | 697,628 | 735,846 |
| Real estate and other securities, available-for-sale | 9,747,450 | 11,636,581 |
| Residential mortgage loans, held-for-investment (includes $119,512 and $121,088 at fair value at March 31, 2019 and December 31, 2018, respectively)(A) | 672,350 | 735,329 |
| Residential mortgage loans, held-for-sale | 997,164 | 932,480 |
| Residential mortgage loans, held-for-sale, at fair value | 3,204,322 | 2,808,529 |
| Real estate owned | 109,154 | 113,410 |
| Residential mortgage loans subject to repurchase | 140,135 | 121,602 |
| Consumer loans, held-for-investment(A) | 1,005,660 | 1,072,202 |
| Consumer loans, equity method investees | 51,528 | 38,294 |
| Cash and cash equivalents(A) | 340,911 | 251,058 |
| Restricted cash | 168,128 | 164,020 |
| Servicer advances receivable | 3,036,692 | 3,277,796 |
| Trades receivable | 7,049,723 | 3,925,198 |
| Deferred tax asset, net | 17,719 | 65,832 |
| Other assets | 856,342 | 688,408 |
| | $ 33,409,568 | $ 31,691,013 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Repurchase agreements | $ 18,441,806 | $ 15,553,969 |
| Notes and bonds payable (includes $116,124 and $117,048 at fair value at March 31, 2019 and December 31, 2018, respectively)(A) | 6,952,102 | 7,102,266 |
| Trades payable | 206,638 | 2,048,348 |
| Residential mortgage loans repurchase liability | 140,135 | 121,602 |
| Due to affiliates | 27,885 | 101,471 |
| Dividends payable | 207,715 | 184,552 |
| Accrued expenses and other liabilities(A) | 521,078 | 490,510 |
| | 26,497,359 | 25,602,718 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 415,429,677 and 369,104,429 issued and outstanding at March 31, 2019 and December 31, 2018, respectively | 4,155 | 3,692 |
| Additional paid-in capital | 5,497,838 | 4,746,242 |
| Retained earnings | 768,592 | 830,713 |
| Accumulated other comprehensive income (loss) | 551,696 | 417,023 |

| | | |
|---|---|---|
| Total New Residential stockholders’ equity | 6,822,281 | 5,997,670 |
| Noncontrolling interests in equity of consolidated subsidiaries | 89,928 | 90,625 |
| Total Equity | 6,912,209 | 6,088,295 |
| | $ 33,409,568 | $ 31,691,013 |

1

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

(A) New Residential's Condensed Consolidated Balance Sheets include the assets and liabilities of certain consolidated VIEs, Advance Purchaser LLC (the "Buyer") (Note 6), the RPL Borrowers (defined in Note 8), 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, the RPL Borrowers, SAFT 2013-1, Shelter JVs and the Consumer Loan SPVs are included in Notes 6, 8 and 9, respectively. The creditors of the Buyer, the RPL Borrowers, 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, the RPL Borrowers, 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 March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Interest income | $438,867 | $ 383,573 |
| Interest expense | 212,832 | 124,387 |
| **Net Interest Income** | 226,035 | 259,186 |
| | | |
| **Impairment** | | |
| Other-than-temporary impairment (OTTI) on securities | 7,516 | 6,670 |
| Valuation and loss provision (reversal) on loans and real estate owned (REO) | 5,280 | 19,007 |
| | 12,796 | 25,677 |
| | | |
| **Net interest income after impairment** | 213,239 | 233,509 |
| Servicing revenue, net | 165,853 | 217,236 |
| Gain on sale of originated mortgage loans, net | 43,984 | — |
| **Other Income** | | |
| Change in fair value of investments in excess mortgage servicing rights | 4,627 | (45,691) |
| Change in fair value of investments in excess mortgage servicing rights, equity method investees | 2,612 | 523 |
| Change in fair value of investments in mortgage servicing rights financing receivables | (36,379) | 271,076 |
| Change in fair value of servicer advance investments | 7,903 | (79,476) |
| Change in fair value of investments in residential mortgage loans | 14,563 | — |
| Change in fair value of derivative instruments | (23,767) | 2,446 |
| Gain (loss) on settlement of investments, net | (27,323) | 103,302 |
| Earnings from investments in consumer loans, equity method investees | 4,311 | 4,806 |
| Other income (loss), net | 12,673 | 7,538 |
| | (40,780) | 264,524 |
| | | |
| **Operating Expenses** | | |
| General and administrative expenses | 98,940 | 20,007 |
| Management fee to affiliate | 17,960 | 15,110 |
| Incentive compensation to affiliate | 12,958 | 14,589 |
| Loan servicing expense | 9,603 | 11,514 |
| Subservicing expense | 40,926 | 46,597 |
| | 180,387 | 107,817 |
| | | |
| **Income Before Income Taxes** | 201,909 | 607,452 |
| Income tax expense (benefit) | 45,997 | (6,912) |
| **Net Income** | $155,912 | $ 614,364 |
| **Noncontrolling Interests in Income of Consolidated Subsidiaries** | $10,318 | $ 10,111 |
| **Net Income Attributable to Common Stockholders** | $145,594 | $ 604,253 |
| | | |
| **Net Income Per Share of Common Stock** | | |
| Basic | $0.37 | $ 1.83 |
| Diluted | $0.37 | $ 1.81 |

| | | |
|---|---|---|
| **Weighted Average Number of Shares of Common Stock Outstanding** | | |
| Basic | 388,279,931 | 330,384,856 |
| Diluted | 388,601,075 | 333,380,436 |
| **Dividends Declared per Share of Common Stock** | $ 0.50 | $ 0.50 |

See notes to condensed consolidated financial statements.

3

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Comprehensive income (loss), net of tax | | |
| Net income | $155,912 | $614,364 |
| Other comprehensive income (loss) | | |
| Net unrealized gain (loss) on securities | 192,353 | 18,976 |
| Reclassification of net realized (gain) loss on securities into earnings | (57,680) | 35,897 |
| | 134,673 | 54,873 |
| Total comprehensive income | $290,585 | $669,237 |
| Comprehensive income attributable to noncontrolling interests | $10,318 | $10,111 |
| Comprehensive income attributable to common stockholders | $280,267 | $659,126 |

See notes to condensed consolidated financial statements.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
(dollars in thousands)

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Additional Paid-in Capital** | **Retained Earnings** | **Accumulated Other Comprehensive Income** | **Total New Residential Stockholders' Equity** | **Noncontrolling Interests in Equity of Consolidated Subsidiaries** | **Total Equity** |
| **Equity - December 31, 2018** | 369,104,429 | $ 3,692 | $ 4,746,242 | $ 830,713 | $ 417,023 | $ 5,997,670 | $ 90,625 | $ 6,088,295 |
| Dividends declared | — | — | — | (207,715 ) | — | (207,715 ) | — | (207,715 ) |
| Capital contributions | — | — | — | — | — | — | — | — |
| Capital distributions | — | — | — | — | — | — | (11,015 ) | (11,015 ) |
| Issuance of common stock | 46,000,000 | 460 | 751,199 | — | — | 751,659 | — | 751,659 |
| Option exercise | 297,096 | 3 | (3 ) | — | — | — | — | — |
| Purchase of noncontrolling interests in the Buyer | — | — | — | — | — | — | — | — |
| Other dilution | — | — | — | — | — | — | — | — |
| Director share grants | 28,152 | — | 400 | — | — | 400 | — | 400 |
| Comprehensive income (loss) | | | | | | | | |
| Net income (loss) | — | — | — | 145,594 | — | 145,594 | 10,318 | 155,912 |
| Net unrealized gain (loss) on securities | — | — | — | — | 192,353 | 192,353 | — | 192,353 |
| Reclassification of net realized (gain) loss on securities into earnings | — | — | — | — | (57,680 ) | (57,680 ) | — | (57,680 ) |
| Total comprehensive income (loss) | | | | | | 280,267 | 10,318 | 290,585 |
| **Equity - March 31, 2019** | 415,429,677 | $ 4,155 | $ 5,497,838 | $ 768,592 | $ 551,696 | $ 6,822,281 | $ 89,928 | $ 6,912,209 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED), CONTINUED**
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**
(dollars in thousands)

| | Common Stock | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Additional Paid-in Capital** | **Retained Earnings** | **Accumulated Other Comprehensive Income** | **Total New Residential Stockholders' Equity** | **Noncontrolling Interests in Equity of Consolidated Subsidiaries** | **Total Equity** |
| **Equity - December 31, 2017** | 307,361,309 | $ 3,074 | $ 3,763,188 | $ 559,476 | $ 364,467 | $ 4,690,205 | $ 105,957 | $ 4,796,162 |
| Dividends declared | — | — | — | (168,068 ) | — | (168,068 ) | — | (168,068 ) |
| Capital contributions | — | — | — | — | — | — | — | — |
| Capital distributions | — | — | — | — | — | — | (18,317 ) | (18,317 ) |
| Issuance of common stock | 28,750,000 | 288 | 481,965 | — | — | 482,253 | — | 482,253 |
| Director share grants | 24,082 | — | 420 | — | — | 420 | — | 420 |
| Comprehensive income (loss) | | | | | | | | |
| Net income (loss) | — | — | — | 604,253 | — | 604,253 | 10,111 | 614,364 |
| Net unrealized gain (loss) on securities | — | — | — | — | 18,976 | 18,976 | — | 18,976 |
| Reclassification of net realized (gain) loss on securities into earnings | — | — | — | — | 35,897 | 35,897 | — | 35,897 |
| Total comprehensive income (loss) | | | | | | 659,126 | 10,111 | 669,237 |
| **Equity - March 31, 2018** | 336,135,391 | $ 3,362 | $ 4,245,573 | $ 995,661 | $ 419,340 | $ 5,663,936 | $ 97,751 | $ 5,761,687 |

See notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Cash Flows From Operating Activities** | | |
| Net income | $155,912 | $614,364 |
| 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 | (4,627) | 45,691 |
| Change in fair value of investments in excess mortgage servicing rights, equity method investees | (2,612) | (523) |
| Change in fair value of investments in mortgage servicing rights financing receivables | 36,379 | (271,076) |
| Change in fair value of servicer advance investments | (7,903) | 79,476 |
| Change in fair value of residential mortgage loans, at fair value, and notes and bonds payable, at fair value | (13,426) | — |
| (Gain) / loss on settlement of investments (net) | 27,323 | (103,302) |
| (Gain) / loss on sale of originated mortgage loans (net) | (43,984) | — |
| Earnings from investments in consumer loans, equity method investees | (4,311) | (4,806) |
| Unrealized (gain) / loss on derivative instruments | 23,767 | (2,446) |
| Changes in fair value of contingent consideration | 2,045 | — |
| Unrealized (gain) / loss on other ABS | (6,679) | 313 |
| (Gain) / loss on transfer of loans to REO | (4,984) | (4,170) |
| (Gain) / loss on transfer of loans to other assets | 521 | (55) |
| (Gain) / loss on Excess MSR recapture agreements | (307) | (2,905) |
| (Gain) / loss on Ocwen common stock | (2,786) | (5,772) |
| Accretion and other amortization | (152,894) | (177,371) |
| Other-than-temporary impairment | 7,516 | 6,670 |
| Valuation and loss provision on loans and real estate owned | 5,280 | 19,007 |
| Non-cash portions of servicing revenue, net | 56,910 | (74,666) |
| Non-cash directors' compensation | 400 | 420 |
| Deferred tax provision | 46,331 | (9,056) |
| Changes in: | | |
| Servicer advances receivable | 241,531 | 189,207 |
| Other assets | (148,797) | (19,593) |
| Due to affiliates | (73,586) | (68,669) |
| Accrued expenses and other liabilities | (6,728) | 25,590 |
| Other operating cash flows: | | |
| Interest received from excess mortgage servicing rights | 5,327 | 9,702 |
| Interest received from servicer advance investments | 7,361 | 9,130 |
| Interest received from Non-Agency RMBS | 69,838 | 45,104 |
| Interest received from residential mortgage loans | 12,226 | 1,728 |
| Interest received from PCD consumer loans, held-for-investment | 8,329 | 7,190 |
| Distributions of earnings from excess mortgage servicing rights, equity method investees | 2,807 | 4,938 |
| Distributions of earnings from consumer loan equity method investees | 552 | 1,449 |
| Purchases of residential mortgage loans, held-for-sale | (1,328,148) | (494,207) |
| Origination of residential mortgage loans, held-for-sale | (2,010,029) | — |
| Proceeds from sales of purchased and originated residential mortgage loans, held-for-sale | 2,727,071 | 659,559 |
| Principal repayments from purchased residential mortgage loans, held-for-sale | 73,982 | 32,738 |
| Net cash provided by (used in) operating activities | (300,393) | 513,659 |

Continued on next page.

7

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Cash Flows From Investing Activities** | | |
| Purchase of servicer advance investments | (483,772) | (853,672) |
| Purchase of MSRs, MSR financing receivables and servicer advances receivable | (272,696) | (371,165) |
| Purchase of Agency RMBS | (6,971,839) | (1,116,130) |
| Purchase of Non-Agency RMBS | (249,520) | (461,358) |
| Purchase of residential mortgage loans | — | (194) |
| Purchase of real estate owned and other assets | (9,823) | (4,160) |
| Purchase of investment in consumer loans, equity method investees | (23,442) | (83,227) |
| Draws on revolving consumer loans | (15,241) | (8,020) |
| Payments for settlement of derivatives | (48,769) | (32,487) |
| Return of investments in excess mortgage servicing rights | 16,445 | 16,358 |
| Return of investments in excess mortgage servicing rights, equity method investees | 4,569 | 2,464 |
| Return of investments in consumer loans, equity method investees | 13,967 | 79,248 |
| Principal repayments from servicer advance investments | 529,616 | 752,663 |
| Principal repayments from Agency RMBS | 74,037 | 19,757 |
| Principal repayments from Non-Agency RMBS | 330,185 | 200,077 |
| Principal repayments from residential mortgage loans | 27,970 | 28,337 |
| Proceeds from sale of residential mortgage loans | 34,494 | 780 |
| Principal repayments from consumer loans | 68,948 | 62,805 |
| Proceeds from sale of mortgage servicing rights financing receivables | 6,913 | — |
| Proceeds from sale of Agency RMBS | 3,911,838 | 1,876,403 |
| Proceeds from sale of Non-Agency RMBS | 228,000 | — |
| Proceeds from settlement of derivatives | 36,362 | 77,165 |
| Proceeds from sale of real estate owned | 38,825 | 30,598 |
| Net cash provided by (used in) investing activities | (2,752,933) | 216,242 |

Continued on next page.

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

| | Three Months Ended March 31, 2019 | 2018 |
|---|---|---|
| **Cash Flows From Financing Activities** | | |
| Repayments of repurchase agreements | (40,803,763) | (16,316,397) |
| Margin deposits under repurchase agreements and derivatives | (841,807) | (309,178) |
| Repayments of notes and bonds payable | (2,210,352) | (2,556,961) |
| Payment of deferred financing fees | (115) | (7,109) |
| Common stock dividends paid | (184,552) | (153,681) |
| Borrowings under repurchase agreements | 43,688,820 | 15,286,068 |
| Return of margin deposits under repurchase agreements and derivatives | 701,370 | 321,626 |
| Borrowings under notes and bonds payable | 2,057,042 | 2,508,665 |
| Issuance of common stock | 752,112 | 482,696 |
| Costs related to issuance of common stock | (453) | (442) |
| Noncontrolling interest in equity of consolidated subsidiaries - contributions | — | — |
| Noncontrolling interest in equity of consolidated subsidiaries - distributions | (11,015) | (18,317) |
| Purchase of noncontrolling interests | — | — |
| Net cash provided by (used in) financing activities | 3,147,287 | (763,030) |
| | | |
| **Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash** | 93,961 | (33,129) |
| | | |
| **Cash, Cash Equivalents, and Restricted Cash, Beginning of Period** | 415,078 | 446,050 |
| | | |
| **Cash, Cash Equivalents, and Restricted Cash, End of Period** | $509,039 | $412,921 |
| | | |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid during the period for interest | $194,241 | $124,748 |
| Cash paid during the period for income taxes | 79 | 335 |
| | | |
| **Supplemental Schedule of Non-Cash Investing and Financing Activities** | | |
| Dividends declared but not paid | $207,715 | $168,068 |
| Purchase of Agency and Non-Agency RMBS, settled after quarter end | 206,638 | 1,116,948 |
| Sale of investments, primarily Agency RMBS, settled after quarter end | 7,049,723 | 1,083,558 |
| Transfer from residential mortgage loans to real estate owned and other assets | 29,058 | 18,228 |
| Transfer from residential mortgage loans, held-for-investment to residential mortgage loans, held-for-sale | 33,134 | — |
| Non-cash distributions from LoanCo | — | 12,613 |
| MSR purchase price holdback | (289) | 174 |
| Shellpoint Acquisition purchase price holdback | — | — |
| Shellpoint Acquisition contingent consideration | — | — |
| Real estate securities retained from loan securitizations | 96,799 | 75,950 |
| Residential mortgage loans subject to repurchase | 140,135 | — |
| Ocwen transaction (Note 5) - excess mortgage servicing rights | — | 638,567 |
| Ocwen transaction (Note 5) - servicer advance investments | — | 3,175,891 |
| Ocwen transaction (Note 5) - mortgage servicing rights financing receivables, at fair value | — | 1,017,993 |

See notes to condensed consolidated financial statements.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 1. ORGANIZATION AND BASIS OF PRESENTATION

New Residential Investment Corp. (together with its subsidiaries, "New Residential") is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. 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.

As of March 31, 2019, 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 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, as of March 31, 2019. In addition, Fortress, through its affiliates, held options relating to approximately 8.8 million shares of New Residential's common stock as of March 31, 2019.

### *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, 2018 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, 2018. Certain prior period amounts have been reclassified to conform to the current period's presentation.

***Recent Accounting Pronouncements***

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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 did not have a material impact on the condensed consolidated financial statements (see Notes 2 and 14 for details).

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.

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 cash 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. The contingent consideration will be subsequently measured at fair value on a quarterly basis with changes in fair value recorded in other income.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 months ended March 31, 2019 and represent $110.6 million and $38.9 million of revenue and net income, respectively.

The acquisition date fair value of the consideration transferred includes $212.3 million in cash consideration, $39.3 million in contingent consideration and $173.9 million in effective settlement of preexisting relationships. The total consideration is summarized as follows:

| **Total Consideration (in millions)** | **Amount** |
|---|---|
| Cash Consideration | $ 212.3 |
| Earnout Payment(A) | 39.3 |
| Effective Settlement of Preexisting Relationships(B) | 173.9 |
| **Total Consideration** | **$ 425.5** |

(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 $39.3 million. This amount excludes contingent payments to the long-term employee incentive plans that require continuing employment and are 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 of March 31, 2019, the contingent consideration had a fair value of $42.9 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

New Residential has performed an allocation of the total consideration of $425.5 million to Shellpoint's assets and liabilities, as set forth below. The final amount and allocation of total consideration reflects certain measurement period adjustments identified during the fourth quarter of 2018.

| | |
|---|---|
| **Total Consideration ($ in millions)** | **$425.5** |
| **Assets** | |
| Cash and cash equivalents | $79.2 |
| 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(B) | 18.4 |
| Other assets | 81.5 |
| **Total Assets Acquired** | **$1,210.5** |
| | |
| **Liabilities** | |
| Repurchase agreements | $439.6 |
| Notes and bonds payable | 20.7 |
| 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 | 50.6 |
| **Total Liabilities Assumed** | **$801.3** |
| | |
| **Noncontrolling Interest** | **$8.3** |
| | |
| **Net Assets** | **$400.9** |
| | |
| **Goodwill** | **$24.6** |

(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.

(B) Includes intangible assets in the form of mortgage origination and servicing licenses, internally developed software and a tradename. New Residential determined that mortgage origination and servicing licenses have an indefinite useful life and will be evaluated for impairment given no legal, regulatory, contractual, competitive or economic factors that would limit the useful life. Internally developed software and tradenames will be amortized over finite useful lives of five years and six months, respectively, based on the expected software development timeline and New Residential's determination of the time to change a tradename with limited value.

The goodwill of $24.6 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 $24.6 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. Based on New Residential's assessment performed, there were no indicators of impairment as of March 31, 2019.

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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

***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 months ended March 31, 2019 and 2018 prepared as if the Shellpoint Acquisition had been consummated on January 1, 2018.

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Pro Forma** | | |
| Servicing and Originations Revenue | $209,748 | $217,236 |
| Income Before Income Taxes | 193,261 | 614,598 |

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, 2018.

## 2. OTHER INCOME, GENERAL AND ADMINISTRATIVE, OTHER ASSETS AND LIABILITIES

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Gain (loss) on sale of real estate securities, net | $65,196 | $(29,227) |
| Gain (loss) on sale of acquired residential mortgage loans, net | 17,534 | (14,651) |
| Gain (loss) on settlement of derivatives | (93,076) | 37,363 |
| Gain (loss) on liquidated residential mortgage loans | (996) | (385) |
| Gain (loss) on sale of REO | (1,725) | (2,800) |
| Gains on settlement of investments in excess MSRs and servicer advance investments | — | 113,002 |
| Other gains (losses) | (14,256) | — |
| | $(27,323) | $103,302 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Unrealized gain (loss) on other ABS | $6,679 | $(313) |
| Unrealized gain (loss) on notes and bonds payable | (1,137) | — |
| Unrealized gain (loss) on contingent consideration | (2,045) | — |

| | | |
|---|---|---|
| Gain (loss) on transfer of loans to REO | 4,984 | 4,170 |
| Gain (loss) on transfer of loans to other assets | (521) | 55 |
| Gain (loss) on Excess MSR recapture agreements | 307 | 2,905 |
| Gain (loss) on Ocwen common stock | 2,786 | 5,772 |
| Other income (loss) | 1,620 | (5,051) |
| | $12,673 | $7,538 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

General and Administrative Expenses is comprised of the following:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Compensation and benefits expense | $56,611 | $— |
| Legal and professional expense | 13,292 | 11,910 |
| Loan origination expense | 10,269 | — |
| Occupancy expense | 4,179 | — |
| Other[(A)] | 14,589 | 8,097 |
| | $98,940 | $20,007 |

(A) Represents miscellaneous general and administrative expenses.

Other assets and liabilities are comprised of the following:

| | Other Assets | | | Accrued Expenses and Other Liabilities | |
|---|---|---|---|---|---|
| | **March 31, 2019** | **December 31, 2018** | | **March 31, 2019** | **December 31, 2018** |
| Margin receivable, net[(A)] | $219,670 | $145,857 | MSR purchase price holdback | $100,304 | $100,593 |
| Servicing fee receivables | 124,695 | 105,563 | Accounts payable | 69,929 | 75,591 |
| Due from servicers | 110,940 | 95,261 | Derivative liabilities (Note 10) | 69,382 | 29,389 |
| Principal and interest receivable | 83,399 | 76,015 | Interest payable | 66,510 | 49,352 |
| Equity investment[(B)] | 74,249 | 74,323 | Due to servicers | 64,790 | 95,419 |
| Other receivables | 43,164 | 23,723 | Contingent Consideration | 42,887 | 40,842 |
| Goodwill | 24,645 | 24,645 | Excess spread financing, at fair value | 37,787 | 39,304 |
| Receivable from government agency[(C)] | 19,011 | 20,795 | Operating lease liability | 17,975 | — |
| Intangible assets | 18,866 | 18,708 | Reserve for sales recourse | 6,641 | 5,880 |
| Prepaid expenses | 18,786 | 29,165 | Other liabilities | 44,873 | 54,140 |
| Operating lease right-of-use asset | 17,975 | — | | $521,078 | $490,510 |
| Derivative assets (Note 10) | 14,783 | 10,893 | | | |
| Ocwen common stock, at fair value | 10,564 | 7,778 | | | |
| Other assets | 75,595 | 55,682 | | | |
| | $856,342 | $688,408 | | | |

(A) Represents collateral posted primarily as a result of changes in fair value of our 1) real estate securities securing our repurchase agreements and 2) derivative instruments.
(B) Represents an indirect equity investment in a commercial redevelopment project. The investment is accounted for at fair value based on the net asset value (“NAV”) of New Residential’s investment.
(C) Represents claims receivable from the FHA on EBO and reverse mortgage loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Accretion of servicer advances receivable discount and servicer advance investments | $7,511 | $77,640 |
| Accretion of excess mortgage servicing rights income | 5,115 | 9,359 |
| Accretion of net discount on securities and loans(A) | 141,586 | 92,708 |
| Amortization of deferred financing costs | (863) | (1,874) |
| Amortization of discount on notes and bonds payable | (455) | (462) |
| | $152,894 | $177,371 |

(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.

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** |
| **<u>Three Months Ended March 31, 2019</u>** | | | | | | |
| Interest income | $ 131,800 | $204,473 | $ 58,189 | $ 44,405 | $— | $438,867 |
| Interest expense | 66,486 | 101,300 | 35,851 | 9,195 | — | 212,832 |
| Net interest income (expense) | 65,314 | 103,173 | 22,338 | 35,210 | — | 226,035 |
| Impairment | — | 7,516 | (5,804) | 11,084 | — | 12,796 |
| Servicing revenue, net | 165,853 | — | — | — | — | 165,853 |
| Gain on sale of originated mortgage loans, net | 43,984 | — | — | — | — | 43,984 |
| Other income (loss) | (13,464) | (46,958) | 12,399 | 4,531 | 2,712 | (40,780) |
| Operating expenses | 126,842 | 1,189 | 9,320 | 7,427 | 35,609 | 180,387 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Income (Loss) Before Income Taxes | 134,845 | 47,510 | 31,221 | 21,230 | (32,897 ) | 201,909 |
| Income tax expense (benefit) | 39,374 | — | 6,544 | 79 | — | 45,997 |
| Net Income (Loss) | $ 95,471 | $ 47,510 | $ 24,677 | $ 21,151 | $ (32,897 ) | $ 155,912 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | $ 2,858 | $ — | $ — | $ 7,460 | $ — | $ 10,318 |
| Net income (loss) attributable to common stockholders | $ 92,613 | $ 47,510 | $ 24,677 | $ 13,691 | $ (32,897 ) | $ 145,594 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

| | Servicing and Originations | Residential Securities and Loans: Real Estate Securities | Residential Securities and Loans: Residential Mortgage Loans | Consumer Loans | Corporate | Total |
|---|---|---|---|---|---|---|
| **March 31, 2019** | | | | | | |
| Investments | $ 7,073,330 | $ 9,747,450 | $ 4,062,085 | $ 1,057,188 | $ — | $ 21,940,053 |
| Cash and cash equivalents | 256,617 | 6,771 | 3,879 | 14,344 | 59,300 | 340,911 |
| Restricted cash | 128,302 | — | — | 39,826 | — | 168,128 |
| Other assets | 3,330,929 | 7,236,001 | 153,418 | 62,916 | 152,567 | 10,935,831 |
| Goodwill | 24,645 | — | — | — | — | 24,645 |
| Total assets | $ 10,813,823 | $ 16,990,222 | $ 4,219,382 | $ 1,174,274 | $ 211,867 | $ 33,409,568 |
| Debt | $ 6,512,087 | $ 14,535,826 | $ 3,376,964 | $ 969,031 | $ — | $ 25,393,908 |
| Other liabilities | 470,905 | 317,701 | 58,237 | 16,573 | 240,035 | 1,103,451 |
| Total liabilities | 6,982,992 | 14,853,527 | 3,435,201 | 985,604 | 240,035 | 26,497,359 |
| Total equity | 3,830,831 | 2,136,695 | 784,181 | 188,670 | (28,168 ) | 6,912,209 |
| Noncontrolling interests in equity of consolidated subsidiaries | 60,531 | — | — | 29,397 | — | 89,928 |
| Total New Residential stockholders' equity | $ 3,770,300 | $ 2,136,695 | $ 784,181 | $ 159,273 | $ (28,168 ) | $ 6,822,281 |
| Investments in equity method investees | $ 143,200 | $ — | $ — | $ 51,528 | $ — | $ 194,728 |

| | Servicing and Originations | Residential Securities and Loans: Real Estate Securities | Residential Securities and Loans: Residential Mortgage Loans | Consumer Loans | Corporate | Total |
|---|---|---|---|---|---|---|
| **Three Months Ended March 31, 2018** | | | | | | |
| Interest income | $ 194,768 | $ 101,133 | $ 34,392 | $ 52,648 | $ 632 | $ 383,573 |
| Interest expense | 55,030 | 41,530 | 16,311 | 11,516 | — | 124,387 |
| Net interest income (expense) | 139,738 | 59,603 | 18,081 | 41,132 | 632 | 259,186 |
| Impairment | — | 6,670 | 5,183 | 13,824 | — | 25,677 |
| Servicing revenue, net | 217,236 | — | — | — | — | 217,236 |
| Gain on sale of originated mortgage loans, net | — | — | — | — | — | — |
| Other income (loss) | 263,311 | 10,569 | (20,217 ) | 5,090 | 5,771 | 264,524 |
| Operating expenses | 52,483 | 297 | 8,947 | 9,437 | 36,653 | 107,817 |
| Income (Loss) Before Income Taxes | 567,802 | 63,205 | (16,266 ) | 22,961 | (30,250 ) | 607,452 |
| Income tax expense (benefit) | (7,156 ) | — | — | 244 | — | (6,912 ) |
| Net Income (Loss) | $ 574,958 | $ 63,205 | $ (16,266 ) | $ 22,717 | $ (30,250 ) | $ 614,364 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | $ 1,383 | $ — | $ — | $ 8,728 | $ — | $ 10,111 |
| Net income (loss) attributable to common stockholders | $ 573,575 | $ 63,205 | $ (16,266 ) | $ 13,989 | $ (30,250 ) | $ 604,253 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 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)** | **Total** |
| **Balance as of December 31, 2018** | $445,328 | $2,532 | $447,860 |
| Purchases | — | — | — |
| Interest income | 5,114 | 1 | 5,115 |
| Other income | 307 | — | 307 |
| Proceeds from repayments | (21,638) | (134) | (21,772) |
| Proceeds from sales | — | — | — |
| Change in fair value | 4,641 | (14) | 4,627 |
| **Balance as of March 31, 2019** | $433,752 | $2,385 | $436,137 |

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

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

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

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

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

| | **March 31, 2019** | | | | | | | **December 31, 2018** |
|---|---|---|---|---|---|---|---|---|
| | **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 | $50,945,281 | 32.5% - 66.7% (53.3%) | 0.0% - 40.0% | 20.0% - 35.0% | 5.5 | $193,115 | $215,787 | $226,452 |
| Recapture Agreements | — | 32.5% - 66.7% (53.3%) | 0.0% - 40.0% | 20.0% - 35.0% | 12.2 | 14,520 | 32,651 | 30,935 |
| | 50,945,281 | | | | 6.0 | 207,635 | 248,438 | 257,387 |
| | | | | | | | | |
| **Non-Agency(E)** | | | | | | | | |
| Nationstar and SLS Serviced: | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Original and Recaptured Pools | $ 52,082,671 | 33.3% - 100.0% (59.4%) | 0.0% - 50.0% | 0.0% - 33.3% | 5.7 | $ 133,652 | $ 169,673 | $ 172,712 |
| Recapture Agreements | — | 33.3% - 100.0% (59.4%) | 0.0% - 50.0% | 0.0% - 33.3% | 12.7 | 3,690 | 18,026 | 17,761 |
| | 52,082,671 | | | | 5.9 | 137,342 | 187,699 | 190,473 |
| **Total** | $ 103,027,952 | | | | 6.0 | $ 344,977 | $ 436,137 | $ 447,860 |

18

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.
(C) Carrying Value represents the fair value of the pools or recapture agreements, as applicable.
(D) Amounts in parentheses represent weighted averages.
(E) New Residential also invested in related Servicer Advance Investments, including the basic fee component of the related MSR as of March 31, 2019 (Note 6) on $38.1 billion UPB underlying these Excess MSRs.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Original and Recaptured Pools | $1,518 | $(43,122) |
| Recapture Agreements | 3,109 | (2,569) |
| | $4,627 | $(45,691) |

As of March 31, 2019, a weighted average discount rate of 8.3% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

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

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

| | **March 31, 2019** | **December 31, 2018** |
|---|---|---|
| Excess MSR assets | $261,808 | $ 269,203 |
| Other assets | 25,279 | 27,411 |
| Other liabilities | (687) | (687) |
| Equity | $286,400 | $ 295,927 |
| New Residential's investment | $143,200 | $ 147,964 |
| | | |
| New Residential's ownership | 50.0 % | 50.0 % |

| Three Months Ended March 31, | |
|---|---|
| **2019** | **2018** |

| | | |
|---|---|---|
| Interest income | $4,070 | $5,227 |
| Other income (loss) | 1,170 | (4,181 ) |
| Expenses | (16 ) | — |
| Net income (loss) | $5,224 | $1,046 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

New Residential's investments in equity method investees changed during the three months ended March 31, 2019 as follows:

| | |
|---|---|
| Balance at December 31, 2018 | $147,964 |
| Contributions to equity method investees | — |
| Distributions of earnings from equity method investees | (2,807 ) |
| Distributions of capital from equity method investees | (4,569 ) |
| Change in fair value of investments in equity method investees | 2,612 |
| Balance at March 31, 2019 | $143,200 |

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

| | March 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **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 | $40,610,966 | 66.7 % | 50.0 % | $ 170,999 | $221,306 | 5.3 |
| Recapture Agreements | — | 66.7 % | 50.0 % | 19,049 | 40,502 | 12.1 |
| **Total** | $40,610,966 | | | $ 190,048 | $261,808 | 6.0 |

(A) The remaining interests are held by Nationstar.
(B) Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest. The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.
(C) Represents the carrying value of the Excess MSRs held in equity method investees, in which New Residential holds a 50% interest. Carrying value represents the fair value of the pools or recapture agreements, as applicable.
(D) The weighted average life represents the weighted average expected timing of the receipt of cash flows of each investment.

See Note 11 regarding the financing of Excess MSRs.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

**Mortgage Servicing Rights**

In 2016, a subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), became a licensed or otherwise eligible mortgage servicer. NRM is presently licensed or otherwise eligible to hold MSRs in all states within the United States and the District of Columbia. Additionally, NRM has received approval from the Federal Housing Administration ("FHA") to hold MSRs associated with FHA-insured mortgage loans, from the Federal National Mortgage Association ("Fannie Mae") to hold MSRs associated with loans owned by Fannie Mae, and from the Federal Home Loan Mortgage Corporation ("Freddie Mac") to hold MSRs associated with loans owned by Freddie Mac. Fannie Mae and Freddie Mac are collectively referred to as the Government Sponsored Enterprises ("GSEs"). As an approved Fannie Mae Servicer, Freddie Mac Servicer and FHA-approved mortgagee, NRM is required to conduct aspects of its operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. NRM engages third party licensed mortgage servicers as subservicers to perform the operational servicing duties in connection with the MSRs it acquires, in exchange for a subservicing fee which is recorded as "Subservicing expense" on New Residential's Condensed Consolidated Statements of Income. As of March 31, 2019, these subservicers include Nationstar, Ocwen, Ditech Financial LLC ("Ditech"), PHH Mortgage Corporation ("PHH"), LoanCare, LLC ("LoanCare"), and Flagstar Bank, FSB ("Flagstar"), which subservice 25.4%, 21.3%, 19.9%, 10.2%, 4.3%, 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, Flagstar and Nationstar. Under the recapture agreements, New Residential is generally entitled to the MSRs on any initial or subsequent refinancing by Ditech, Flagstar 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 NewRez LLC ("NewRez", formerly New Penn Financial, LLC), a Delaware limited liability company and a wholly owned subsidiary of Shellpoint, pursuant to which NRM has agreed to purchase from NewRez 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 NewRez, pursuant to which NewRez has agreed to subservice Fannie Mae and Freddie Mac mortgage loans for which NRM has acquired the right to service such loans.

As a result of the Shellpoint Acquisition completed on July 3, 2018, New Residential, through its wholly owned subsidiary, NewRez, is eligible to hold MSRs associated with loans held in Ginnie Mae MBS.

NewRez, as an approved issuer of Ginnie Mae MBS, originates, sells and securitizes government-insured residential mortgage loans into Ginnie Mae guaranteed securitizations and NewRez retains the right to service the underlying residential mortgage loans. As the servicer, NewRez, 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, NewRez recognizes any delinquent loans subject to the Ginnie Mae Buy-Back option and an offsetting repurchase liability on its balance sheet regardless of whether NewRez executes its option to repurchase. As of March 31, 2019, New Residential holds approximately $140.1 million in Residential mortgage loans subject to repurchase and Residential mortgage loans repurchase liability on its condensed consolidated balance sheets.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

During the three months ended March 31, 2019, New Residential, through its wholly owned subsidiaries, completed the following MSR acquisitions (in millions):

| Date of Acquisition | Collateral Type(A) | UPB (in billions) | Purchase Price |
|---|---|---|---|
| February 28, 2019 | Agency | $ 9.5 | $ 116.7 |
| March 29, 2019 | Agency | 10.0 | 126.9 |
| Various(B) | Agency | 2.4 | 32.6 |
| Total | | $ 21.9 | $ 276.2 |

(A) "Agency" represents Fannie Mae and Freddie Mac MSRs.
(B) Represents Flow MSR acquisitions from Ditech and various counterparties for the three months ended March 31, 2019.

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

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Servicing fee revenue | $183,026 | $119,223 |
| Ancillary and other fees | 39,737 | 23,347 |
| Servicing fee revenue and fees | 222,763 | 142,570 |
| Amortization of servicing rights | (72,675) | (55,127) |
| Change in valuation inputs and assumptions(A) (B) | 15,765 | 129,793 |
| Servicing revenue, net | $165,853 | $217,236 |

(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 $0.4 million of fair value adjustment to Excess spread financing for the three months ended March 31, 2019.

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

| | |
|---|---|
| Balance as of December 31, 2018 | $2,884,100 |
| Purchases | 155,747 |
| Transfer Out(A) | (258) |
| Originations(B) | 36,429 |
| Proceeds from sales | — |
| Amortization of servicing rights(C) | (73,946) |
| Change in valuation inputs and assumptions(D) | 15,381 |
| Balance as of March 31, 2019 | $3,017,453 |

(A) Represents Ginnie Mae MSRs repurchased.
(B) Represents MSRs retained on the sale of originated mortgage loans.
(C) 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.
(D) 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

The following is a summary of New Residential's investments in MSRs as of March 31, 2019:

| | UPB of Underlying Mortgages | Weighted Average Life (Years)(A) | Amortized Cost Basis | Carrying Value(B) |
|---|---|---|---|---|
| Agency(C) | $232,585,093 | 6.4 | $2,306,585 | $2,661,626 |
| Non-Agency | 2,312,087 | 6.3 | 17,523 | 22,254 |
| Ginnie Mae | 29,307,649 | 6.9 | 360,558 | 333,573 |
| Total | $264,204,829 | 6.5 | $2,684,666 | $3,017,453 |

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Carrying Value represents fair value. As of March 31, 2019, a weighted average discount rate of 8.1% was used to value New Residential's investments in MSRs.
(C) Represents Fannie Mae and Freddie Mac 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***

On December 28, 2016, NRM entered into an agreement with PHH to purchase the MSRs, and related servicer advance receivables, with respect to $54.1 billion in total UPB of seasoned Agency residential mortgage loans. Concurrently with the purchase agreement, NRM entered into a subservicing agreement with PHH, pursuant to which PHH Mortgage, a wholly owned subsidiary of PHH, subservices the residential mortgage loans underlying the MSRs acquired by NRM. 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***

On July 23, 2017, Ocwen and New Residential entered into a Master Agreement (the "Ocwen Master Agreement") and a Transfer Agreement (the "Ocwen Transfer Agreement") pursuant to which Ocwen and New Residential agreed to undertake certain actions to facilitate the transfer from Ocwen to New Residential of Ocwen's remaining interests in the mortgage servicing rights relating to loans with an aggregate unpaid principal balance of approximately $110.0

billion that are subject to the Original Ocwen Agreements (the “Ocwen Subject MSRs”) and with respect to which New Residential holds the Rights to MSRs (as defined in the Original Ocwen Agreements). New Residential and Ocwen concurrently entered into a subservicing agreement pursuant to which Ocwen will subservice the mortgage loans related to the Ocwen Subject MSRs that are transferred to New Residential pursuant to the Ocwen Master Agreement and Ocwen Transfer Agreement.

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 amend 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”

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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”). The New Ocwen Agreements and NRM’s Fee Restructuring Payment resulted in a new investment structured as a transfer of the full interests and economics of the 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.

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.

As of March 31, 2019, MSRs representing approximately $64.4 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. 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.

***Nationstar Transaction***

On February 28, 2019, NRM entered into an agreement with Nationstar to purchase the MSRs, and related servicer advance receivables, with respect to $9.5 billion in total UPB of seasoned Agency residential mortgage loans. The residential mortgage loans underlying the MSRs acquired by NRM are subserviced by Nationstar pursuant to an existing subservicing agreement with NRM. As a result of the length of the initial term of the related subservicing agreement between NRM and Nationstar, 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.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Servicing fee revenue | $126,244 | $201,952 |
| Ancillary and other fees | 31,324 | 30,235 |
| Less: subservicing expense | (55,662) | (65,706) |
| Interest income, investments in mortgage servicing rights financing receivables | $101,906 | $166,481 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Amortization of servicing rights | $(42,876) | $(48,703) |
| Change in valuation inputs and assumptions(A) | 6,938 | 319,779 |
| (Gain)/loss on sales(B) | (441) | — |
| Change in fair value of investments in mortgage servicing rights financing receivables | $(36,379) | $271,076 |

24

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(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) Represents the realization of unrealized gain/(loss) as a result of sales.

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, 2018 | $1,644,504 |
| Purchases | 116,660 |
| Proceeds from sales | (6,913) |
| Amortization of servicing rights(A) | (42,876) |
| Change in valuation inputs and assumptions(B) | 6,938 |
| (Gain)/loss on sales(C) | (441) |
| Balance as of March 31, 2019 | $1,717,872 |

(A) Based on the ratio of the current UPB of the underlying residential mortgage loans relative to the original UPB of the underlying residential mortgage loans.
(B) 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.
(C) Represents the realization of unrealized gain/(loss) as a result of sales.

The following is a summary of New Residential's investments in mortgage servicing rights financing receivables as of March 31, 2019:

| | UPB of Underlying Mortgages | Weighted Average Life (Years)(A) | Amortized Cost Basis | Carrying Value(B) |
|---|---|---|---|---|
| Agency | $50,209,316 | 5.8 | $469,479 | $509,497 |
| Non-Agency | 85,103,729 | 6.8 | 901,130 | 1,208,375 |
| Total | $135,313,045 | 6.4 | $1,370,609 | $1,717,872 |

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Carrying Value represents fair value. As of March 31, 2019, a weighted average discount rate of 9.7% was used to value New Residential's investments in mortgage servicing rights financing receivables.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

| State Concentration | Percentage of Total Outstanding Unpaid Principal Amount March 31, 2019 | | Percentage of Total Outstanding Unpaid Principal Amount December 31, 2018 | |
|---|---|---|---|---|
| California | 21.7 | % | 21.7 | % |
| New York | 7.5 | % | 7.8 | % |
| Florida | 6.7 | % | 6.9 | % |
| Texas | 5.2 | % | 5.3 | % |
| New Jersey | 4.8 | % | 5.0 | % |
| Illinois | 3.7 | % | 3.7 | % |
| Washington | 3.5 | % | 2.3 | % |
| Massachusetts | 3.5 | % | 3.5 | % |
| Maryland | 3.3 | % | 3.4 | % |
| Pennsylvania | 3.0 | % | 3.1 | % |
| Other U.S. | 37.1 | % | 37.3 | % |
| | 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 MSRs.

**Mortgage Subservicing**

NewRez 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 March 31, 2019 was $48.5 billion and subservicing revenue of $31.9 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 NewRez, 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:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Principal and interest advances | $763,283 | $ 793,790 |
| Escrow advances (taxes and insurance advances) | 2,010,890 | 2,186,831 |
| Foreclosure advances | 186,099 | 199,203 |
| Total(A) (B) (C) | $2,960,272 | $ 3,179,824 |

(A) Includes $250.6 million and $231.2 million of servicer advances receivable related to Agency MSRs, respectively, recoverable from the Agencies.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(B) Includes $42.1 million and $41.6 million of servicer advances receivable related to Ginnie Mae MSRs, respectively, recoverable from Ginnie Mae. Reserves for advances associated with Ginnie Mae loans in the MSR portfolio are considered in the MSR fair valuation through a nonreimbursable advance loss assumption.
(C) Net of $76.4 million and $98.0 million, respectively, in 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 March 31, 2019 and December 31, 2018, 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 March 31, 2019. As of March 31, 2019, 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 March 31, 2019, the noncontrolling third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $322.9 million and $291.9 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 are accounted for as Servicer Advances Receivable, 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 | Weighted Average Yield | Weighted Average Life (Years)(B) |
|---|---|---|---|---|---|

| | | | Rate | | | | |
|---|---|---|---|---|---|---|---|
| **March 31, 2019** | | | | | | | |
| Servicer Advance Investments | $ 675,679 | $ 697,628 | 5.6 | % | 5.8 | % | 5.8 |
| **As of December 31, 2018** | | | | | | | |
| Servicer Advance Investments | $ 721,801 | $ 735,846 | 5.9 | % | 5.8 | % | 5.7 |

(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.

27

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Change in Fair Value of Servicer Advance Investments | $7,903 | $(79,476) |

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

| | UPB of Underlying Residential Mortgage Loans | Outstanding Servicer Advances | Servicer Advances to UPB of Underlying Residential Mortgage Loans | Face Amount of Notes and Bonds Payable | Loan-to-Value ("LTV")[A] Gross | Loan-to-Value ("LTV")[A] Net[B] | Cost of Funds[C] Gross | Cost of Funds[C] Net |
|---|---|---|---|---|---|---|---|---|
| **March 31, 2019** | | | | | | | | |
| Servicer Advance Investments[D] | $38,055,282 | $ 578,876 | 1.5 % | $532,040 | 87.4 % | 86.3 % | 3.8 % | 3.1 % |
| **December 31, 2018** | | | | | | | | |
| Servicer Advance Investments[D] | $40,096,998 | $ 620,050 | 1.5 % | $574,117 | 88.3 % | 87.2 % | 3.7 % | 3.1 % |

(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.
(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:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Principal and interest advances | $98,657 | $ 108,317 |
| Escrow advances (taxes and insurance advances) | 225,012 | 238,349 |
| Foreclosure advances | 255,207 | 273,384 |
| Total | $578,876 | $ 620,050 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Interest income, gross of amounts attributable to servicer compensation | $15,076 | $20,387 |
| Amounts attributable to base servicer compensation | (1,565) | (1,972) |
| Amounts attributable to incentive servicer compensation | (6,427) | 474 |
| Interest income from Servicer Advance Investments | $7,084 | $18,889 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 March 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Servicer advance investments, at fair value | $674,607 | $ 713,239 |
| Cash and cash equivalents | 29,943 | 29,833 |
| All other assets | 9,608 | 10,223 |
| Total assets(A) | $714,158 | $ 753,295 |
| **Liabilities** | | |
| Notes and bonds payable | $514,246 | $ 556,340 |
| All other liabilities | 2,343 | 2,442 |
| Total liabilities(A) | $516,589 | $ 558,782 |

(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:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Total Advance Purchaser LLC equity | $197,569 | $ 194,513 |
| Others' ownership interest | 26.8 % | 26.8 % |
| Others' interest in equity of consolidated subsidiary | $52,882 | $ 52,066 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net Advance Purchaser LLC income | $9,155 | $5,085 |
| Others' ownership interest as a percent of total(A) | 26.8 % | 27.2 % |
| Others' interest in net income of consolidated subsidiaries | $2,451 | $1,383 |

(A) Three months ended March 31, 2019 reflects 26.8% for the first three months.

See Note 11 regarding the financing of Servicer Advance Investments.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 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:

| | Three Months Ended March 31, 2019 (in millions) | |
|---|---|---|
| | **Agency** | **Non-Agency** |
| **Purchases** | | |
| Face | $5,024.3 | $ 2,444.0 |
| Purchase Price | 5,129.4 | 349.7 |
| | | |
| **Sales** | | |
| Face | $6,778.8 | $ 228.0 |
| Amortized Cost | 6,914.3 | 228.0 |
| Sale Price | 6,979.4 | 228.0 |
| Gain (Loss) on Sale | 65.1 | — |

As of March 31, 2019, New Residential had sold and purchased $6.8 billion and $0.2 billion face amount of Agency RMBS for $7.0 billion and $0.2 billion, respectively, and purchased $3.8 million face amount of Non-Agency RMBS for $3.4 million, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

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

The following is a summary of New Residential's real estate 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.

| | March 31, 2019 | | | | | | | | | | | December 31, 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)** | **Principal Subordination(E)** | **Carrying Value** |
| Agency RMBS(F) (G) | $ 789,841 | $ 799,010 | $ 11,398 | $ (284) | $ 810,124 | 27 | AAA | 3.89 % | 3.62 % | 6.1 | N/A | $ 2,665,618 |
| Non-Agency RMBS(H) (I) | 21,035,775 | 8,381,152 | 606,767 | (50,593) | 8,937,326 | 923 | B | 3.31 % | 5.56 % | 6.9 | 9.9 % | 8,970,963 |
| Total/ Weighted Average | $ 21,825,616 | $ 9,180,162 | $ 618,165 | $ (50,877) | $ 9,747,450 | 950 | BB- | 3.36 % | 5.39 % | 6.9 | | $ 11,636,581 |

(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 265 bonds with a carrying value of $829.2 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

30

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 $308.6 million and $2.3 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 $0.8 billion for fixed rate securities and $0.0 billion for floating rate securities as of March 31, 2019.

(H) The total outstanding face amount was $11.3 billion (including $8.8 billion of residual and fair value option notional amount) for fixed rate securities and $9.8 billion (including $1.7 billion of residual and fair value option notional amount) for floating rate securities as of March 31, 2019.

(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 consumer loans, and (iii) corporate debt.

| | | | Gross Unrealized | | | | Weighted Average | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Asset Type | Outstanding Face Amount | Amortized Cost Basis | Gains | Losses | Carrying Value | Number of Securities | Rating | Coupon | Yield | Life (Years) | Principal Subordination |
| Corporate debt | $ 85,000 | $ 85,000 | $ — | $ (9,350 ) | $ 75,650 | 1 | B- | 8.25 % | 8.25 % | 6.0 | N/A |
| Consumer loan bonds | 49,640 | 49,633 | 131 | (4,502 ) | 45,262 | 6 | B | 5.50 % | 19.84 % | 1.7 | N/A |
| Fair Value Option Securities: | | | | | | | | | | | |
| Interest-only securities | 7,656,578 | 258,768 | 28,891 | (11,981 ) | 275,678 | 86 | AA+ | 1.42 % | 6.54 % | 2.8 | N/A |
| Servicing Strips | 1,838,897 | 22,086 | 2,155 | (195 ) | 24,046 | 36 | N/A | 0.27 % | 6.58 % | 4.7 | N/A |

Unrealized losses that are considered other-than-temporary and are attributable to credit losses are recognized currently in earnings. During the three months ended March 31, 2019, New Residential recorded OTTI charges of $7.5 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes New Residential's securities in an unrealized loss position as of March 31, 2019.

| | | 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 | $ 2,990,696 | $ 1,201,237 | $ (2,000 ) | $ 1,199,237 | $ (35,694 ) | $ 1,163,543 | 112 | B+ | 3.47 % | 4.83 % | 6.1 |
| 12 or More Months | 1,208,284 | 285,488 | (5,516 ) | 279,972 | (15,183 ) | 264,789 | 77 | B+ | 2.58 % | 6.23 % | 5.1 |
| Total/Weighted Average | $ 4,198,980 | $ 1,486,725 | $ (7,516 ) | $ 1,479,209 | $ (50,877 ) | $ 1,428,332 | 189 | B+ | 3.31 % | 5.10 % | 5.9 |

(A) This amount represents OTTI recorded on securities that are in an unrealized loss position as of March 31, 2019.

(B) The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 30 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 18 bonds which either have never been rated or for which rating information is no longer provided.

31

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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:

| | March 31, 2019 | | | |
|---|---|---|---|---|
| | | | 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 | 640,137 | 658,765 | (7,516 ) | (18,628 ) |
| Non-credit impaired securities | 788,195 | 820,444 | — | (32,249 ) |
| Total debt securities in an unrealized loss position | $ 1,428,332 | $ 1,479,209 | $ (7,516 ) | $ (50,877 ) |

(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 March 31, 2019.

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

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

| | Three Months Ended March 31, 2019 |
|---|---|
| Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income | $ 52,803 |
| 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 | 7,029 |
| Additions for credit losses on securities for which an OTTI was not previously recognized | 487 |

| | |
|---|---|
| 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/paid off during the period | (195 ) |
| Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income | $60,124 |

32

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

| Geographic Location(A) | March 31, 2019 Outstanding Face Amount | March 31, 2019 Percentage of Total Outstanding | | December 31, 2018 Outstanding Face Amount | December 31, 2018 Percentage of Total Outstanding | |
|---|---|---|---|---|---|---|
| Western U.S. | $8,109,480 | 38.8 | % | $7,318,616 | 37.7 | % |
| Southeastern U.S. | 4,961,126 | 23.7 | % | 4,613,314 | 23.8 | % |
| Northeastern U.S. | 4,333,893 | 20.7 | % | 3,829,725 | 19.7 | % |
| Midwestern U.S. | 2,112,686 | 10.1 | % | 2,063,263 | 10.6 | % |
| Southwestern U.S. | 1,361,941 | 6.6 | % | 1,321,853 | 6.8 | % |
| Other(B) | 22,009 | 0.1 | % | 250,833 | 1.4 | % |
| | $20,901,135 | 100.0 | % | $19,397,604 | 100.0 | % |

(A) Excludes $49.6 million and $56.8 million face amount of bonds backed by consumer loans and $85.0 million and $85.0 million face amount of bonds backed by corporate debt as of March 31, 2019 and December 31, 2018, 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 three months ended March 31, 2019, excluding residual and fair value option securities, the face amount of these real estate securities was $229.5 million, with total expected cash flows of $219.2 million and a fair value of $154.3 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 |
|---|---|---|
| March 31, 2019 | $ 6,396,717 | $4,305,463 |
| December 31, 2018 | 6,385,306 | 4,217,242 |

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

| | Three Months Ended March 31, 2019 |
|---|---|
| Balance at December 31, 2018 | $2,245,983 |
| Additions | 64,864 |

| | |
|---|---|
| Accretion | (88,566 ) |
| Reclassifications from (to) non-accretable difference | (171,812 ) |
| Disposals | — |
| Balance at March 31, 2019 | $2,050,469 |

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, NewRez, originates

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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, at lower of cost or fair value
- 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:

| | March 31, 2019 | | | | | | | | | December 31, 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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) | $ 613,104 | $ 570,480 | 8,348 | 8.0 % | 4.8 | 20.1 % | 77.4 % | 9.3 % | 647 | $ 591,264 |
| Purchased Credit Deteriorated Loans(H) | 143,476 | 101,870 | 1,297 | 8.2 % | 3.3 | 18.7 % | 88.1 % | 62.0 % | 595 | 144,065 |
| Total Residential Mortgage Loans, held-for-investment | $ 756,580 | $ 672,350 | 9,645 | 8.0 % | 4.5 | 19.9 % | 79.4 % | 19.3 % | 637 | $ 735,329 |
| | | | | | | | | | | |
| Reverse Mortgage Loans(E) (F) | $ 13,523 | $ 6,500 | 35 | 8.3 % | 4.6 | 10.9 % | 145.2 % | 69.0 % | N/A | $ 6,557 |
| Performing Loans(G) (I) | 483,488 | 486,626 | 8,129 | 4.1 % | 4.0 | 62.3 % | 57.0 % | 6.8 % | 642 | 413,883 |
| Non-Performing Loans(H) (I) | 611,924 | 504,038 | 5,016 | 5.0 % | 3.3 | 13.3 % | 81.0 % | 64.5 % | 536 | 512,040 |
| Total Residential Mortgage Loans, held-for-sale | $ 1,108,935 | $ 997,164 | 13,180 | 4.7 % | 3.7 | 34.7 % | 71.3 % | 39.4 % | 583 | $ 932,480 |
| | | | | | | | | | | |
| Acquired Loans | $ 2,483,358 | $ 2,375,501 | 16,288 | 4.4 % | 7.7 | 2.8 % | 73.2 % | 19.6 % | 623 | $ 2,153,269 |
| Originated Loans | 802,793 | 828,821 | 3,124 | 4.7 % | 28.6 | 1.3 % | 82.3 % | 15.7 % | 575 | 655,260 |
| Total Residential Mortgage Loans, held-for-sale, at fair value(K) | $ 3,286,151 | $ 3,204,322 | 19,412 | 4.5 % | 12.8 | 2.4 % | 75.4 % | 18.6 % | 611 | $ 2,808,529 |

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
(C) Represents the percentage of the total principal balance that is 60+ days delinquent.
(D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.
(E) Represents a 70% participation interest that New Residential holds in a portfolio of reverse mortgage loans. Nationstar holds the other 30% interest and services the loans. The average loan balance outstanding based on total UPB was $0.6 million. Approximately 59% of these loans have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.
(F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
(G) Performing loans are generally placed on nonaccrual status when principal or interest is 120 days or more past due.

(H) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments. As of March 31, 2019, New Residential has placed Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.

(I) Includes $23.6 million and $48.8 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 $120.2 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 INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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** | **March 31, 2019** | | **December 31, 2018** | |
| California | 16.1 | % | 16.7 | % |
| New York | 10.0 | % | 11.7 | % |
| Florida | 9.4 | % | 8.8 | % |
| New Jersey | 5.2 | % | 4.7 | % |
| Texas | 5.1 | % | 5.3 | % |
| Georgia | 4.7 | % | 2.7 | % |
| Illinois | 3.8 | % | 4.0 | % |
| Maryland | 3.7 | % | 3.1 | % |
| Pennsylvania | 3.2 | % | 3.6 | % |
| Massachusetts | 3.2 | % | 3.1 | % |
| Other U.S. | 35.6 | % | 36.3 | % |
| | 100.0 | % | 100.0 | % |

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

**Call Rights**

New Residential has executed calls with respect to 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. For the three months ended March 31, 2019, New Residential executed calls on a total of 19 trusts and recognized $32.5 million of interest income on securities held in the collapsed trusts and $2.8 million of loss on securitizations accounted for as sales.

**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:

**March 31, 2019**

| **Days Past Due** | **Delinquency Status(A)** | |
|---|---|---|
| Current | 82.4 | % |
| 30-59 | 9.7 | % |
| 60-89 | 2.7 | % |
| 90-119(B) | 0.7 | % |
| 120+(C) | 4.5 | % |
| | 100.0 | % |

(A) Represents the percentage of the total principal balance that corresponds to loans that are in each delinquency status.

35

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(B) Includes loans 90-119 days past due and still accruing interest because they are generally placed on nonaccrual status at 120 days or more past due.
(C) Represents nonaccrual loans.

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

| | **Performing Loans** |
|---|---|
| Balance at December 31, 2018 | $ 591,253 |
| Purchases/additional fundings | — |
| Proceeds from repayments | (21,992) |
| Accretion of loan discount (premium) and other amortization(A) | 2,599 |
| Provision for loan losses | (386) |
| Transfer of loans to other assets(B) | — |
| Transfer of loans to real estate owned | (1,348) |
| Transfers of loans to held for sale | (168) |
| Fair value adjustment | 522 |
| Balance at March 31, 2019 | $ 570,480 |

(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, 2018 | $ — |
| Provision for loan losses(A) | 386 |
| Charge-offs(B) | (386) |
| Balance at March 31, 2019 | $ — |

(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.

36

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

| | |
|---|---|
| Balance at December 31, 2018 | $144,065 |
| Purchases/additional fundings | — |
| Sales | — |
| Proceeds from repayments | (6,215) |
| Accretion of loan discount and other amortization | 6,235 |
| (Allowance) reversal for loan losses(A) | (2,332) |
| Transfer of loans to real estate owned | (6,917) |
| Transfer of loans to held-for-sale | (32,966) |
| Balance at March 31, 2019 | $101,870 |

(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 a summary of the changes in accretable yield for these loans:

| | |
|---|---|
| Balance at December 31, 2018 | $68,632 |
| Additions | — |
| Accretion | (6,235) |
| Reclassifications from (to) non-accretable difference(A) | (704) |
| Disposals(B) | (1,771) |
| Transfer of loans to held-for-sale(C) | (7,998) |
| Balance at March 31, 2019 | $51,924 |

(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.

**Loans Held-for-Sale, at Lower of Cost or Fair Value**

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

| | |
|---|---|
| Balance at December 31, 2018 | $932,480 |
| Purchases(A) | 245,063 |
| Transfer of loans from held-for-investment(B) | 33,134 |
| Sales | (157,009) |
| Transfer of loans to other assets(C) | (2,244) |
| Transfer of loans to real estate owned | (13,878) |
| Proceeds from repayments | (49,562) |
| Valuation (provision) reversal on loans(D) | 9,180 |
| Balance at March 31, 2019 | $997,164 |

(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).

37

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(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 $4.6 million of provision related to the call transactions executed during the three months ended March 31, 2019.

**Loans Held-for-Sale, at Fair Value**

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

| | |
|---|---|
| Balance at December 31, 2018 | $ 655,260 |
| Originations | 2,017,584 |
| Sales | (1,845,381 ) |
| Proceeds from repayments | (3,783 ) |
| Transfer of loans to other assets | (208 ) |
| Change in fair value | 5,349 |
| Balance at March 31, 2019 | $ 828,821 |

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

| | |
|---|---|
| Balance at December 31, 2018 | $ 2,153,269 |
| Purchases(A) | 1,083,085 |
| Sales | (855,280 ) |
| Proceeds from repayments | (22,950 ) |
| Transfer of loans to real estate owned | — |
| Accretion of loan discount and other amortization | 8,685 |
| Change in fair value | 8,692 |
| Balance at March 31, 2019 | $ 2,375,501 |

(A) Includes an acquisition date fair value adjustment decrease of $14.7 million on loans acquired through call transactions executed during the three months ended March 31, 2019.

**Gain on Sale of Originated Mortgage Loans, Net**

NewRez, 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 NewRez 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.

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

| | |
|---|---|
| Gain on loans originated and sold(A) | $ 11,698 |
| Gain (loss) on settlement of mortgage loan origination derivative instruments(B) | (11,423 ) |
| MSRs retained on transfer of loans(C) | 36,429 |
| Other(D) | 7,280 |
| Gain on sale of originated mortgage loans, net | $ 43,984 |

(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.

38

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(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, 2018 | $113,410 |
| Purchases | 9,823 |
| Transfer of loans to real estate owned | 27,128 |
| Sales | (40,550 ) |
| Valuation (provision) reversal on REO | (657 ) |
| Balance at March 31, 2019 | $109,154 |

As of March 31, 2019, New Residential had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $270.1 million.

In addition, New Residential has recognized $18.9 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**

During the first quarter of 2019, New Residential formed entities (the “RPL Borrowers”) that issued securitized debt collateralized by reperforming residential mortgage loans. New Residential determined that the RPL Borrowers should be evaluated for consolidation under the VIE model rather than the voting interest entity model as the equity holders as a group lack the characteristics of a controlling financial interest. Under the VIE model, New Residential’s consolidated subsidiaries had both 1) the power to direct the most significant activities of the RPL Borrowers and 2) significant variable interests in each of the RPL Borrowers, through their control of the related optional redemption feature and their ownership of certain notes issued by the RPL Borrowers and, therefore, met the primary beneficiary criterion and consolidated the RPL Borrowers. The following table presents information on the combined assets and liabilities related to these consolidated VIEs.

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2019** | **2018** |
| **Assets** | | |
| Residential mortgage loans | $429,229 | $ — |
| Other assets | — | — |

| | | |
|---|---|---|
| Total assets[(A)] | $429,229 | $ — |
| **Liabilities** | | |
| Notes and bonds payable | $377,382 | $ — |
| Accounts payable and accrued expenses | 2,635 | — |
| Total liabilities[(A)] | $380,017 | $ — |

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

A wholly owned subsidiary of NewRez, 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

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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.

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

| | **March 31, 2019** |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $16,522 |
| Property and equipment, net | 124 |
| Intangible assets, net | 66 |
| Prepaid expenses and other assets | 511 |
| Total assets | $17,223 |
| | |
| **Liabilities** | |
| Accounts payable and accrued expenses | $1,206 |
| Reserve for sales recourse | 1,019 |
| Total liabilities | $2,225 |

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

| | **March 31, 2019** | |
|---|---|---|
| Total consolidated equity of JVs | $14,998 | |
| Noncontrolling ownership interest | 51.0 | % |
| Noncontrolling equity interest in consolidated JVs | $7,649 | |
| | | |
| Total consolidated net income of JVs | $798 | |
| Noncontrolling ownership interest in net income | 51.0 | % |
| Noncontrolling interest in net income of consolidated JVs | $407 | |

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, NewRez, 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 March 31, 2019:

| | | |
|---|---|---|
| Residential mortgage loan UPB | $9,399,416 | |
| Weighted average delinquency[(A)] | 2.03 | % |
| Net credit losses for the three months ended March 31, 2019 | $3,562 | |
| Face amount of debt held by third parties[(B)] | $8,306,631 | |

| | |
|---|---|
| Carrying value of bonds retained by New Residential(C) (D) | $1,271,126 |
| Cash flows received by New Residential on these bonds for the three months ended March 31, 2019 | $62,845 |

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

40

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(C) Includes bonds retained pursuant to required risk retention regulations.
(D) Classified within Level 3 of the fair value hierarchy as the valuation is based on certain unobservable inputs including discount rate, prepayment rates and loss severity. See Note 12 for details on unobservable inputs.

## 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 March 31, 2019, 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) | |
|---|---|---|---|---|---|---|---|---|---|
| **March 31, 2019** | | | | | | | | | |
| Consumer Loan Companies | | | | | | | | | |
| Performing Loans | $771,582 | 53.5 | % | $811,493 | 18.9 | % | 3.6 | 5.3 | % |
| Purchased Credit Deteriorated Loans(C) | 208,344 | 53.5 | % | 170,438 | 15.9 | % | 3.4 | 11.0 | % |
| Other - Performing Loans | 25,820 | 100.0 | % | 23,729 | 14.3 | % | 0.7 | 5.0 | % |
| Total Consumer Loans, held-for-investment | $1,005,746 | | | $1,005,660 | 18.1 | % | 3.5 | 6.4 | % |
| **December 31, 2018** | | | | | | | | | |
| Consumer Loan Companies | | | | | | | | | |
| Performing Loans | $815,341 | 53.5 | % | $856,563 | 18.8 | % | 3.6 | 5.4 | % |
| Purchased Credit Deteriorated Loans(C) | 221,910 | 53.5 | % | 182,917 | 16.0 | % | 3.4 | 11.6 | % |
| Other - Performing Loans | 35,326 | 100.0 | % | 32,722 | 14.2 | % | 0.8 | 5.6 | % |
| Total Consumer Loans, held-for-investment | $1,072,577 | | | $1,072,202 | 18.1 | % | 3.5 | 6.7 | % |

(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:

**March 31, 2019**

| **Days Past Due** | **Delinquency Status**[A] | |
|---|---|---|
| Current | 94.8 | % |
| 30-59 | 2.0 | % |
| 60-89 | 1.2 | % |
| 90-119[B] | 0.8 | % |
| 120+[B] [C] | 1.2 | % |
| | 100.0 | % |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

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

| | **Performing Loans** |
|---|---|
| Balance at December 31, 2018 | $ 889,285 |
| Purchases | — |
| Additional fundings(A) | 15,241 |
| Proceeds from repayments | (57,012) |
| Accretion of loan discount and premium amortization, net | 106 |
| Gross charge-offs | (11,807) |
| Additions to the allowance for loan losses, net | (591) |
| Balance at March 31, 2019 | $ 835,222 |

(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, 2018 | $ 2,604 | $ 2,064 | $4,668 |
| Provision (reversal) for loan losses | 9,740 | 591 | 10,331 |
| Net charge-offs(C) | (10,253) | — | (10,253) |
| Balance at March 31, 2019 | $ 2,091 | $ 2,655 | $4,746 |

(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 March 31, 2019, there are $15.4 million in UPB and $13.3 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 $2.1 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, 2018 | $182,917 |
| (Allowance) reversal for loan losses(A) | (692) |

| | |
|---|---|
| Proceeds from repayments | (20,265 ) |
| Accretion of loan discount and other amortization | 8,478 |
| Balance at March 31, 2019 | $170,438 |

(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.

42

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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** |
|---|---|---|
| March 31, 2019 | $208,344 | $170,438 |
| December 31, 2018 | 221,910 | 182,917 |

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

| | |
|---|---|
| Balance at December 31, 2018 | $126,518 |
| Accretion | (8,478 ) |
| Reclassifications from (to) non-accretable difference(A) | 1,775 |
| Balance at March 31, 2019 | $119,815 |

(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:

| | **March 31, 2019** | **December 31, 2018** |
|---|---|---|
| Total Consumer Loan Companies equity | $63,602 | $66,105 |
| Others' ownership interest | 46.5 % | 46.5 % |
| Others' interests in equity of consolidated subsidiary | $29,397 | $30,561 |

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

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2019** | **2018** |
| Net Consumer Loan Companies income (loss) | $16,042 | $18,769 |
| Others' ownership interest as a percent of total | 46.5 % | 46.5 % |
| Others' interest in net income (loss) of consolidated subsidiaries | $7,460 | $8,728 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

**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 March 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Consumer loans, held-for-investment | $981,931 | $1,039,480 |
| Restricted cash | 9,899 | 10,186 |
| Accrued interest receivable | 14,438 | 15,627 |
| Total assets(A) | $1,006,268 | $1,065,293 |
| **Liabilities** | | |
| Notes and bonds payable(B) | $973,158 | $1,030,096 |
| Accounts payable and accrued expenses | 4,106 | 3,814 |
| Total liabilities(A) | $977,264 | $1,033,910 |

(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 130.9 million Series F convertible preferred stock in ParentCo as of February 28, 2019, 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 February 28, 2019. 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

| | March 31, 2019(A) | December 31, 2018(A) |
|---|---|---|
| Consumer loans, at fair value | $259,618 | $231,560 |
| Warrants, at fair value | 118,127 | 103,067 |
| Other assets | 28,525 | 25,971 |
| Warehouse financing | (205,552) | (182,065) |
| Other liabilities | (1,056) | (1,142) |
| Equity | $199,662 | $177,391 |
| Undistributed retained earnings | $— | $— |
| New Residential's investment | $48,228 | $42,875 |
| New Residential's ownership | 24.2 % | 24.2 % |

| | Three Months Ended March 31, 2019(B) | 2018(B) |
|---|---|---|
| Interest income | $7,977 | $12,792 |
| Interest expense | (2,822) | (3,368) |
| Change in fair value of consumer loans and warrants | 14,536 | 13,552 |
| Gain on sale of consumer loans | (446) | (420) |
| Other expenses | (1,456) | (3,207) |
| Net income | $17,789 | $19,349 |
| New Residential's equity in net income | $4,311 | $4,806 |
| New Residential's ownership | 24.2 % | 24.8 % |

(A) Data as of February 28, 2019 and November 30, 2018, respectively, as a result of the one month reporting lag.
(B) Data for the periods ended February 28, 2019 and 2018, 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) |
|---|---|---|---|---|---|---|
| March 31, 2019(C) | $259,618 | 25.0 % | $259,618 | 14.0 % | 1.3 | 1.4 % |

(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 February 28, 2019 as a result of the one month reporting lag.

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

| | |
|---|---|
| Balance at December 31, 2018 | $38,294 |
| Contributions to equity method investees | 23,442 |

| | |
|---|---|
| Distributions of earnings from equity method investees | (552 ) |
| Distributions of capital from equity method investees | (13,967 ) |
| Earnings from investments in consumer loans, equity method investees | 4,311 |
| Balance at March 31, 2019 | $51,528 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 10. DERIVATIVES

New Residential uses interest rate swaps and interest rate caps as 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 March 31, 2019, New Residential held to-be-announced forward contract positions ("TBAs") which were entered into as an economic hedge in order to mitigate New Residential's interest rate risk on certain specified mortgage backed securities 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 March 31, 2019, New Residential held interest rate lock commitments ("IRLCs"), which represent a commitment to a particular interest rate provided the borrower is able to close the loan within a specified period, and forward loan sale and securities delivery commitments, which represent a commitment to sell specific mortgage loans at prices which are fixed as of the forward commitment date. New Residential enters into forward loan sale and securities delivery commitments in order to hedge the exposure related to IRLCs and mortgage loans that are not covered by mortgage loan sale commitments.

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

| | **Balance Sheet Location** | **March 31, 2019** | **December 31, 2018** |
|---|---|---|---|
| Derivative assets | | | |
| Interest Rate Caps | Other assets | $— | $ 3 |
| Interest Rate Swaps(A) | Other assets | 191 | — |
| Interest Rate Lock Commitments | Other assets | 14,574 | 10,851 |
| Forward Loan Sale Commitments | Other assets | 18 | 39 |
| | | $14,783 | $ 10,893 |
| Derivative liabilities | | | |
| Interest Rate Swaps(A) | Accrued expenses and other liabilities | $— | $ 5,245 |
| Interest Rate Lock Commitments | Accrued expenses and other liabilities | 740 | 223 |
| TBAs | Accrued expenses and other liabilities | 68,642 | 23,921 |
| | | $69,382 | $ 29,389 |

(A) Net of $174.4 million of related variation margin accounts as of March 31, 2019. As of December 31, 2018, net of $106.1 million of related variation margin accounts existed.

The following table summarizes notional amounts related to derivatives:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Interest Rate Caps[(A)] | $ 50,000 | $ 50,000 |
| Interest Rate Swaps[(B)] | 4,280,000 | 4,725,000 |
| Interest Rate Lock Commitments | 1,215,284 | 823,187 |
| Forward Loan Sale Commitments | 2,997 | 30,274 |
| TBAs, short position[(C)] | 6,816,700 | 5,904,300 |
| TBAs, long position[(C)] | 8,474,218 | 5,067,200 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(A) As of March 31, 2019, caps LIBOR at 4.00% for $50.0 million of notional. The weighted average maturity of the interest rate caps as of March 31, 2019 was 20 months.
(B) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of March 31, 2019 was 47 months and the weighted average fixed pay rate was 3.21%.
(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 March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Change in fair value of derivative instruments[A] | | |
| Interest Rate Caps | $(3) | $486 |
| Interest Rate Swaps | (28,533) | (34) |
| Unrealized gains(losses) on Interest Rate Lock Commitments | 3,208 | — |
| Forward Loan Sale Commitments | (21) | — |
| TBAs | 1,582 | 1,994 |
| | (23,767) | 2,446 |
| Gain (loss) on settlement of investments, net | | |
| Interest Rate Caps | — | (733) |
| Interest Rate Swaps | (16,378) | 22,660 |
| TBAs[B] | (76,698) | 15,436 |
| | (93,076) | 37,363 |
| Total income (losses) | $(116,843) | $39,809 |

(A) Represents unrealized gains (losses).
(B) Excludes $11.4 million in loss on settlement included within gain on sale of originated mortgage loans, net (Note 8).

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 11. DEBT OBLIGATIONS

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

| | March 31, 2019 | | | | | | | | | December 31, 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 | Weighted Average Life (Years) | Carrying Value[A] |
| Repurchase Agreements[C] | | | | | | | | | | |
| Agency RMBS[D] | $ 7,271,582 | $ 7,271,582 | Apr-19 | 2.67 % | 0.1 | $ 7,368,726 | $ 7,510,370 | $ 7,586,872 | 0.5 | $ 4,346,070 |
| Non-Agency RMBS [E] | 7,429,095 | 7,428,992 | Mar-19 to Aug-19 | 3.61 % | 0.1 | 19,832,039 | 8,309,648 | 8,870,630 | 7.0 | 7,434,785 |
| Residential Mortgage Loans[F] | 3,650,367 | 3,649,371 | Apr-19 to Dec-20 | 4.32 % | 0.7 | 4,364,713 | 4,147,040 | 4,160,896 | 13.1 | 3,678,246 |
| Real Estate Owned[G][H] | 91,891 | 91,861 | Apr-19 to Dec-20 | 4.68 % | 0.5 | N/A | N/A | 107,693 | N/A | 94,868 |
| Total Repurchase Agreements | 18,442,935 | 18,441,806 | | 3.38 % | 0.2 | | | | | 15,553,969 |
| Notes and Bonds Payable | | | | | | | | | | |
| Excess MSRs[I] | 197,759 | 197,563 | Feb-20 to Jul-22 | 5.48 % | 3.3 | 115,570,597 | 350,562 | 460,570 | 5.6 | 297,563 |
| MSRs[J] | 2,303,925 | 2,296,562 | Mar-20 to Jul-24 | 4.33 % | 2.8 | 386,224,299 | 3,883,857 | 4,573,349 | 6.5 | 2,360,856 |
| Servicer Advances[K] | 3,089,398 | 3,086,534 | Jun-19 to Dec-21 | 3.57 % | 1.7 | 3,527,120 | 3,712,371 | 3,734,320 | 1.6 | 3,382,455 |
| Residential Mortgage Loans[L] | 498,044 | 498,065 | Apr-19 to Jul-43 | 4.33 % | 5.5 | 585,985 | 583,180 | 551,641 | 9.0 | 122,465 |
| Consumer Loans[M] | 874,420 | 871,578 | Dec-21 to Mar-24 | 3.42 % | 2.7 | 1,005,605 | 1,010,265 | 1,005,519 | 3.5 | 936,447 |
| Receivable from government agency[L] | 1,800 | 1,800 | Apr-19 | 5.11 % | 0.1 | N/A | N/A | 1,260 | N/A | 2,480 |
| Total Notes and Bonds Payable | 6,965,346 | 6,952,102 | | 3.91 % | 2.5 | | | | | 7,102,266 |
| Total/ Weighted Average | $ 25,408,281 | $ 25,393,908 | | 3.53 % | 0.9 | | | | | $ 22,656,235 |

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity through April 30, 2019 were refinanced, extended or repaid.
(C) These repurchase agreements had approximately $78.4 million of associated accrued interest payable as of March 31, 2019.
(D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately $7.0 billion of related trade and other receivables.
(E) $6,792.4 million face amount of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates while the remaining $636.7 million face amount of the Non-Agency RMBS repurchase agreements have a fixed rate. This also includes repurchase agreements of $170.9 million on retained servicer advance and consumer loan bonds.
(F) All of these repurchase agreements have LIBOR-based floating interest rates.
(G) All of these repurchase agreements have LIBOR-based floating interest rates.
(H) Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.
(I) Includes $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%. 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: $689.0 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin ranging from 2.25% to 2.75%; and $1,614.9 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) $2.8 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.15% to 2.15%. 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(L) Represents: (i) a $6.4 million note payable to Nationstar that bears interest equal to one-month LIBOR plus 2.88%, (ii) $116.1 million fair value of SAFT 2013-1 mortgage-backed securities issued with fixed interest rates ranging from 3.50% to 3.76% (see Note 12 for details), and (iii) $377.4 million of asset-backed notes held by third parties which bear interest equal to 4.59%.

(M) Includes the SpringCastle debt, which is comprised of the following classes of asset-backed notes held by third parties: $633.4 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 $13.4 million face amount note which bears interest equal to 4.00%.

As of March 31, 2019, 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 $18.4 billion of repurchase agreements as of March 31, 2019. 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, 2018** | $297,563 | $2,360,856 | $3,382,455 | $11,780,855 | $3,898,059 | $936,447 | $22,656,235 |
| Repurchase Agreements: | | | | | | | |
| Borrowings(B) | — | — | — | 39,617,556 | 4,073,985 | — | 43,691,541 |
| Repayments | — | — | — | (36,697,899) | (4,105,864) | — | (40,803,763) |
| Capitalized deferred financing costs, net of amortization | — | — | — | 62 | (1) | — | 61 |
| Notes and Bonds Payable: | | | | | | | |
| Borrowings(B) | — | 490,000 | 1,189,660 | — | 377,382 | — | 2,057,042 |
| Repayments | (100,000) | (554,960) | (1,486,496) | — | (3,601) | (65,314) | (2,210,371) |
| Discount on borrowings, net of amortization | — | — | 10 | — | — | 445 | 455 |
| Unrealized gain on notes, fair value | — | — | — | — | 1,137 | — | 1,137 |
| Capitalized deferred financing costs, net of amortization | — | 666 | 905 | — | — | — | 1,571 |
| **Balance at March 31, 2019** | $197,563 | $2,296,562 | $3,086,534 | $14,700,574 | $4,241,097 | $871,578 | $25,393,908 |

(A)

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

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

***Maturities***

New Residential's debt obligations as of March 31, 2019 had contractual maturities as follows:

| **Year** | **Nonrecourse** | **Recourse** | **Total** |
|---|---|---|---|
| April 1 through December 31, 2019 | $ 364,302 | $ 17,087,034 | $ 17,451,336 |
| 2020 | 933,023 | 2,049,438 | 2,982,461 |
| 2021 | 1,807,350 | 690,880 | 2,498,230 |
| 2022 | 377,382 | 197,759 | 575,141 |
| 2023 | 729,732 | 455,883 | 1,185,615 |
| 2024 and thereafter | 247,371 | 468,127 | 715,498 |
| | $ 4,459,160 | $ 20,949,121 | $ 25,408,281 |

***Borrowing Capacity***

The following table represents New Residential's borrowing capacity as of March 31, 2019:

| **Debt Obligations / Collateral** | **Borrowing Capacity** | **Balance Outstanding** | **Available Financing** |
|---|---|---|---|
| Repurchase Agreements | | | |
| Residential mortgage loans and REO | $5,771,297 | $ 3,742,258 | $2,029,039 |
| Non-Agency RMBS | 650,000 | 636,651 | 13,349 |
| | | | |
| Notes and Bonds Payable | | | |
| Excess MSRs | 150,000 | — | 150,000 |
| MSRs | 1,260,000 | 689,040 | 570,960 |
| Servicer advances(A) | 1,682,869 | 1,075,741 | 607,128 |
| Consumer loans | 150,000 | 13,373 | 136,627 |
| | $9,664,166 | $ 6,157,063 | $3,507,103 |

(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 0.2% 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 March 31, 2019.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 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 March 31, 2019 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) | $ 103,027,952 | $ 436,137 | $— | $— | $ 436,137 | $ 436,137 |
| Excess mortgage servicing rights, equity method investees, at fair value(A) | 40,610,966 | 143,200 | — | — | 143,200 | 143,200 |
| Mortgage servicing rights, at fair value(A) | 264,204,829 | 3,017,453 | — | — | 3,017,453 | 3,017,453 |
| Mortgage servicing rights financing receivables, at fair value | 135,313,045 | 1,717,872 | — | — | 1,717,872 | 1,717,872 |
| Servicer advance investments, at fair value | 578,876 | 697,628 | — | — | 697,628 | 697,628 |
| Real estate and other securities, available-for-sale | 21,825,616 | 9,747,450 | — | 810,124 | 8,937,326 | 9,747,450 |
| Residential mortgage loans, held-for-investment | 636,385 | 552,838 | — | — | 554,459 | 554,459 |
| Residential mortgage loans, held-for-sale | 1,108,935 | 997,164 | — | — | 1,017,641 | 1,017,641 |
| Residential mortgage loans, held-for-sale, at fair value | 3,286,151 | 3,204,322 | — | 371,710 | 2,832,612 | 3,204,322 |
| Residential mortgage loans, held-for-investment, at fair value | 120,195 | 119,512 | — | — | 119,512 | 119,512 |
| Residential mortgage loans subject to repurchase | 140,135 | 140,135 | — | 140,135 | — | 140,135 |
| Consumer loans, held-for-investment | 1,005,746 | 1,005,660 | — | — | 989,417 | 989,417 |
| Derivative assets | 5,394,729 | 14,783 | — | 209 | 14,574 | 14,783 |
| Cash and cash equivalents | 340,911 | 340,911 | 340,911 | — | — | 340,911 |
| Restricted cash | 168,128 | 168,128 | 168,128 | — | — | 168,128 |
| Other assets(B) | | 23,840 | 10,564 | — | 13,276 | 23,840 |
| | | $ 22,327,033 | $ 519,603 | $ 1,322,178 | $ 20,491,107 | $ 22,332,888 |
| **Liabilities** | | | | | | |
| Repurchase agreements | $ 18,442,935 | $ 18,441,806 | $— | $ 18,442,935 | $— | $ 18,442,935 |
| Notes and bonds payable(C) | 6,965,346 | 6,952,102 | — | — | 6,633,498 | 6,633,498 |
| Residential mortgage loans repurchase liability | 140,135 | 140,135 | — | 140,135 | — | 140,135 |
| Derivative liabilities | 15,444,470 | 69,382 | — | 68,642 | 740 | 69,382 |
| Excess spread financing | 3,405,832 | 37,787 | — | — | 37,787 | 37,787 |
| Contingent consideration | N/A | 42,887 | — | — | 42,887 | 42,887 |
| | | $ 25,684,099 | $— | $ 18,651,712 | $ 6,714,912 | $ 25,366,624 |

(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) Excludes the indirect equity investment in a commercial redevelopment project that is accounted for at fair value on a recurring basis based on the NAV of New Residential's investment. The investment had a fair value of $74.2 million as of March 31, 2019.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

(C) 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 $116.1 million as of March 31, 2019.

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

| | Level 3 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Excess MSRs(A) | | | | | | | | | |
| | Agency | Non-Agency | Excess MSRs in Equity Method Investees(A)(B) | MSRs(A) | Mortgage Servicing Rights Financing Receivable(A) | Servicer Advance Investments | Non-Agency RMBS | Derivatives(C) | Residential Mortgage Loans | Total |
| Balance at December 31, 2018 | $ 257,387 | $ 190,473 | $ 147,964 | $ 2,884,100 | $ 1,644,504 | $ 735,846 | $ 8,970,963 | $ 10,628 | $ 2,330,627 | $ 17,172,492 |
| Transfers(D) | | | | | | | | | | |
| Transfers from Level 3 | — | — | — | — | — | — | — | — | (2,495) | (2,495) |
| Transfers to Level 3 | — | — | — | — | — | — | — | — | 297,670 | 297,670 |
| Shellpoint Acquisition (Note 1) | — | — | — | | | — | — | | — | — |
| Gains (losses) included in net income | | | | | | | | | | |
| Included in other-than-temporary impairment on securities(E) | — | — | — | — | — | — | (7,516) | — | — | (7,516) |
| Included in change in fair value of investments in excess mortgage servicing rights(E) | 2,213 | 2,414 | — | — | — | — | — | — | — | 4,627 |
| Included in change in fair value of investments in excess mortgage servicing rights, equity method investees(E) | — | — | 2,612 | — | — | — | — | — | — | 2,612 |
| Included in servicing revenue, net(F) | — | — | — | (58,565) | — | — | — | — | — | (58,565) |
| Included in change in fair value of investments in mortgage servicing rights financing receivables(E) | — | — | — | — | (36,379) | — | — | — | — | (36,379) |
| Included in change in fair value of servicer advance investments | — | — | — | — | — | 7,903 | — | — | — | 7,903 |
| Included in change in fair value of investments in residential mortgage loans | — | — | — | — | — | — | — | — | 8,849 | 8,849 |
| Included in gain (loss) on settlement of investments, net | — | — | — | — | — | — | — | — | — | — |
| Included in other income (loss), net(E) | 274 | 33 | — | — | — | — | 6,679 | 3,206 | — | 10,192 |
| Gains (losses) included in other comprehensive income(G) | — | — | — | — | — | — | 133,043 | — | — | 133,043 |
| Interest income | 1,062 | 4,053 | — | — | — | 7,084 | 111,245 | — | 8,685 | 132,129 |
| Purchases, sales and repayments | | | | | | | | | | |
| Purchases | — | — | — | 155,747 | 116,660 | 483,772 | 349,718 | — | 1,083,085 | 2,188,982 |
| Proceeds from sales | — | — | — | — | (6,913) | | (228,000) | — | (1,593,842) | (1,828,755) |
| Proceeds from repayments | (12,498) | (9,274) | (7,376) | — | — | (536,977) | (398,806) | — | (28,081) | (993,012) |
| Other | — | — | — | 36,171 | — | — | — | — | 847,626 | 883,797 |
| Balance at March 31, 2019 | $ 248,438 | $ 187,699 | $ 143,200 | $ 3,017,453 | $ 1,717,872 | $ 697,628 | $ 8,937,326 | $ 13,834 | $ 2,952,124 | $ 17,915,574 |

(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) For the purpose of this table, the IRLC asset and liability positions are shown net.
(D) Transfers are assumed to occur at the beginning of the respective period.
(E) 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.
(F) The components of Servicing revenue, net are disclosed in Note 5.
(G) These gains (losses) were included in net unrealized gain (loss) on securities in the Condensed Consolidated Statements of Comprehensive Income.

52

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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, 2018 | $39,304 | $ 117,048 | $ 40,842 | $197,194 |
| Transfers[(A)] | | | | |
| Transfers from Level 3 | — | — | — | — |
| Transfers to Level 3 | — | — | — | — |
| Shellpoint Acquisition (Note 1) | — | — | — | — |
| 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)] | (1,655 ) | — | — | (1,655 ) |
| 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)] | — | 1,137 | 2,045 | 3,182 |
| Gains (losses) included in other comprehensive income, net of tax[(D)] | — | — | — | — |
| Interest income | — | — | — | — |
| Purchases, sales and repayments | | | | |
| Purchases | — | — | — | — |
| Proceeds from sales | — | — | — | — |
| Proceeds from repayments | — | (2,061 ) | — | (2,061 ) |
| Other | 138 | — | — | 138 |
| Ocwen Transaction | — | — | — | — |
| Balance at March 31, 2019 | $37,787 | $ 116,124 | $ 42,887 | $196,798 |

(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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

***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 March 31, 2019:

| | 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 | 10.5 % | 2.2 % | 26.7 % | 21 | 21 |
| Recaptured Pools | 8.9 % | 2.1 % | 23.4 % | 22 | 24 |
| Recapture Agreement | 8.8 % | 2.2 % | 24.3 % | 22 | — |
| | 9.9 % | 2.2 % | 25.5 % | 21 | 22 |
| **Non-Agency(G)** | | | | | |
| Nationstar and SLS Serviced: | | | | | |
| Original Pools | 10.4 % | N/A | 15.8 % | 15 | 24 |
| Recaptured Pools | 9.3 % | N/A | 19.8 % | 23 | 24 |
| Recapture Agreement | 9.3 % | N/A | 19.8 % | 20 | — |
| | 10.2 % | N/A | 16.6 % | 16 | 24 |
| **Total/Weighted Average--Excess MSRs Directly Held** | 10.0 % | 2.2 % | 21.7 % | 19 | 23 |
| **Excess MSRs Held through Equity Method Investees (Note 4)** | | | | | |
| **Agency** | | | | | |
| Original Pools | 11.5 % | 2.7 % | 29.2 % | 19 | 20 |
| Recaptured Pools | 9.3 % | 2.6 % | 28.5 % | 24 | 23 |
| Recapture Agreement | 9.4 % | 2.7 % | 29.8 % | 23 | — |
| **Total/Weighted Average--Excess MSRs Held through Investees** | 10.3 % | 2.7 % | 29.0 % | 22 | 21 |
| **Total/Weighted Average--Excess MSRs All Pools** | 10.1 % | 2.4 % | 24.4 % | 20 | 22 |
| **MSRs** | | | | | |
| **Agency** | | | | | |
| Mortgage Servicing Rights(H) (I) | 10.7 % | 1.2 % | 21.4 % | 26 | 22 |
| Mortgage Servicing Rights Financing Receivables | 10.1 % | 1.0 % | 13.7 % | 26 | 21 |
| **Non-Agency** | | | | | |
| Mortgage Servicing Rights | 12.0 % | 0.5 % | 14.1 % | 26 | 25 |
| Mortgage Servicing Rights Financing Receivables | 8.1 % | 17.1 % | 3.9 % | 48 | 26 |
| **Ginnie Mae** | | | | | |
| Mortgage Servicing Rights(I) | 15.2 % | 6.1 % | 31.5 % | 35 | 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 $7.07 per loan per month was used to value the agency MSRs, including MSR Financing Receivables. A weighted average cost of subservicing of $11.38 per loan per month was used to value

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

the non-agency MSRs, including MSR Financing Receivables. A weighted average cost of subservicing of $10.69 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 March 31, 2019, a weighted average discount rate of 8.3% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees). As of March 31, 2019, a weighted average discount rate of 8.1% was used to value New Residential's investments in MSRs and a weighted average discount rate of 9.7% 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) |
| March 31, 2019 | 1.4% | 10.9 % | 16.9 % | 19.6 bps | 5.6 % | 23.2 |

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 9.8 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 March 31, 2019, New Residential's securities valuation methodology and results are further detailed as follows:

| Asset Type | Fair Value | |
|---|---|---|
| | Total | Level |

| | Outstanding Face Amount | Amortized Cost Basis | Multiple Quotes(A) | Single Quote(B) | | |
|---|---|---|---|---|---|---|
| Agency RMBS | $789,841 | $799,010 | $810,124 | $— | $810,124 | 2 |
| Non-Agency RMBS(C) | 21,035,775 | 8,381,152 | 8,914,073 | 23,253 | 8,937,326 | 3 |
| Total | $21,825,616 | $9,180,162 | $9,724,197 | $23,253 | $9,747,450 | |

(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

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 71.1% 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 | $6,353,978 | 2.30% to 28.07% | 0.25% to 25.00% | 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 $0.9 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, NewRez, 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 |
|---|---|---|---|---|---|
| Acquired Loans | $ 2,375,501 | 4.40% | 7.2% | 1.7% | 36.4% |
| Originated Loans | 457,111 | 3.25% - 4.50% | 10.0% - 9.0% | 0.0% - 4.0% | 0.0% - 50.0% |
| Residential Mortgage Loans Held-for-Sale, at Fair Value | $ 2,832,612 | | | | |

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 | $ 119,512 | 4.00% | 7.5% | 0.1% | 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 | $ 13,834 | 54% to 100% | 0 to 320 |

***Mortgage-Backed Securities Issued***

NewRez, 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 | $116,124 | 3.50% to 5.25% | 9.0% to 12.0% | 0% to 0.25% | 10.0% |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

***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.

***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 March 31, 2019, assets measured at fair value on a nonrecurring basis were $0.9 billion. The $0.9 billion of assets include approximately $838.4 million of residential mortgage loans held-for-sale and $70.2 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 March 31, 2019:

| | Fair Value and Carrying Value | Discount Rate | Weighted Average Life (Years)(A) | Prepayment Rate | CDR(B) | Loss Severity(C) |
|---|---|---|---|---|---|---|
| Performing Loans | $466,201 | 4.3 % | 4.0 | 12.5 % | 2.1 % | 34.0 % |
| Non-Performing Loans | 372,183 | 5.5 % | 3.2 | 2.9 % | 2.8 % | 30.0 % |
| Total/Weighted Average | $838,384 | 4.8 % | 3.7 | 8.3 % | 2.4 % | 32.2 % |

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.
(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.

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 three months ended March 31, 2019 was a reversal of net valuation allowance of approximately $5.8 million, consisting of a reversal of prior valuation allowance of $6.5 million for residential mortgage loans, offset by $0.7 million increased allowance for REO.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 13. EQUITY AND EARNINGS PER SHARE

***Equity and Dividends***

In February 2019, New Residential issued 46.0 million shares of its common stock in a public offering at a price to the public of $16.50 per share for net proceeds of approximately $751.7 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 4.6 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 2.40% risk-free rate, a 9.30% dividend yield, 19.26% volatility and a 10-year term.

On March 25, 2019, New Residential's board of directors declared a first quarter 2019 dividend of $0.50 per common share or $207.7 million.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, at March 31, 2019.

***Option Plan***

As of March 31, 2019, New Residential's outstanding options were summarized as follows:

| | |
|---|---|
| Held by the Manager | 8,760,167 |
| Issued to the Manager and subsequently assigned to certain of the Manager's employees | 2,690,749 |
| Issued to the independent directors | 6,000 |
| Total | 11,456,916 |

The following table summarizes New Residential's outstanding options as of March 31, 2019. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended March 31, 2019 was $16.91 per share.

| **Recipient** | **Date of Grant/ Exercise(A)** | **Number of Unexercised Options** | **Options Exercisable as of March 31, 2019** | **Weighted Average Exercise Price(B)** | **Intrinsic Value of Exercisable Options as of March 31, 2019 (millions)** |
|---|---|---|---|---|---|
| Directors | Various | 6,000 | 6,000 | $ 13.07 | $ — |
| Manager(C) | 2016 | 400,000 | 400,000 | 13.29 | 1.5 |
| Manager(C) | 2017 | 1,130,916 | — | 14.09 | — |
| Manager(C) | 2018 | 5,320,000 | 1,256,965 | 16.76 | 0.2 |
| Manager(C) | 2019 | 4,600,000 | 153,333 | 16.50 | 0.1 |
| Outstanding | | 11,456,916 | 1,816,298 | | |

(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 2018 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 | $13.29 | 400,000 |
| 2017 | $14.09 | 1,130,916 |
| 2018 | $16.68 to $18.15 | 1,159,833 |
| Total | | 2,690,749 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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

| | **Amount** | **Weighted Average Exercise Price** |
|---|---|---|
| December 31, 2018 outstanding options | 8,498,138 | |
| Options granted | 4,600,000 | $ 16.50 |
| Options exercised | (1,641,222 ) | $ 14.16 |
| Options expired unexercised | — | |
| March 31, 2019 outstanding options | 11,456,916 | See table above |

***Income and Earnings Per Share***

New Residential is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period. New Residential's common stock equivalents are its outstanding options. During the three months ended March 31, 2019, based on the treasury stock method, New Residential had 321,144 dilutive common stock equivalents outstanding. During the three months ended March 31, 2018, based on the treasury stock method, New Residential had 2,995,580 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 March 31, 2019, 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 March 31, 2019, 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

*Mortgage Origination Reserves* — NewRez, 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 NewRez generally retains the right to service the underlying residential mortgage loans. In connection with the transfer of loans to the GSEs or mortgage investors, NewRez 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, NewRez generally has an obligation to cure the breach. If NewRez is unable to cure the breach, the purchaser may require NewRez to repurchase the loan.

In addition, for Ginnie Mae guaranteed securitizations, NewRez holds a Ginnie Mae Buy-Back Option to repurchase delinquent loans from the securitization at its discretion. While NewRez is not obligated to repurchase the delinquent loans, NewRez generally executes its option to repurchase that will result in an economic benefit. As of March 31, 2019, New Residential's estimated liability associated with representations and warranties and Ginnie Mae repurchases was $6.6 million and $140.1 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 March 31, 2019, NewRez was committed to fund approximately $1.2 billion of mortgage loans and had forward loan sale commitments of $3.0 million. The forward sales are expected to close during the second quarter of 2019.

*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 $384.0 million of unfunded and available revolving credit privileges as of March 31, 2019. 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 $27.5 million.

***Environmental Costs*** — As a residential real estate owner, through its REO, New Residential is subject to potential environmental costs. At March 31, 2019, 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.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

## 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:

| | **March 31, 2019** | **December 31, 2018** |
|---|---|---|
| Management fees | $ 12,364 | $ 5,779 |
| Incentive compensation | 12,958 | 94,900 |
| Expense reimbursements and other | 2,563 | 792 |
| Total | $ 27,885 | $ 101,471 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

Affiliate expenses and fees were comprised of:

| | Three Months Ended March 31, 2019 | 2018 |
|---|---|---|
| Management fees | $17,960 | $15,110 |
| Incentive compensation | 12,958 | 14,589 |
| Expense reimbursements(A) | 125 | 125 |
| Total | $31,043 | $29,824 |

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

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 March 31, 2019 | 2018 |
|---|---|---|---|
| Reclassification of net realized (gain) loss on securities into earnings | Gain (loss) on settlement of investments, net | $(65,196) | $29,227 |
| Reclassification of net realized (gain) loss on securities into earnings | Other-than-temporary impairment on securities | 7,516 | 6,670 |
| Total reclassifications | | $(57,680) | $35,897 |

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 March 31, 2019 | 2018 |
|---|---|---|
| Current: | | |
| Federal | $(413) | $1,708 |
| State and Local | 79 | 436 |
| Total Current Income Tax Expense (Benefit) | (334) | 2,144 |
| Deferred: | | |
| Federal | 37,146 | (8,673) |
| State and Local | 9,185 | (383) |

| | | |
|---|---|---|
| Total Deferred Income Tax Expense (Benefit) | 46,331 | (9,056 ) |
| Total Income Tax Expense (Benefit) | $45,997 | $(6,912 ) |

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2019. 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 INVESTMENT CORP. AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
March 31, 2019
(dollars in tables in thousands, except share data)

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 asset of approximately $17.7 million as of March 31, 2019, primarily related to unrealized gains and discount accruals offset by net operating loss carry forwards.

## 18. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to March 31, 2019 (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.

***Corporate Activities***

On April 26, 2019, New Residential paid the first quarter 2019 dividend of $0.50 per common share or $207.7 million to stockholders of record as of April 4, 2019.

## 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

As of the first quarter of 2019, the top 100 mortgage servicers serviced over 99% of the $10.9 trillion one-to-four family mortgage debt outstanding, according to Inside Mortgage Finance. Furthermore, according to Inside Mortgage Finance, as of the first quarter of 2019, approximately 66% of such outstanding mortgage debt was serviced by the top 25 mortgage servicers, of which 15 are non-banks. Given current market dynamics and an overall competitive 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 were originated in 2018 and another $1.6 trillion are forecasted for 2019, 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.

### 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 first quarter of 2019, the Federal Reserve indicated that the committee would be patient with regards to future adjustments to the target range for the federal funds rate and current interest rates generally decreased. With respect to our Non-Agency RMBS, which are generally purchased at a significant discount to par, market interest rates decreased and market credit spreads increased, with the net result being a decrease in value of these investments 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 first quarter of 2019, 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 increased by approximately $5.0 million in the aggregate, primarily as a result of a decrease in discount rates. In addition, a decrease in costs of subservicing and an increase in ancillary income, partially offset by faster prepayment speeds, caused the fair value of our MSRs, including MSR financing receivables, to increase by approximately $22.3 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 March 31, 2019 was 0.95%, compared to 1.04% as of December 31, 2018. The spread changed primarily as a result of lower yields from new securities purchased during the first quarter of 2019 and increased funding costs. The net interest spread on our Non-Agency RMBS portfolio as of March 31, 2019 was 1.95%, compared to 2.09% as of December 31, 2018. This spread changed primarily as a result of increased funding costs.

**General U.S. Economy and Unemployment**

During the first quarter of 2019, the U.S. unemployment rate continued to decline, signaling a general improvement in the U.S. economy. In our view, an improvement in the economy, as demonstrated through such measure, 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 generally held true, however, the first quarter of 2019 has shown certain indications that the rate of home price increases across the U.S. has slowed. The Case Shiller U.S. National Home Price Index reported a 4.3% annual gain in January 2019, down from 4.6% in December 2018. In addition, according to CoreLogic, the total number of mortgaged residential properties with negative equity stood at 2.2 million, or 4.2%, as of the fourth quarter of 2018, up from the third quarter of 2018; however, on a year-over-year basis, the number of mortgaged properties in negative equity fell 14.0%. While potentially slowing, this trend continues to help 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), tightened during the first quarter of 2019. While a useful market proxy, corporate credit spreads are not necessarily indicative or directly correlated to mortgage credit spreads. Collateral performance, market liquidity, mortgage credit spreads and other factors related specifically to certain investments within our mortgage securities and loan portfolio caused an 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 March 31, 2019.

| | Outstanding Face Amount | Amortized Cost Basis | Percentage of Total Amortized Cost Basis | | Carrying Value | Weighted Average Life (years)(A) |
|---|---|---|---|---|---|---|
| **Investments in:** | | | | | | |
| Excess MSRs(B) | $143,638,918 | $440,001 | 2.2 | % | $579,337 | 6.0 |
| MSRs(B) | 264,204,829 | 2,684,666 | 13.2 | % | 3,017,453 | 6.5 |
| Mortgage Servicing Rights Financing Receivables(B) (C) | 135,313,045 | 1,370,609 | 6.7 | % | 1,717,872 | 6.4 |
| Servicer Advance Investments(B) (D) | 578,876 | 675,679 | 3.3 | % | 697,628 | 5.8 |
| Agency RMBS(E) | 789,841 | 799,010 | 3.9 | % | 810,124 | 6.1 |
| Non-Agency RMBS(E) | 21,035,775 | 8,381,152 | 41.2 | % | 8,937,326 | 6.9 |
| Residential Mortgage Loans | 5,151,666 | 4,852,952 | 23.9 | % | 4,873,836 | 9.6 |
| Real Estate Owned | N/A | 122,120 | 0.6 | % | 109,154 | N/A |
| Consumer Loans | 1,005,746 | 1,010,406 | 5.0 | % | 1,005,660 | 3.5 |
| Consumer Loans, Equity Method Investees | 259,618 | N/A | N/A | | 51,528 | 1.3 |
| Total/Weighted Average | | $20,336,595 | 100.0 | % | $21,799,918 | 7.1 |
| | | | | | | |
| **Reconciliation to GAAP total assets:** | | | | | | |
| Cash and restricted cash | | | | | 509,039 | |
| Residential mortgage loans subject to repurchase | | | | | 140,135 | |
| Servicer advances receivable | | | | | 3,036,692 | |
| Trades receivable | | | | | 7,049,723 | |
| Deferred tax asset, net | | | | | 17,719 | |
| Other assets | | | | | 856,342 | |
| **GAAP total assets** | | | | | $33,409,568 | |

(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 March 31, 2019, we had $4.7 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 March 31, 2019, these subservicers include Nationstar, Ocwen, Ditech, PHH, LoanCare, and Flagstar, which subservice 25.4%, 21.3%, 19.9%, 10.2%, 4.3% 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, Flagstar, 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 March 31, 2019.

| | Current UPB (bn) | Weighted Average MSR (bps) | | Carrying Value (mm) |
|---|---|---|---|---|
| Mortgage Servicing Rights | | | | |
| Agency | $ 232.6 | 26 | bps | $ 2,661.6 |
| Non-Agency | 2.3 | 26 | | 22.2 |
| Ginnie Mae | 29.3 | 35 | | 333.6 |
| Mortgage Servicing Rights Financing Receivables | | | | |
| Agency | 50.2 | 26 | | 509.5 |
| Non-Agency | 85.1 | 48 | | 1,208.4 |
| Total | $ 399.5 | 31 | bps | $ 4,735.3 |

The following table summarizes the collateral characteristics of the loans underlying our investments in MSRs and mortgage servicing rights financing receivables as of March 31, 2019 (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 | $ 2,661,626 | $ 232,585,093 | 1,457,168 | 751 | 4.3 % | 267 | 62 | 2.8 % | 8.4 % | 8.2 % | 0.1 % | 16.6 % |
| Non-Agency | 22,254 | 2,312,087 | 5,797 | 728 | 4.0 % | 306 | 43 | 5.8 % | 10.6 % | 10.3 % | 0.4 % | — % |
| Ginnie Mae | 333,573 | 29,307,649 | 139,066 | 683 | 3.8 % | 322 | 33 | 6.9 % | 12.2 % | 11.8 % | 0.5 % | 29.0 % |
| Mortgage Servicing Rights Financing Receivables | | | | | | | | | | | | |
| Agency | 509,497 | 50,209,316 | 351,761 | 745 | 4.2 % | 246 | 76 | 5.2 % | 8.6 % | 8.3 % | 0.4 % | 7.7 % |
| Non-Agency | 1,208,375 | 85,103,729 | 612,570 | 647 | 4.5 % | 308 | 160 | 15.0 % | 9.2 % | 6.2 % | 3.1 % | — % |
| Total | $ 4,735,325 | $ 399,517,874 | 2,566,362 | 723 | 4.3 % | 277 | 82 | 6.0 % | 8.9 % | 8.1 % | 0.8 % | 12.8 % |

| | Collateral Characteristics | | | | | |
|---|---|---|---|---|---|---|
| | Delinquency 30 Days(F) | Delinquency 60 Days(F) | Delinquency 90+ Days(F) | Loans in Foreclosure | Real Estate Owned | Loans in Bankruptcy |
| Mortgage Servicing Rights | | | | | | |
| Agency | 1.5 % | 0.3 % | 0.5 % | 0.2 % | — % | 0.2 % |
| Non-Agency | 0.9 % | 0.3 % | 4.5 % | 3.0 % | — % | 0.6 % |
| Ginnie Mae | 3.3 % | 1.1 % | 1.2 % | 1.6 % | 0.1 % | 1.1 % |
| Mortgage Servicing Rights Financing Receivables | | | | | | |
| Agency | 1.9 % | 0.4 % | 0.3 % | 0.5 % | — % | 0.4 % |
| Non-Agency | 8.8 % | 5.1 % | 7.6 % | 3.9 % | 1.7 % | 2.7 % |
| Total | 3.3 % | 1.4 % | 2.1 % | 1.1 % | 0.4 % | 0.8 % |

(A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score when loans are refinanced or become delinquent.

(B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.

(C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.

(D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.

(E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.

(F) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30–59 days, 60–89 days or 90 or more days, respectively.

*Excess MSRs*

The tables below summarize the terms of our investments in Excess MSRs completed as of March 31, 2019.

**Summary of Direct Excess MSR Investments as of March 31, 2019**

| | MSR Component(A) | | | | Excess MSR |
|---|---|---|---|---|---|
| | Current UPB (bn) | Weighted Average MSR (bps) | Weighted Average Excess MSR (bps) | Interest in Excess MSR (%) | Carrying Value (mm) |
| **Agency** | | | | | |
| Original and Recaptured Pools | $ 50.9 | 29 bps | 21 bps | 32.5% - 66.7% | $ 215.7 |
| Recapture Agreements | — | 29 | 22 | 32.5% - 66.7% | 32.7 |
| | 50.9 | 29 | 21 | | 248.4 |
| **Non-Agency**(B) | | | | | |
| Nationstar and SLS Serviced: | | | | | |
| Original and Recaptured Pools | $ 52.1 | 35 | 15 | 33.3% - 100.0% | $ 169.7 |
| Recapture Agreements | — | 26 | 20 | 33.3% - 100.0% | 18.0 |
| | 52.1 | 34 | 15 | | 187.7 |
| **Total/Weighted Average** | $ 103.0 | 32 bps | 18 bps | | $ 436.1 |

(A) The MSR is a weighted average as of March 31, 2019, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) We also invested in related Servicer Advance Investments, including the basic fee component of the related MSR (Note 6 to our Condensed Consolidated Financial Statements) on $38.1 billion UPB underlying these Excess MSRs.

**Summary of Excess MSR Investments Through Equity Method Investees as of March 31, 2019**

| | MSR Component(A) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Current UPB (bn) | Weighted Average MSR (bps) | Weighted Average Excess MSR (bps) | New Residential Interest in Investee (%) | Investee Interest in Excess MSR (%) | New Residential Effective Ownership (%) | Investee Carrying Value (mm) |
| **Agency** | | | | | | | |
| Original and Recaptured Pools | $ 40.6 | 32 bps | 21 bps | 50.0 % | 66.7 % | 33.3 % | $ 221.3 |
| Recapture Agreements | — | 33 | 23 | 50.0 % | 66.7 % | 33.3 % | 40.5 |
| **Total/Weighted Average** | $ 40.6 | 32 bps | 21 bps | | | | $ 261.8 |

(A) The MSR is a weighted average as of March 31, 2019, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of March 31, 2019 (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 |
| **Agency** | | | | | | | | | | | | |
| Original Pools | $ 151,578 | $ 38,209,148 | 269,419 | 716 | 4.7 % | 257 | 111 | 7.6 % | 10.0 % | 9.4 % | 0.7 % | 22.5 % |
| Recaptured Loans | 64,209 | 12,736,133 | 75,722 | 723 | 4.4 % | 282 | 38 | 0.6 % | 8.1 % | 7.9 % | 0.2 % | 33.1 % |
| Recapture Agreement | 32,651 | — | — | — | — % | — | — | — % | — % | — % | — % | — % |
| | $ 248,438 | $ 50,945,281 | 345,141 | 718 | 4.6 % | 264 | 91 | 5.8 % | 9.5 % | 9.0 % | 0.5 % | 25.0 % |
| **Non-Agency**(F) | | | | | | | | | | | | |
| Nationstar and SLS Serviced: | | | | | | | | | | | | |
| Original Pools | $ 149,845 | $ 48,122,304 | 267,359 | 672 | 4.8 % | 284 | 156 | 32.4 % | 12.1 % | 9.5 % | 3.0 % | 13.3 % |
| Recaptured Loans | 19,828 | 3,960,367 | 17,838 | 740 | 4.3 % | 287 | 25 | 2.7 % | 6.0 % | 6.0 % | — % | 33.3 % |
| Recapture Agreement | 18,026 | — | — | — | — % | — | — | — % | — % | — % | — % | — % |
| | $ 187,699 | $ 52,082,671 | 285,197 | 677 | 4.8 % | 284 | 147 | 30.2 % | 11.8 % | 9.3 % | 2.8 % | 14.1 % |
| **Total/Weighted Average(H)** | $ 436,137 | $ 103,027,952 | 630,338 | 697 | 4.7 % | 274 | 120 | 18.1 % | 10.7 % | 9.2 % | 1.7 % | 19.2 % |

| | Collateral Characteristics | | | | | |
|---|---|---|---|---|---|---|
| | Delinquency 30 Days(G) | Delinquency 60 Days(G) | Delinquency 90+ Days(G) | Loans in Foreclosure | Real Estate Owned | Loans in Bankruptcy |
| **Agency** | | | | | | |
| Original Pools | 4.0 % | 1.3 % | 0.8 % | 0.8 % | 0.2 % | 0.2 % |
| Recaptured Loans | 2.2 % | 0.5 % | 0.4 % | 0.3 % | 0.1 % | — % |
| Recapture Agreement | — % | — % | — % | — % | — % | — % |
| | 3.5 % | 1.1 % | 0.7 % | 0.7 % | 0.2 % | 0.2 % |
| **Non-Agency**(F) | | | | | | |
| Nationstar and SLS Serviced: | | | | | | |
| Original Pools | 10.7 % | 3.1 % | 2.3 % | 5.8 % | 1.1 % | 1.9 % |
| Recaptured Loans | 1.4 % | 0.1 % | 0.2 % | 0.1 % | — % | — % |
| Recapture Agreement | — % | — % | — % | — % | — % | — % |
| | 10.1 % | 2.9 % | 2.2 % | 5.4 % | 1.0 % | 1.8 % |
| **Total/Weighted Average(H)** | 6.9 % | 2.0 % | 1.4 % | 3.1 % | 0.6 % | 1.0 % |

(A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score when loans are refinanced or become delinquent.

(B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.

(C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.

(D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.

(E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.

(F) We also invested in related Servicer Advance Investments, including the basic fee component of the related MSR (Note 6 to our Condensed Consolidated Financial Statements) on $38.1 billion UPB underlying these Excess MSRs.

(G) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30–59 days, 60–89 days or 90 or more days, respectively.

(H) Weighted averages exclude collateral information for which collateral data was not available as of the report date.

The following table summarizes the collateral characteristics as of March 31, 2019 of the loans underlying Excess MSR investments made through joint ventures accounted for as equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 66.7% interest in the Excess MSRs.

| | Collateral Characteristics | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Carrying Amount | Current Principal Balance | New Residential Effective Ownership (%) | 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 |
| **Agency** | | | | | | | | | | | | | |
| Original Pools | $ 119,937 | $ 25,655,325 | 33.3 % | 242,284 | 697 | 5.2 % | 249 | 130 | 8.9 % | 11.1 % | 10.1 % | 1.1 % | 25.1 % |
| Recaptured Loans | 101,369 | 14,955,641 | 33.3 % | 105,320 | 706 | 4.3 % | 276 | 45 | 0.6 % | 8.2 % | 7.9 % | 0.4 % | 37.5 % |
| Recapture Agreement | 40,502 | — | 33.3 % | — | — | — % | — | — | — % | — % | — % | — % | — % |
| **Total/Weighted Average(G)** | $ 261,808 | $ 40,610,966 | | 347,604 | 700 | 4.9 % | 259 | 98 | 5.8 % | 10.1 % | 9.3 % | 0.9 % | 29.0 % |

| | Collateral Characteristics | | | | | |
|---|---|---|---|---|---|---|
| | Delinquency 30 Days(F) | Delinquency 60 Days(F) | Delinquency 90+ Days(F) | Loans in Foreclosure | Real Estate Owned | Loans in Bankruptcy |
| **Agency** | | | | | | |
| Original Pools | 5.4 % | 1.7 % | 0.9 % | 1.2 % | 0.4 % | 0.3 % |
| Recaptured Loans | 3.3 % | 0.9 % | 0.6 % | 0.4 % | 0.1 % | 0.1 % |
| Recapture Agreement | — % | — % | — % | — % | — % | — % |
| **Total/Weighted Average(G)** | 4.6 % | 1.4 % | 0.8 % | 0.9 % | 0.3 % | 0.2 % |

(A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score on a monthly basis.

(B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.

(C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.

(D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.

(E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.

(F) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30-59 days, 60-89 days or 90 or more days, respectively.

(G) Weighted averages exclude collateral information for which collateral data was not available as of the report date.

*Servicer Advance Investments*

The following is a summary of our Servicer Advance Investments, including the right to the basic fee component of the related MSRs (dollars in thousands):

| | March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost Basis | Carrying Value(A) | UPB of Underlying Residential Mortgage Loans | Outstanding Servicer Advances | Servicer Advances to UPB of Underlying Residential Mortgage Loans |

| | | | | | |
|---|---|---|---|---|---|
| Servicer Advance Investments | | | | | |
| Nationstar and SLS serviced pools | $675,679 | $697,628 | $38,055,282 | $578,876 | 1.5 % |

(A) Carrying value represents the fair value of the Servicer Advance Investments, including the basic fee component of the related MSRs.

The following is additional information regarding our Servicer Advance Investments, and related financing, as of and for the three months ended, March 31, 2019 (dollars in thousands):

| | Weighted Average Discount Rate | Weighted Average Life (Years)(C) | Three Months Ended March 31, 2019 Change in Fair Value Recorded in Other Income | Face Amount of Notes and Bonds Payable | Loan-to-Value ("LTV")(A) Gross | Loan-to-Value ("LTV")(A) Net(D) | Cost of Funds(B) Gross | Cost of Funds(B) Net |
|---|---|---|---|---|---|---|---|---|
| Servicer Advance Investments(E) | 5.6 % | 5.8 | $ 7,903 | $ 532,040 | 87.4 % | 86.3 % | 3.8 % | 3.1 % |

(A) Based on outstanding servicer advances, excluding purchased but unsettled servicer advances.
(B) 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.
(C) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.
(D) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.
(E) The following types of advances are included in Servicer Advance Investments:

| | March 31, 2019 |
|---|---|
| Principal and interest advances | $ 98,657 |
| Escrow advances (taxes and insurance advances) | 225,012 |
| Foreclosure advances | 255,207 |
| Total | $ 578,876 |

A discussion of the sensitivity of these incentive fees to changes in LIBOR is included below under "Quantitative and Qualitative Disclosures About Market Risk."

**Residential Securities and Loans**

*Real Estate Securities*

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of March 31, 2019 (dollars in thousands):

| Asset Type | Outstanding Face Amount | Amortized Cost Basis | Percentage of Total Amortized Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Carrying Value(A) | Count | Weighted Average Life (Years) | 3-Month CPR | Outstanding Repurchase Agreements |
|---|---|---|---|---|---|---|---|---|---|---|
| Agency Specified Pools | $ 789,841 | $ 799,010 | 100.0 % | $ 11,398 | $ (284) | $ 810,124 | 27 | 6.1 | 3.4 % | $ 581,740 |

(A) Fair value, which is equal to carrying value for all securities.

The following table summarizes the net interest spread of our Agency RMBS portfolio as of March 31, 2019:

| **Net Interest Spread(A)** | |
|---|---|
| Weighted Average Asset Yield | 3.62 % |
| Weighted Average Funding Cost | 2.67 % |

| | |
|---|---|
| Net Interest Spread | 0.95 % |

(A) The Agency RMBS portfolio consists of 100.0% fixed rate securities (based on amortized cost basis). See table above for details on rate resets of the floating rate securities.

<u>Non-Agency RMBS</u>

The following table summarizes our Non-Agency RMBS portfolio as of March 31, 2019 (dollars in thousands):

| Asset Type | Outstanding Face Amount | Amortized Cost Basis | Gross Unrealized Gains | Gross Unrealized Losses | Carrying Value(A) | Outstanding Repurchase Agreements |
|---|---|---|---|---|---|---|
| Non-Agency RMBS | $21,035,775 | $8,381,152 | $606,767 | $(50,593) | $8,937,326 | $7,427,234 |

(A) Fair value, which is equal to carrying value for all securities.

The following tables summarize the characteristics of our Non-Agency RMBS portfolio and of the collateral underlying our Non-Agency RMBS as of March 31, 2019 (dollars in thousands):

**Non-Agency RMBS Characteristics(A)**

| Vintage(B) | Average Minimum Rating(C) | Number of Securities | Outstanding Face Amount | Amortized Cost Basis | Percentage of Total Amortized Cost Basis | Carrying Value | Principal Subordination(D) | Excess Spread(E) | Weighted Average Life (Years) | Weighted Average Coupon(F) |
|---|---|---|---|---|---|---|---|---|---|---|
| Pre 2006 | CCC- | 380 | $2,075,330 | $1,567,161 | 19.0 % | $1,712,448 | 13.3 % | 0.6 % | 7.2 | 3.8 % |
| 2006 | CC | 148 | 3,361,565 | 2,146,625 | 26.0 % | 2,317,685 | 6.4 % | 1.4 % | 7.5 | 2.8 % |
| 2007 | CCC- | 99 | 3,356,552 | 2,097,909 | 25.4 % | 2,275,533 | 5.7 % | 0.9 % | 7.1 | 3.1 % |
| 2008 and later | A | 289 | 12,107,688 | 2,434,824 | 29.6 % | 2,510,748 | 14.7 % | — % | 6.2 | 3.5 % |
| Total/Weighted Average | B- | 916 | $20,901,135 | $8,246,519 | 100.0 % | $8,816,414 | 9.8 % | 0.7 % | 7.0 | 3.3 % |

**Collateral Characteristics(A) (G)**

| Vintage(B) | Average Loan Age (years) | Collateral Factor(H) | 3-Month CPR(I) | Delinquency(J) | Cumulative Losses to Date |
|---|---|---|---|---|---|
| Pre 2006 | 14.3 | 0.07 | 8.9 % | 10.5 % | 12.7 % |
| 2006 | 12.9 | 0.12 | 8.8 % | 11.5 % | 32.8 % |
| 2007 | 12.1 | 0.22 | 9.3 % | 11.5 % | 39.1 % |
| 2008 and later | 8.3 | 0.85 | 9.3 % | 2.0 % | 1.3 % |
| Total/Weighted Average | 11.6 | 0.35 | 9.1 % | 8.5 % | 21.3 % |

(A) Excludes $49.6 million face amount of bonds backed by consumer loans and $85.0 million face amount of bonds backed by corporate debt.

(B) The year in which the securities were issued.

(C) Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current. This excludes the ratings of the collateral underlying 265 bonds with a carrying value of $829.2 million, which either have never been rated or for which rating information is no longer provided. We had assets that were on negative watch for possible downgrade by at least one rating agency as of March 31, 2019.

(D) The percentage of amortized cost basis of securities and residual interests that is subordinate to our investments. This excludes interest-only bonds.

(E) The current amount of interest received on the underlying loans in excess of the interest paid on the securities, as a percentage of the outstanding collateral balance for the quarter ended March 31, 2019.

(F) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $308.6 million and $2.3 million, respectively, for which no coupon payment is expected.

(G) The weighted average loan size of the underlying collateral is $213.0 thousand.
(H) The ratio of original UPB of loans still outstanding.
(I) Three month average constant prepayment rate and default rates.
(J) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

The following table summarizes the net interest spread of our Non-Agency RMBS portfolio as of March 31, 2019:

| **Net Interest Spread**[(A)] | |
|---|---|
| Weighted Average Asset Yield | 5.56 % |
| Weighted Average Funding Cost | 3.61 % |
| Net Interest Spread | 1.95 % |

(A) The Non-Agency RMBS portfolio consists of 68.9% floating rate securities and 31.1% fixed rate securities (based on amortized cost basis).

Call Rights

We hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar whereby, when the UPB of the underlying residential mortgage loans falls below a pre-determined threshold, we can effectively purchase the underlying residential mortgage loans at par, plus unreimbursed servicer advances, resulting in the repayment of 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. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts master serviced by SLS for no fee, and also with respect to certain securitization trusts serviced or master serviced by Ocwen subject to a fee of 0.5% of UPB on loans that are current or thirty (30) days or less delinquent, paid to Ocwen at the time of exercise. The aggregate UPB of the underlying residential mortgage loans within these various securitization trusts is approximately $116.0 billion.

We continue to evaluate the call rights we acquired from each of our servicers, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. See “Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party also possessing such cleanup call rights exercises such rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.” The actual UPB of the residential mortgage loans on which we can successfully exercise call rights and realize the benefits therefrom may differ materially from our initial assumptions.

We have exercised our 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, we sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, we received par on the securities issued by the called trusts which we owned prior to such trusts’ termination. Refer to Note 8 in our Condensed Consolidated Financial Statements for further details on these transactions.

Residential Mortgage Loans

As of March 31, 2019, we had approximately $5.2 billion outstanding face amount of residential mortgage loans. These investments were financed with repurchase agreements with an aggregate face amount of approximately $3.7 billion and notes and bonds payable with an aggregate face amount of approximately $499.8 million. We acquired these loans through open market purchases, as well as through the exercise of call rights.

The following table presents the total residential mortgage loans outstanding by loan type at March 31, 2019 (dollars in thousands).

| Outstanding Face Amount | Carrying Value | Loan Count | Weighted Average Yield | Weighted Average Life (Years)(A) |
|---|---|---|---|---|