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

# FORM 10-Q

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

For the quarterly period ended September 30, 2021

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)

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

| Title of each class: | | Name of each exchange on which registered: |
|---|---|---|
| Common Stock, $0.01 par value per share | NRZ | New York Stock Exchange |
| 7.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock | NRZ PR A | New York Stock Exchange |
| 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock | NRZ PR B | New York Stock Exchange |
| 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock | NRZ PR C | New York Stock Exchange |
| 7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock | NRZ PR D | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ 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 ☒ 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 | ☒ | 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

**Common stock, $0.01 par value per share: 466,579,920 shares outstanding as of October 29, 2021.**

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS SUMMARY

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 similar words 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 limited. 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.

Our ability to implement our business strategy is subject to numerous risks, as more fully described under "Risk Factors." These risks include, among others:

- the uncertainty and economic impact of the ongoing coronavirus ("COVID-19") pandemic and of responsive measures implemented by various governmental authorities, businesses and other third parties, as well as the ultimate impact on us, our operations and personnel;
- our exposure to risks of loss resulting from adverse weather conditions, man-made or natural disasters, the effect of climate change, and pandemics, such as the COVID-19 pandemic;
- our ability to successfully execute our business and investment strategy;
- our ability to deploy capital accretively and the timing of such deployment;
- reductions in the value of, cash flows received from, or liquidity surrounding, our investments, which are based on various assumptions that could differ materially from actual results;
- our reliance on, and counterparty concentration and default risks in, the servicers and subservicers we engage ("Servicing Partners") and other third parties;
- the impact of current or future legal proceedings and regulatory investigations and inquiries involving us, our Servicing Partners or other business partners;
- the mortgage lending and servicing-related regulations promulgated by the Consumer Financial Protection Bureau ("CFPB") and its enforcement of such regulations;
- the risks related to our origination and servicing operations, including, but not limited to, compliance with applicable laws, regulations and other requirements, significant increases in delinquencies for the loans, compliance with the terms of related servicing agreements, financing related servicer advances and the origination business, expenses related to servicing high risk loans, unrecovered or delayed recovery of servicing advances, foreclosure rates, servicer ratings, and termination of government mortgage refinancing programs;
- our ability to obtain and maintain financing arrangements on terms favorable to us or at all, particularly in light of the current disruption in the financial markets;
- changes in general economic conditions, in our industry and in the commercial finance and real estate markets, including the impact on the value of our assets or the performance of our investments;
- the relative spreads between the yield on the assets in which we invest and the cost of financing;
- impairments in the value of the collateral underlying our investments and the relation of any such impairments to the value of our securities or loans;
- risks associated with our indebtedness, including our senior unsecured notes, and related restrictive covenants and non-recourse long-term financing structures;
- adverse changes in the financing markets we access affecting our ability to finance our investments on attractive terms, or at all;

- changing market conditions could potentially lead to increased margin calls, lenders not extending our secured financing 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 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 mortgage servicing rights ("Excess MSRs"), servicer advance investments, residential mortgage-backed securities ("RMBS"), residential mortgage loans and consumer loan portfolios;
- the risks that default and recovery rates on our MSRs, Excess MSRs, servicer advance investments, servicer advance receivables, 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;
- cybersecurity incidents and technology disruptions or failures;
- our dependence on counterparties and vendors to provide certain services, which subjects us to various risks;
- our exposure to counterparties that are unwilling or unable to honor contractual obligations, including their obligation to indemnify us or repurchase defective mortgage loans;
- our ability to maintain our exclusion from registration under the Investment Company Act of 1940 (the "1940 Act"), and limits on our operations from maintaining such exclusion;
- our ability to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes, and limits on our operations from maintaining REIT status;
- competition within the finance and real estate industries;
- our ability to attract and retain highly skilled personnel;
- impact from our past and future acquisitions, and our ability to successfully integrate the acquired assets and assumed liabilities;
- the impact of any material transactions or relationships with FIG LLC (the "Manager") or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest;
- the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, regulation of corporate governance and public disclosure, changes in accounting rules, U.S. government programs intended to grow the economy, future changes to tax laws, the federal conservatorship of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and legislation that permits modification of the terms of residential mortgage loans;
- the risk that actions by Fannie Mae or the Freddie Mac or other regulatory initiatives or actions may adversely affect returns from investments in MSRs and Excess MSRs and may lower gain on sale margins;
- adverse market, regulatory or interest rate environments or our issuance of debt or equity, any of which may negatively affect the market price of our common stock;
- our ability to pay distributions on our common stock; and
- risks associated with the acquisition of Caliber Home Loans Inc., potential adverse impacts on our business and operations from uncertainties associated with the acquisition and our ability to successfully integrate the businesses and realize the anticipated benefits of the acquisition.

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") or 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. See "Business-Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

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

**NEW RESIDENTIAL INVESTMENT CORP.**
**FORM 10-Q**

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

## NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

| | September 30, 2021 (Unaudited) | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Excess mortgage servicing rights assets, at fair value | $ 359,288 | $ 410,855 |
| Mortgage servicing rights and mortgage servicing rights financing receivables, at fair value (A) | 6,565,267 | 4,585,841 |
| Servicer advance investments, at fair value (A) | 472,004 | 538,056 |
| Real estate and other securities | 9,973,795 | 14,244,558 |
| Residential loans and variable interest entity consumer loans held-for-investment, at fair value (A) | 1,142,807 | 1,359,754 |
| Residential mortgage loans, held-for-sale ($13,972,557 and $4,705,816 at fair value, respectively) | 14,117,300 | 5,215,703 |
| Residential mortgage loans subject to repurchase (B) | 1,826,620 | 1,452,005 |
| Cash and cash equivalents (A) | 1,366,678 | 944,854 |
| Restricted cash (A) | 194,745 | 135,619 |
| Servicer advances receivable | 2,782,622 | 3,002,267 |
| Receivable for investments sold | — | 4,180 |
| Other assets (A) | 2,802,989 | 1,358,422 |
| | $ 41,604,115 | $ 33,252,114 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Secured financing agreements (A) | $ 22,759,985 | $ 17,547,680 |
| Secured notes and bonds payable ($798,198 and $1,662,852 at fair value, respectively) (A) | 8,248,092 | 7,644,195 |
| Residential mortgage loan repurchase liability (B) | 1,826,620 | 1,452,005 |
| Unsecured senior notes, net of issuance costs | 542,849 | 541,516 |
| Payable for investments purchased | — | 154 |
| Due to affiliates | 8,895 | 9,450 |
| Dividends payable | 124,999 | 90,128 |
| Accrued expenses and other liabilities (A) | 1,465,562 | 537,302 |
| | 34,977,002 | 27,822,430 |
| **Commitments and Contingencies** | | |
| | | |
| **Equity** | | |
| Preferred stock, $0.01 par value, 100,000,000 shares authorized, 52,210,000 and 33,610,000 issued and outstanding, $1,305,250 and $840,250 aggregate liquidation preference, respectively | 1,262,498 | 812,992 |
| Common stock, $0.01 par value, 2,000,000,000 shares authorized, 466,579,920 and 414,744,518 issued and outstanding, respectively | 4,667 | 4,148 |
| Additional paid-in capital | 6,057,739 | 5,547,108 |
| Retained earnings (accumulated deficit) | (856,803) | (1,108,929) |
| Accumulated other comprehensive income | 87,989 | 65,697 |
| Total New Residential stockholders' equity | 6,556,090 | 5,321,016 |
| Noncontrolling interests in equity of consolidated subsidiaries (A) | 71,023 | 108,668 |
| Total equity | 6,627,113 | 5,429,684 |
| | $ 41,604,115 | $ 33,252,114 |

(A) The Company's Consolidated Balance Sheets include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations and liabilities of the VIE for which creditors do not have recourse to the primary beneficiary (New Residential). As of September 30, 2021, and December 31, 2020, total assets of consolidated VIEs were $3.1 billion and $2.7 billion, respectively, and total liabilities of consolidated VIEs were $ 2.4 billion and $2.1 billion, respectively. See Note 13 for further details.

(B) See Note 5 for details.

See Notes to Consolidated Financial Statements.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**
(dollars in thousands, except share and per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Revenues** | | | | |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ 398,645 | $ 450,859 | $ 1,168,431 | $ 1,390,042 |
| Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(287,318), $(509,624), $(924,766) and $(1,135,515), respectively) | (195,623) | (415,339) | (421,332) | (1,731,378) |
| Servicing revenue, net | 203,022 | 35,520 | 747,099 | (341,336) |
| Interest income | 190,633 | 169,780 | 593,342 | 622,224 |
| Gain on originated mortgage loans, held-for-sale, net | 566,761 | 488,253 | 1,257,094 | 966,813 |
| | 960,416 | 693,553 | 2,597,535 | 1,247,701 |
| **Expenses** | | | | |
| Interest expense | 129,928 | 130,528 | 355,372 | 463,786 |
| General and administrative expenses | 245,071 | 178,245 | 647,244 | 546,939 |
| Compensation and benefits | 324,545 | 167,137 | 717,919 | 412,402 |
| Management fee to affiliate | 24,315 | 22,482 | 70,154 | 66,682 |
| | 723,859 | 498,392 | 1,790,689 | 1,489,809 |
| **Other Income (Loss)** | | | | |
| Change in fair value of investments | 11,112 | 111,082 | 1,224 | (123,314) |
| Gain (loss) on settlement of investments, net | (98,317) | (94,457) | (188,919) | (968,995) |
| Other income (loss), net | 59,266 | 3,681 | 79,696 | (39,766) |
| | (27,939) | 20,306 | (107,999) | (1,132,075) |
| **Impairment** | | | | |
| Provision (reversal) for credit losses on securities | (2,370) | (3,849) | (5,020) | 15,166 |
| Valuation and credit loss provision (reversal) on loans and real estate owned | 8,748 | 14,584 | (42,617) | 118,504 |
| | 6,378 | 10,735 | (47,637) | 133,670 |
| **Income (Loss) Before Income Taxes** | 202,240 | 204,732 | 746,484 | (1,507,853) |
| Income tax expense (benefit) | 31,559 | 100,812 | 128,741 | (48,647) |
| **Net Income (Loss)** | $ 170,681 | $ 103,920 | $ 617,743 | $ (1,459,206) |
| Noncontrolling interests in income of consolidated subsidiaries | 9,001 | 11,640 | 28,448 | 34,118 |
| Dividends on preferred stock | 15,533 | 14,359 | 44,249 | 39,938 |
| **Net Income (Loss) Attributable to Common Stockholders** | $ 146,147 | $ 77,921 | $ 545,046 | $ (1,533,262) |
| | | | | |
| **Net Income (Loss) Per Share of Common Stock** | | | | |
| Basic | $ 0.31 | $ 0.19 | $ 1.22 | $ (3.69) |
| Diluted | $ 0.30 | $ 0.19 | $ 1.18 | $ (3.69) |
| **Weighted Average Number of Shares of Common Stock Outstanding** | | | | |
| Basic | 466,579,920 | 415,744,518 | 446,085,657 | 415,665,441 |
| Diluted | 482,282,695 | 420,968,626 | 461,694,481 | 415,665,441 |
| **Dividends Declared per Share of Common Stock** | $ 0.25 | $ 0.15 | $ 0.65 | $ 0.30 |

See Notes to Consolidated Financial Statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **Net income (loss)** | $ 170,681 | $ 103,920 | $ 617,743 | $ (1,459,206) |
| Other comprehensive income (loss), net of tax: | | | | |
| Unrealized gain (loss) on available-for-sale securities, net | 6,541 | 17,535 | 27,680 | 108,308 |
| Reclassification of realized (gain) loss on available-for-sale securities, net into net income | (63) | 3,809 | (5,388) | (738,385) |
| **Comprehensive income (loss)** | 177,159 | 125,264 | 640,035 | (2,089,283) |
| Comprehensive income (loss) attributable to noncontrolling interests | 9,001 | 11,640 | 28,448 | 34,118 |
| Dividends on preferred stock | 15,533 | 14,359 | 44,249 | 39,938 |
| **Comprehensive income (loss) attributable to common stockholders** | $ 152,625 | $ 99,265 | $ 567,338 | $ (2,163,339) |

See Notes to Consolidated Financial Statements.

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021**
(dollars in thousands, except share and per share data)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income | Total New Residential Stockholders' Equity | Noncontrolling Interests in Equity of Consolidated Subsidiaries | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | | |
| **Balance at June 30, 2021** | 33,610,000 | $ 812,992 | 466,579,920 | $ 4,667 | $ 6,059,186 | $ (886,305) | $ 81,511 | $ 6,072,051 | $ 94,100 | $ 6,166,151 |
| Dividends declared on common stock, $0.25 per share | — | — | — | — | — | (116,645) | — | (116,645) | — | (116,645) |
| Dividends declared on preferred stock | — | — | — | — | — | (15,533) | — | (15,533) | — | (15,533) |
| Capital distributions | — | — | — | — | — | — | — | — | (11,002) | (11,002) |
| Issuance of preferred stock | 18,600,000 | 449,506 | — | — | — | — | — | 449,506 | — | 449,506 |
| Purchase of noncontrolling interests | — | — | — | — | (1,447) | — | — | (1,447) | (21,076) | (22,523) |
| Comprehensive income (loss) | | | | | | | | | | |
| Net income | — | — | — | — | — | 161,680 | — | 161,680 | 9,001 | 170,681 |
| Unrealized gain (loss) on available-for-sale securities, net | — | — | — | — | — | — | 6,541 | 6,541 | — | 6,541 |
| Reclassification of realized (gain) loss on available-for-sale securities, net into net income | — | — | — | — | — | — | (63) | (63) | — | (63) |
| Total comprehensive income (loss) | | | | | | | | 168,158 | 9,001 | 177,159 |
| **Balance at September 30, 2021** | 52,210,000 | $ 1,262,498 | 466,579,920 | $ 4,667 | $ 6,057,739 | $ (856,803) | $ 87,989 | $ 6,556,090 | $ 71,023 | $ 6,627,113 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED), CONTINUED**
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**
(dollars in thousands, except share and per share data)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income | Total New Residential Stockholders' Equity | Noncontrolling Interests in Equity of Consolidated Subsidiaries | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | | |
| **Balance at June 30, 2020** | 33,610,000 | $ 812,992 | 415,744,518 | $ 4,158 | $ 5,554,559 | $ (1,110,148) | $ 30,730 | $ 5,292,291 | $ 96,681 | $ 5,388,972 |
| Dividends declared on common stock, $0.15 per share | — | — | — | — | — | (62,362) | — | (62,362) | — | (62,362) |
| Dividends declared on preferred stock | — | — | — | — | — | (14,359) | — | (14,359) | — | (14,359) |
| Capital contributions | — | — | — | — | — | — | — | — | 25 | 25 |
| Capital distributions | — | — | — | — | — | — | — | — | (8,909) | (8,909) |
| Comprehensive income (loss) | | | | | | | | | | |
| Net income (loss) | — | — | — | — | — | 92,280 | — | 92,280 | 11,640 | 103,920 |
| Unrealized gain (loss) on available-for-sale securities, net | — | — | — | — | — | — | 17,535 | 17,535 | — | 17,535 |
| Reclassification of realized (gain) loss on available-for-sale securities, net into net income | — | — | — | — | — | — | 3,809 | 3,809 | — | 3,809 |
| Total comprehensive income (loss) | | | | | | | | 113,624 | 11,640 | 125,264 |
| **Balance at September 30, 2020** | 33,610,000 | $ 812,992 | 415,744,518 | $ 4,158 | $ 5,554,559 | $ (1,094,589) | $ 52,074 | $ 5,329,194 | $ 99,437 | $ 5,428,631 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED), CONTINUED**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**
(dollars in thousands, except share and per share data)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income | Total New Residential Stockholders' Equity | Noncontrolling Interests in Equity of Consolidated Subsidiaries | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | | |
| **Balance at December 31, 2020** | 33,610,000 | $ 812,992 | 414,744,518 | $ 4,148 | $ 5,547,108 | $ (1,108,929) | $ 65,697 | $ 5,321,016 | $ 108,668 | $ 5,429,684 |
| Dividends declared on common stock, $0.65 per share | — | — | — | — | — | (292,920) | — | (292,920) | — | (292,920) |
| Dividends declared on preferred stock | — | — | — | — | — | (44,249) | — | (44,249) | — | (44,249) |
| Capital distributions | — | — | — | — | — | — | — | — | (45,017) | (45,017) |
| Issuance of common stock | — | — | 51,725,000 | 517 | 510,970 | — | — | 511,487 | — | 511,487 |
| Issuance of preferred stock | 18,600,000 | 449,506 | — | — | — | — | — | 449,506 | — | 449,506 |
| Purchase of noncontrolling interests | | | | | (1,447) | | | (1,447) | (21,076) | (22,523) |
| Director share grants | — | — | 110,402 | 2 | 1,108 | — | — | 1,110 | — | 1,110 |
| Comprehensive income (loss) | | | | | | | | | | |
| Net income (loss) | — | — | — | — | — | 589,295 | — | 589,295 | 28,448 | 617,743 |
| Unrealized gain (loss) on available-for-sale securities, net | — | — | — | — | — | — | 27,680 | 27,680 | — | 27,680 |
| Reclassification of realized (gain) loss on available-for-sale securities, net into net income | — | — | — | — | — | — | (5,388) | (5,388) | — | (5,388) |
| Total comprehensive income (loss) | — | — | — | — | — | — | — | 611,587 | 28,448 | 640,035 |
| **Balance at September 30, 2021** | 52,210,000 | $ 1,262,498 | 466,579,920 | $ 4,667 | $ 6,057,739 | $ (856,803) | $ 87,989 | $ 6,556,090 | $ 71,023 | $ 6,627,113 |

**NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED), CONTINUED**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**
(dollars in thousands, except share and per share data)

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income | Total New Residential Stockholders' Equity | Noncontrolling Interests in Equity of Consolidated Subsidiaries | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | | |
| **Balance at December 31, 2019** | 17,510,000 | $ 423,444 | 415,520,780 | $ 4,156 | $ 5,498,226 | $ 549,733 | $ 682,151 | 7,157,710 | $ 78,550 | $ 7,236,260 |
| Cumulative adjustment for the adoption of ASU 2016-13 | — | — | — | — | — | 13,658 | — | 13,658 | 16,795 | 30,453 |
| 2020 Warrants | — | — | — | — | 53,462 | — | — | 53,462 | — | 53,462 |
| Dividends declared on common stock, $0.30 per share | — | — | — | — | — | (124,718) | — | (124,718) | — | (124,718) |
| Dividends declared on preferred stock | — | — | — | — | — | (39,938) | — | (39,938) | — | (39,938) |
| Capital contributions | — | — | — | — | — | — | — | — | 1,818 | 1,818 |
| Capital distributions | — | — | — | — | — | — | — | — | (31,844) | (31,844) |
| Issuance of common stock | — | — | 97,394 | 1 | 1,661 | — | — | 1,662 | — | 1,662 |
| Issuance of preferred stock | 16,100,000 | 389,548 | — | — | — | — | — | 389,548 | — | 389,548 |
| Director share grants | — | — | 126,344 | 1 | 1,210 | — | — | 1,211 | — | 1,211 |
| Comprehensive income (loss) | | | | | | | | | | |
| Net income (loss) | — | — | — | — | — | (1,493,324) | | (1,493,324) | 34,118 | (1,459,206) |
| Unrealized gain (loss) on available-for-sale securities, net | — | — | — | — | — | — | 108,308 | 108,308 | — | 108,308 |
| Reclassification of realized (gain) loss on available-for-sale securities, net into net income | — | — | — | — | — | — | (738,385) | (738,385) | — | (738,385) |
| Total comprehensive income (loss) | | | | | | | | (2,123,401) | 34,118 | (2,089,283) |
| **Balance at September 30, 2020** | 33,610,000 | $ 812,992 | 415,744,518 | $ 4,158 | $ 5,554,559 | $ (1,094,589) | $ 52,074 | $ 5,329,194 | $ 99,437 | $ 5,428,631 |

See Notes to Consolidated Financial Statements.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash Flows From Operating Activities** | | |
| Net income (loss) | $ 617,743 | $ (1,459,206) |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Change in fair value of Excess MSRs | 12,245 | 14,675 |
| Change in fair value of servicer advance investments | 6,535 | (431) |
| Change in fair value of residential mortgage loans, at fair value | (154,984) | 108,306 |
| Change in fair value of secured notes and bonds payable | (5,245) | (535) |
| Change in fair value of real estate and other securities | 336,009 | 531 |
| Change in fair value of consumer loans | 13,338 | 4,446 |
| Bargain purchase gain | (3,497) | — |
| (Gain) loss on settlement of investments, net | 189,002 | 904,200 |
| (Gain) loss on originated mortgage loans, held-for-sale, net | (1,257,094) | (966,813) |
| (Gain) loss on extinguishment of debt | (83) | 64,795 |
| Change in fair value of derivative instruments | (214,367) | (4,213) |
| Change in fair value of contingent consideration | 886 | 5,949 |
| Change in fair value of equity investments | (5,929) | 52,413 |
| (Gain) loss on transfer of loans to REO | (3,412) | (5,010) |
| (Gain) loss on transfer of loans to other assets | 14 | 773 |
| (Gain) loss on Ocwen common stock | (1,050) | (221) |
| Accretion and other amortization (Note 2) | (36,559) | (127,456) |
| Depreciation on single family rental properties | 3,174 | 473 |
| Provision (reversal) for credit losses on securities | (5,020) | 15,166 |
| Valuation and credit loss provision (reversal) on loans and real estate owned | (42,617) | 118,504 |
| Non-cash portions of servicing revenue, net | 421,332 | 1,731,378 |
| Non-cash directors' compensation | 1,110 | 1,211 |
| Deferred tax provision | 119,679 | (42,439) |
| Changes in: | | |
| Servicer advances receivable, net | 303,841 | 470,221 |
| Other assets | (112,966) | 159,684 |
| Due to affiliates | (555) | (94,337) |
| Accrued expenses and other liabilities | (227,151) | (204,710) |
| Other operating cash flows: | | |
| Interest and distributions received from Excess MSRs | 16,810 | 27,415 |
| Interest received from servicer advance investments | 8,990 | 14,183 |
| Interest received from Non-Agency RMBS | 78,903 | 137,000 |
| Interest received from residential mortgage loans, held-for-investment | 3,196 | 3,907 |
| Purchases of residential mortgage loans, held-for-sale | (5,797,205) | (2,390,498) |
| Origination of residential mortgage loans, held-for-sale | (84,611,600) | (36,801,062) |
| Proceeds from sales of purchased and originated residential mortgage loans, held-for-sale | 89,272,284 | 39,908,942 |
| Principal repayments from purchased residential mortgage loans, held-for-sale | 387,748 | 226,436 |
| Net cash provided by (used in) operating activities | (686,495) | 1,885,868 |

Continued on next page.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash Flows From Investing Activities** | | |
| Purchase of servicer advance investments | (976,629) | (991,289) |
| Purchase of MSRs, MSR financing receivables and servicer advances receivable | (15,617) | (530,657) |
| Purchase of Agency RMBS | (6,098,841) | (18,584,357) |
| Purchase of Non-Agency RMBS | — | (56,515) |
| Purchase of real estate owned and other assets | (368,092) | (5,347) |
| Purchase of equity method investments | (13,397) | — |
| Draws on revolving consumer loans | (21,680) | (25,008) |
| Origination of commercial loans | (250,000) | — |
| Payments for settlement of derivatives | (153,770) | (160,465) |
| Return of investments in Excess MSRs | 38,472 | 40,101 |
| Acquisition of Caliber, net of cash acquired | (811,207) | — |
| Principal repayments from servicer advance investments | 1,034,242 | 1,036,634 |
| Principal repayments from Agency RMBS | 1,688,338 | 838,200 |
| Principal repayments from Non-Agency RMBS | 121,857 | 358,322 |
| Principal repayments from residential mortgage loans | 86,878 | 100,433 |
| Principal repayments from commercial loans | 23,442 | — |
| Principal repayments from consumer loans | 160,615 | 176,125 |
| Proceeds from MSRs and MSR financing receivables | 1,086 | 64,623 |
| Proceeds from sale of MSRs and MSR financing receivables | 59,163 | 14,160 |
| Proceeds from sale of Excess MSRs | 2,363 | 144 |
| Proceeds from sale of Agency RMBS | 8,074,294 | 23,249,507 |
| Proceeds from sale of Non-Agency RMBS | 164,630 | 5,292,717 |
| Proceeds from settlement of derivatives | 13,258 | 65,650 |
| Proceeds from sale of real estate owned | 47,638 | 84,733 |
| Net cash provided by (used in) investing activities | 2,807,043 | 10,967,711 |

Continued on next page.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash Flows From Financing Activities** | | |
| Repayments of secured financing agreements | (58,118,431) | (113,038,497) |
| Repayments of warehouse credit facilities | (88,254,304) | (40,782,950) |
| Margin deposits under secured financing agreements and derivatives | (4,245,890) | (3,519,989) |
| Proceeds for issuance of term loan | — | 592,400 |
| Repayments of secured notes and bonds payable | (5,920,361) | (7,040,542) |
| Deferred financing fees | (4,385) | (31,863) |
| Common stock dividends paid | (259,224) | (270,117) |
| Preferred stock dividends paid | (43,073) | (36,730) |
| Borrowings under secured financing agreements | 54,297,394 | 101,149,869 |
| Borrowings under warehouse credit facilities | 90,195,545 | 39,427,045 |
| Return of margin deposits under secured financing agreements and derivatives | 4,424,635 | 3,717,645 |
| Borrowings under secured notes and bonds payable | 5,402,819 | 7,057,202 |
| Issuance of preferred stock | 449,506 | 389,548 |
| Issuance of common stock | 512,012 | 1,734 |
| Costs related to issuance of common and preferred stock | (525) | (72) |
| Noncontrolling interests in equity of consolidated subsidiaries - contributions | — | 1,818 |
| Noncontrolling interests in equity of consolidated subsidiaries - distributions | (45,017) | (31,844) |
| Payment of contingent consideration | (7,776) | (51,994) |
| Purchase of noncontrolling interests | (22,523) | — |
| Net cash provided by (used in) financing activities | (1,639,598) | (12,522,937) |
| **Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash** | 480,950 | 330,642 |
| **Cash, Cash Equivalents, and Restricted Cash, Beginning of Period** | 1,080,473 | 690,934 |
| **Cash, Cash Equivalents, and Restricted Cash, End of Period** | $ 1,561,423 | $ 1,021,576 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid during the period for interest | $ 365,241 | $ 450,792 |
| Cash paid during the period for income taxes | 20,732 | 105 |
| **Supplemental Schedule of Non-Cash Investing and Financing Activities** | | |
| Common dividends declared but not paid | $ 116,645 | $ 62,362 |
| Preferred dividends declared but not paid | 19,601 | 14,359 |
| Warrants issued with term loan | — | 53,462 |
| Purchase of investments, settled after quarter-end | — | 210 |
| Sale of investments, settled after quarter-end | — | 946,321 |
| Transfer from residential mortgage loans to real estate owned and other assets | 34,697 | 56,297 |
| MSR purchase price holdback | — | (45,014) |
| Real estate securities retained from loan securitizations | 145,920 | 518,515 |
| Residential mortgage loans subject to repurchase | 1,826,620 | 1,458,325 |

See Notes to Consolidated Financial Statements.

## 1. ORGANIZATION AND BASIS OF PRESENTATION

New Residential Investment Corp. (together with its subsidiaries, "New Residential," or "the Company") is a Delaware corporation that was formed as a limited liability company in September 2011 (commenced operations on December 8, 2011) for the purpose of making real estate related investments. New Residential is an independent publicly traded REIT primarily focused on investing in residential mortgage related assets and is listed on the New York Stock Exchange ("NYSE") under the symbol "NRZ." New Residential's investment portfolio is composed of mortgage servicing related assets (full and excess MSRs and servicer advances), residential securities (and associated called rights), properties (including single family rental) and loans, and consumer loans. New Residential's investments in operating entities include leading origination and servicing platforms through wholly-owned subsidiaries, Newrez LLC ("Newrez") and Caliber Home Loans Inc. ("Caliber"), as well as investments in affiliated businesses that provide mortgage related services.

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, Income Taxes, for additional information regarding New Residential's taxable REIT subsidiaries.

New Residential, through its wholly-owned subsidiaries New Residential Mortgage LLC ("NRM"), Newrez and Caliber is licensed or otherwise eligible to service residential mortgage loans in all states within the United States and the District of Columbia. Each of NRM, Newrez and Caliber are also approved to service mortgage loans on behalf of investors, including the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively, Government Sponsored Enterprises or "GSEs") and, in the case of Newrez and Caliber, Government National Mortgage Association ("Ginnie Mae"). Newrez and Caliber are also eligible to perform servicing on behalf of other servicers (subservicing) and investors.

Newrez and Caliber currently originate, sell and securitize conventional (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as "Agency" loans), government-insured Federal Housing Administration ("FHA") and Department of Veterans Affairs ("VA"), and U.S. Department of Agriculture ("USDA") and non-qualified ("Non-QM") residential mortgage loans. The GSEs or Ginnie Mae guarantee securitizations are completed under their applicable policies and guidelines. New Residential generally retains the right to service the underlying residential mortgage loans sold and securitized by Newrez and Caliber. NRM, Newrez and Caliber are required to conduct aspects of their operations in accordance with applicable policies and guidelines published by FHA, VA, USDA, Fannie Mae, Freddie Mac and Ginnie Mae.

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. See Note 16 for additional information.

As of September 30, 2021, New Residential conducted its business through the following segments: (i) Origination, (ii) Servicing, (iii) MSR Related Investments, (iv) Residential Securities, Properties and Loans, (v) Consumer Loans and (vi) Corporate.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, as of September 30, 2021. In addition, Fortress, through its affiliates, held options and warrants relating to approximately 18.7 million and 22.0 million shares, respectively, of New Residential's common stock as of September 30, 2021.

***Acquisition of Caliber Home Loans Inc.***

On April 14, 2021, New Residential entered into a Stock Purchase Agreement (the "SPA") with LSF Pickens Holdings, LLC ("LSF"), a Delaware limited liability company and an affiliate of Lone Star Funds, and Caliber, a leading mortgage originator and servicer and then-wholly owned subsidiary of LSF. The SPA provided that, upon the terms and subject to the conditions set forth therein, the Company or one of its subsidiaries will purchase all of the issued and outstanding equity interests of Caliber

from LSF. On August 23, 2021, New Residential completed its acquisition of all of the outstanding equity interests of Caliber from LSF for a purchase price of $1.318 billion in cash.

The results of Caliber's operations have been included in the Company's Consolidated Statements of Income for both the three and nine months ended September 30, 2021 from the date of the acquisition and represent $246.4 million of revenue and $29.1 million of net income.

The Caliber acquisition has been accounted for as a business combination under ASC 805, *Business Combinations*, ("ASC 805") using the acquisition method of accounting, whereby the total purchase price has been allocated to identifiable assets acquired and liabilities assumed based on their respective fair values as of the acquisition date. Goodwill is calculated as the excess of the consideration transferred over the net assets acquired that meet the criteria for separate recognition and represents the estimated future economic benefits arising from these and other assets acquired that could not be individually identified or do not qualify for recognition as a separate asset. Likewise, a bargain purchase gain is recognized in current earnings when the aggregate fair value of the consideration transferred and any noncontrolling interests in the acquiree is less than the fair value of the identifiable net assets acquired. Based on the New Residential's preliminary analysis, the Company recognized a bargain purchase gain of approximately $3.5 million in the Caliber acquisition and the amount is grouped and presented as part of Other Income in the Consolidated Statements of Income. The bargain purchase gain was primarily driven by differences in Caliber's projected net income versus actuals between the period of Caliber acquisition announcement and its closing.

Recorded fair valuation of assets acquired and liabilities assumed related to the acquisition of Caliber is preliminary and will be completed as soon as practicable, but no later than one year after the consummation of the transaction. Pursuant to ASC 805, the financial statements will not be retrospectively adjusted for any provisional amount changes that occur in subsequent periods. Rather, New Residential will recognize any provisional amount adjustments during the reporting period in which the adjustments are determined as part of the bargain purchase gain.

The preliminary estimate of fair value of assets and liabilities required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows, including projected revenues and expenses, and the applicable discount rates. These estimates were based on assumptions that management believes to be reasonable; however, actual results may differ from these estimates. The assessment of fair value is preliminary and is based on information that was available to management at the time the consolidated financial statements were prepared. Those estimates and assumptions are subject to change as management obtains additional information related to those estimates during the applicable measurement period. The most significant open items necessary to complete are related to intangible assets, other assets, deferred income taxes, and other liabilities. The final acquisition accounting adjustments, including those resulting from conforming Caliber's accounting policies to those of New Residential could differ materially.

Acquisition-related costs are expensed in the period incurred. New Residential recognized $5.5 million and $9.6 million of acquisition-related costs that were expensed for the three and nine months ended September 30, 2021, respectively. These costs are grouped and presented within General and Administrative Expenses in the Consolidated Statements of Income.

The table below summarizes New Residential's allocation of the total consideration paid to acquire the assets and assume the liabilities of Caliber (in millions):

| | |
|---|---|
| **Assets Acquired** | |
| Mortgage servicing rights, at fair value | $ 1,507.5 |
| Residential mortgage loans, held-for-sale | 7,685.7 |
| Residential mortgage loans subject to repurchase | 666.8 |
| Cash and cash equivalents | 472.7 |
| Restricted cash | 30.6 |
| Servicer advances receivable | 113.4 |
| Other assets | 640.6 |
| **Total Assets Acquired** | $ 11,117.3 |
| | |
| **Liabilities Assumed** | |
| Secured financing agreements | $ 7,090.6 |
| Secured notes and bonds payable | 1,121.8 |
| Residential mortgage loan repurchase liability | 666.8 |
| Accrued expenses and other liabilities | 916.1 |
| **Total Liabilities Assumed** | $ 9,795.3 |
| | |
| **Net Assets** | $ 1,322.0 |
| | |
| **Total Consideration** | $ 1,318.5 |
| | |
| **Goodwill (Bargain Purchase Gain)** | $ (3.5) |

Intangible assets consist of purchased technology and trade names/trademarks. New Residential amortizes intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is 4.8 years. The following table presents the details of identifiable intangible assets acquired:

| | Estimated Useful Life | Amount |
|---|---|---|
| Purchased technology | 5 | $ 38,545 |
| Trade names/trademarks | 1 | 2,483 |
| **Total identifiable intangible assets** | | $ 41,028 |

*Unaudited Supplemental Pro Forma Financial Information* — The following table presents unaudited pro forma combined revenues and income before income taxes for the three and nine months ended September 30, 2021 and 2020 prepared as if the Caliber acquisition had been consummated on January 1, 2020:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Pro Forma** | **2021** | **2020** | **2021** | **2020** |
| Revenues | $ 1,285,690 | $ 1,463,384 | $ 4,257,458 | $ 3,333,123 |
| Income Before Income Taxes | 148,380 | 487,755 | 1,043,357 | (874,436) |

The unaudited supplemental pro forma financial information reflects, among others, financing adjustments, amortization of intangibles, and transactions costs. The unaudited supplemental pro forma financial information has not been adjusted to reflect all conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the Caliber 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 Caliber acquisition occurred on January 1, 2020, the beginning of the earliest period presented.

***Interim Financial Statements***

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP" or "U.S. GAAP"). 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 Consolidated Financial Statements include the accounts of New Residential and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. New Residential consolidates those entities in which it has control over significant operating, financing and investing decisions of the entity, as well as those entities deemed to be variable interest entities ("VIEs") in which New Residential is determined to be the primary beneficiary. For entities over which New Residential exercises significant influence, but which do not meet the requirements for consolidation, New Residential uses the equity method of accounting whereby it records its share of the underlying income of such entities. Distributions from equity method investees are classified in the Consolidated Statements of Cash Flows based on the cumulative earnings approach, where all distributions up to cumulative earnings are classified as distributions of earnings.

***Reclassifications***

As of and for the three and nine months ended September 30, 2021, New Residential changed its presentation of certain balance sheet and income statement line items to better reflect how New Residential is managed. Specifically, MSR Financing Receivables is presented together with Mortgage Servicing Rights, at Fair Value on the Consolidated Balance Sheets. In addition, components of interest income from MSR financing receivables—(i) servicing fee revenue, (ii) ancillary and other fees and (iii) subservicing expense—as well as change in fair value of MSR financing receivables are included in Servicing Revenue, Net or General and Administrative Expenses in the Consolidated Income Statements. Prior period amounts in New Residential's Consolidated Financial Statements and respective notes have been reclassified to conform to the current period presentation. Such reclassifications had no impact on net income, total assets, total liabilities, or stockholders' equity.

In addition to above, certain other prior period amounts in New Residential's Consolidated Financial Statements and respective notes have been reclassified to be consistent with the current period presentation. Such reclassifications had no impact on net income, total assets, total liabilities, or stockholders' equity.

***Risks and Uncertainties***

In the normal course of business, New Residential encounters primarily two significant types of economic risk: credit and market. Credit risk 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. Market risk reflects changes in the value of investments due to changes in prepayment rates, interest rates, spreads or other market factors, including risks that impact the value of the collateral underlying New Residential's investments. Taking into consideration these risks along with estimated prepayments, financings, collateral values, payment histories, and other information, New Residential believes that the carrying values of its investments are reasonable. Furthermore, for each of the periods presented, a significant portion of New Residential's assets are dependent on its servicers' and subservicers' ability to perform their obligations servicing the loans underlying New Residential's Excess MSRs, MSRs, MSR Financing Receivables, Servicer Advance Investments, Non-Agency RMBS and loans. If a servicer is terminated, New Residential's right to receive its portion of the cash flows related to interests in servicing related assets may also be terminated.

The outbreak of the novel coronavirus ("COVID-19") pandemic around the globe continues to adversely impact the U.S. and world economies and has contributed to significant volatility in global financial and credit markets. The impact of the outbreak has evolved rapidly. The major disruptions caused by COVID-19 significantly slowed many commercial activities in the U.S., resulting in a rapid rise in unemployment claims, reduced business revenues and sharp reductions in liquidity and the fair value of many assets, including those in which the Company invests. The ultimate duration and impact of the COVID-19 pandemic and response thereto remain uncertain.

New Residential is subject to significant tax risks. If New Residential were to fail to qualify as a REIT in any taxable year, New Residential would be subject to U.S. federal corporate income tax (including any applicable alternative minimum tax), which could be material. Unless entitled to relief under certain statutory provisions, New Residential would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

***Use of Estimates***

The Company believes the estimates and assumptions underlying its Consolidated Financial Statements are reasonable and supportable based on the information available as of September 30, 2021; however, uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and the Company's business in particular, makes any estimates and assumptions as of September 30, 2021 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results may materially differ from those estimates.

***Recent Accounting Pronouncements***

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* The standard was issued to ease the accounting effects of reform to the London Interbank Offered Rate ("LIBOR") and other reference rates. The standard provides optional expedients and exceptions for applying GAAP to debt, derivatives, and other contracts affected by reference rate reform. While the Company currently does not have any hedge accounting relationships, many of the Company's debt facilities and loan agreements incorporate LIBOR as the referenced rate. Some of these facilities and loan agreements either mature prior to the phase out of LIBOR or have provisions in place that provide for an alternative to LIBOR upon its phase-out. The standard is effective for all entities as of March 12, 2020 through December 31, 2022 and may be elected over time as reference rate reform activities occur. In preparation for the phase-out of LIBOR, the Company has adopted and implemented the SOFR index for our Freddie Mac and Fannie Mae adjustable-rate mortgages ("ARMs"). For debt facilities that do not mature prior to the phase-out of LIBOR, the Company has begun amending terms to transition to an alternative benchmark. The Company continues to evaluate the transitional impact to serviced ARMs.

In August 2020, the FASB issued ASU 2020-06, *Debt–Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging–Contracts in Entity's Own Equity (Topic 815)*. The standard simplifies the accounting for convertible instruments by reducing the number of accounting models. A convertible debt instrument will generally be reported as a single liability at its amortized cost with no separate accounting for embedded conversion features. The standard also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. ASU 2020-16 is effective for New Residential beginning in the first quarter of 2022 with early adoption permitted beginning in 2021. The adoption of ASU 2020-06 is not expected to have a material impact on the Company's Consolidated Financial Statements.

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

***Other Assets and Other Liabilities***

Other assets and liabilities consist of the following:

| | Other Assets | | | Accrued Expenses and Other Liabilities | |
|---|---|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | | September 30, 2021 | December 31, 2020 |
| Margin receivable, net[A] | $ 388,528 | $ 271,753 | Margin payable | $ 90,751 | $ — |
| Servicing fee receivables | 146,509 | 137,426 | MSR purchase price holdback | 18,555 | 25,121 |
| Due from servicers | 31,201 | 67,854 | Interest payable | 45,983 | 44,623 |
| Principal and interest receivable | 30,782 | 41,590 | Accounts payable | 322,825 | 87,406 |
| Equity investments[B] | 70,754 | 55,504 | Derivative liabilities | 54,766 | 119,762 |
| Other receivables | 138,209 | 109,111 | Due to servicers | 42,201 | 59,671 |
| REO | 26,569 | 45,299 | Due to agencies | 13,262 | 26,748 |
| Single-family rental properties | 403,651 | 41,271 | Contingent consideration | 9,299 | 14,247 |
| Goodwill[C] | 29,468 | 29,468 | Accrued compensation and benefits | 175,273 | 67,025 |
| Notes receivable, at fair value[D] | 51,663 | 52,389 | Excess spread financing, at fair value | — | 18,420 |
| Warrants, at fair value | 26,302 | 23,218 | Operating lease liabilities (Note 15) | 140,438 | 31,270 |
| Recovery asset | 11,217 | 13,006 | Reserve for sales recourse | 36,782 | 9,799 |
| Property and equipment | 59,611 | 26,999 | Reserve for servicing losses | 22,425 | 9,288 |
| Receivable from government agency[E] | 7,437 | 14,369 | Deferred tax liability | 407,577 | 7,859 |
| Intangible assets | 73,723 | 34,125 | Other liabilities | 85,425 | 16,063 |
| Prepaid expenses | 81,955 | 30,949 | | $ 1,465,562 | $ 537,302 |
| Operating lease right-of-use assets (Note 15) | 115,598 | 26,913 | | | |
| Derivative assets | 266,904 | 290,144 | | | |
| Ocwen common stock, at fair value | 4,834 | 11,187 | | | |
| Loans receivable, at fair value[F] | 233,339 | — | | | |
| Credit facilities receivable[G] | 101,505 | — | | | |
| Loans in process and settlements in process[H] | 396,907 | — | | | |
| Other assets | 106,323 | 35,847 | | | |
| | $ 2,802,989 | $ 1,358,422 | | | |

(A) Represents collateral posted as a result of changes in fair value of New Residential's (i) real estate securities securing its secured financing agreements and (ii) derivative instruments.

(B) Represents equity investments in funds that invest in (i) a commercial redevelopment project, and (ii) operating companies in the single-family housing industry. The indirect investments are accounted for at fair value based on the net asset value of New Residential's investment and as an equity method investment, respectively. Equity investments also includes an investment in Covius Holding Inc. ("Covius"), a provider of various technology-enabled services to the mortgage and real estate industries, preferred stock in Valon Mortgage, Inc ("Valon"), a residential mortgage servicing and technology company, and preferred stock in Credijusto Ltd. ("Covalto"), a financial services company.

(C) Includes goodwill derived from the acquisition of Shellpoint Partners LLC ("Shellpoint") and Guardian Asset Management LLC ("Guardian").

(D) Represents a subordinated debt facility to Covius and a private note with Matic Insurance Services, Inc. ("Matic"). The loans are accounted for under the fair value option. Electing the fair value option allows the Company to record changes in fair value in the Consolidated Statements of Income and provides users of the financial statements with better information regarding the effect of market factors.

(E) Represents claims receivable from the FHA on early buyout ("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.

(F) Represents loans made pursuant to a senior credit agreement and a senior subordinated credit agreement to an entity affiliated with funds managed by an affiliate of the Manager (see Note 16). The loans are accounted for under the fair value option. Electing the fair value option allows the Company to record changes in fair value in the Consolidated Statements of Income and provides users of the financial statements with better information regarding the effect of market factors.

(G) Represents cash deposits and collections associated with certain collateral assets which are held by the lender trust until settled each month.

(H) Loans in process represent timing differences in the disbursing of funds and the closing of the loan. Settlements in process represent timing differences in the receipt of funds and settlement of the loan sale.

***Real Estate Owned (REO) and Single-Family Rental Properties (SFR)***

The following table presents activity related to the carrying value of investments in REO and SFR:

| | REO | SFR |
|---|---|---|
| **Balance at December 31, 2020** | $ 45,299 | $ 41,271 |
| Purchases | 2,269 | 365,823 |
| Transfer of loans to REO | 27,020 | — |
| Sales[(A)] | (45,933) | (269) |
| Depreciation | — | (3,174) |
| Valuation (provision) reversal | (2,086) | — |
| **Balance at September 30, 2021** | $ 26,569 | $ 403,651 |

(A) Recognized when control of the property has transferred to the buyer.

As of September 30, 2021 and December 31, 2020, New Residential's SFR portfolio consisted of approximately 1,882 and 257 units, respectively. During the three and nine months ended September 30, 2021, New Residential acquired approximately 727 and 1,625 SFR units, respectively.

As of September 30, 2021, New Residential had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $2.9 million.

***Notes and Loans Receivable***

The following table summarizes the activity for notes and loans receivable:

| | Notes Receivable | Loans Receivable | Total |
|---|---|---|---|
| **Balance at December 31, 2020** | $ 52,389 | $ — | $ 52,389 |
| Fundings | 1,688 | 250,000 | 251,688 |
| Accrued interest paid-in-kind | 4,017 | 2,036 | 6,053 |
| Proceeds from repayments | (3,188) | (18,697) | (21,885) |
| Fair value adjustments due to: | | | |
| Changes in instrument-specific credit risk | — | — | — |
| Other factors | (3,243) | — | (3,243) |
| **Balance at September 30, 2021** | $ 51,663 | $ 233,339 | $ 285,002 |

The following table summarizes the difference between the aggregate unpaid principal balance and the aggregate fair value of notes and loans receivable:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Days Past Due** | **Unpaid Principal Balance** | **Fair Value** | **Fair Value Over (Under) Unpaid Principal Balance** | **Unpaid Principal Balance** | **Fair Value** | **Fair Value Over (Under) Unpaid Principal Balance** |
| Current | $ 287,431 | $ 285,002 | $ (2,429) | $ 51,575 | $ 52,389 | $ 814 |
| 90+ | — | — | — | — | — | — |
| | $ 287,431 | $ 285,002 | $ (2,429) | $ 51,575 | $ 52,389 | $ 814 |

***Accretion and Other Amortization***

As reflected on the Consolidated Statements of Cash Flows, Accretion and Other Amortization consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Accretion of net discount on securities and loans | $ 3,317 | $ 18,321 | $ 25,414 | $ 81,112 |
| Accretion of servicer advances receivable discount and servicer advance investments | 398 | 25,503 | 7,194 | 38,967 |
| Accretion of excess mortgage servicing rights income | 4,195 | 12,595 | 16,188 | 25,177 |
| Amortization of deferred financing costs | (2,513) | (6,360) | (10,890) | (12,352) |
| Amortization of discount on secured notes and bonds payable | (14) | (379) | (14) | (379) |
| Amortization of discount on corporate debt | (441) | (3,214) | (1,333) | (5,069) |
| Total accretion and other amortization | $ 4,942 | $ 46,466 | $ 36,559 | $ 127,456 |

***General and Administrative Expenses***

General and Administrative Expenses consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Legal and professional | $ 29,419 | $ 22,209 | $ 66,225 | $ 63,798 |
| Loan origination | 52,481 | 23,596 | 137,642 | 59,462 |
| Occupancy | 18,612 | 9,356 | 39,183 | 26,195 |
| Subservicing | 74,156 | 91,031 | 234,599 | 277,367 |
| Loan servicing | 3,976 | 8,311 | 13,282 | 23,313 |
| Property and maintenance | 19,331 | 10,503 | 47,216 | 26,855 |
| Other miscellaneous general and administrative | 47,096 | 13,239 | 109,097 | 69,949 |
| Total general and administrative expenses | $ 245,071 | $ 178,245 | $ 647,244 | $ 546,939 |

***Change in Fair Value of Investments***

Change in Fair Value of Investments consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Excess MSRs | $ (4,837) | $ (664) | $ (13,666) | $ (11,773) |
| Excess MSRs, equity method investees | (1,176) | (393) | 1,421 | (2,902) |
| Servicer advance investments | (1,662) | 3,143 | (6,535) | 431 |
| Real estate and other securities | 5,538 | 27,663 | (336,009) | (531) |
| Residential mortgage loans | (26,432) | 56,940 | 154,984 | (108,306) |
| Consumer loans held-for-investment | (5,708) | 1,304 | (13,338) | (4,446) |
| Derivative instruments | 45,389 | 23,089 | 214,367 | 4,213 |
| Total change in fair value of investments | $ 11,112 | $ 111,082 | $ 1,224 | $ (123,314) |

***Gain (Loss) on Settlement of Investments, Net***

Gain (Loss) on Settlement of Investments, Net consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Gain (loss) on sale of real estate securities | $ (63,809) | $ 7,658 | $ (89,500) | $ (753,551) |
| Sale of acquired residential mortgage loans | 66,807 | 3,751 | 116,404 | (8,343) |
| Settlement of derivatives | (73,978) | (23,192) | (152,913) | (133,099) |
| Liquidated residential mortgage loans | (6,497) | 165 | (5,868) | 2,546 |
| Sale of REO | 371 | 1,016 | (3,814) | 2,632 |
| Extinguishment of debt | — | (66,256) | 83 | (64,795) |
| Other | (21,211) | (17,599) | (53,311) | (14,385) |
| Total gain (loss) on settlement of investments, net | $ (98,317) | $ (94,457) | $ (188,919) | $ (968,995) |

***Other Income (Loss), Net***

Other Income (Loss), Net consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Unrealized gain (loss) on secured notes and bonds payable | $ 4,029 | $ (5,611) | $ 5,245 | $ 535 |
| Unrealized gain (loss) on contingent consideration | (478) | (2,079) | (886) | (5,949) |
| Unrealized gain (loss) on equity investments | 10,546 | (4,716) | 5,929 | (52,413) |
| Gain (loss) on transfer of loans to REO | (699) | 703 | 3,412 | 5,010 |
| Gain (loss) on transfer of loans to other assets | (37) | (512) | (14) | (773) |
| Gain (loss) on Ocwen common stock | (489) | 4,342 | 1,050 | 221 |
| Provision for servicing losses | (3,347) | (3,734) | (26,148) | (19,764) |
| Bargain purchase gain | 3,497 | — | 3,497 | — |
| Rental and ancillary revenue | 19,072 | 6,790 | 39,094 | 17,851 |
| Property and maintenance revenue | 28,755 | 16,837 | 73,765 | 45,495 |
| Other income (loss) | (1,583) | (8,339) | (25,248) | (29,979) |
| Total other income (loss), net | $ 59,266 | $ 3,681 | $ 79,696 | $ (39,766) |

## 3. SEGMENT REPORTING

At September 30, 2021, New Residential's reportable segments include (i) Origination, (ii) Servicing, (iii) MSR Related Investments, (iv) Residential Securities, Properties and Loans, (v) Consumer Loans and (vi) Corporate. The Corporate segment primarily consists of general and administrative expenses, management fees and incentive compensation related to the Management Agreement, corporate cash and related interest income, unsecured senior notes (Note 11) and related interest expense.

During the three months ended September 30, 2021, due to the Caliber acquisition, New Residential reevaluated the composition of its reportable segments based on the significance of certain business activities to its operations and performance evaluation, which drive resource allocation. Based on this reevaluation, MSR assets serviced by Newrez (previously reflected within the MSR Related Segment) and Caliber, representing $385.2 billion UPB as of September 30, 2021, are reflected within Servicing. MSRs owned by third-parties but serviced by the Company's subsidiaries, representing $75.8 billion as of September 30, 2021, are also reflected within Servicing. MSR assets sub-serviced by third-parties (PHH Mortgage Corporation ("PHH"), LoanCare, LLC ("LoanCare"), Flagstar Bank ("Flagstar") and Mr. Cooper), representing $164.7 billion UPB as of September 30, 2021, continue to be reflected as part of the MSR Related Investments. Segment information for prior periods have been restated to reflect this change.

The following tables summarize segment financial information, which in total reconciles to the same data for New Residential as a whole:

| | Origination and Servicing | | | | | Residential Securities, Properties and Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Origination | Servicing | MSR Related Investments | Elimination[(A)] | Total Servicing and Origination | Real Estate Securities | Properties and Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| **Three Months Ended September 30, 2021** | | | | | | | | | | |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ (6,451) | $ 257,520 | $ 147,576 | $ — | $ 398,645 | $ — | $ — | $ — | $ — | $ 398,645 |
| Change in fair value of MSRs and MSR financing receivables | — | (118,941) | (76,682) | — | (195,623) | — | — | — | — | (195,623) |
| Servicing revenue, net | (6,451) | 138,579 | 70,894 | — | 203,022 | — | — | — | — | 203,022 |
| Interest income | 54,851 | (2,729) | 11,385 | — | 63,507 | 52,489 | 37,490 | 22,708 | 14,439 | 190,633 |
| Gain on originated mortgage loans, held-for-sale, net | 510,740 | 28,292 | (44,235) | 47,672 | 542,469 | 15,276 | 9,016 | — | — | 566,761 |
| Total revenues | 559,140 | 164,142 | 38,044 | 47,672 | 808,998 | 67,765 | 46,506 | 22,708 | 14,439 | 960,416 |
| Interest expense | 37,775 | 43,199 | 7,499 | — | 88,473 | 9,365 | 19,680 | 2,656 | 9,754 | 129,928 |
| G&A and other | 344,198 | 102,602 | 87,927 | — | 534,727 | 1,753 | 23,901 | 2,553 | 30,997 | 593,931 |
| Total operating expenses | 381,973 | 145,801 | 95,426 | — | 623,200 | 11,118 | 43,581 | 5,209 | 40,751 | 723,859 |
| Change in fair value of investments | — | — | (7,675) | — | (7,675) | 50,927 | (26,432) | (5,708) | — | 11,112 |
| Gain (loss) on settlement of investments, net | — | (989) | (1,295) | — | (2,284) | (130,066) | 34,033 | — | — | (98,317) |
| Other income (loss), net | 368 | (11) | 41,848 | — | 42,205 | — | 17,641 | 415 | (995) | 59,266 |
| Total other income (loss) | 368 | (1,000) | 32,878 | — | 32,246 | (79,139) | 25,242 | (5,293) | (995) | (27,939) |
| Impairment | — | — | — | — | — | (2,370) | 8,748 | — | — | 6,378 |
| Income (loss) before income taxes | 177,535 | 17,341 | (24,504) | 47,672 | 218,044 | (20,122) | 19,419 | 12,206 | (27,307) | 202,240 |
| Income tax expense (benefit) | 32,322 | (3,125) | (8,372) | — | 20,825 | — | 10,735 | (1) | — | 31,559 |
| Net income (loss) | 145,213 | 20,466 | (16,132) | 47,672 | 197,219 | (20,122) | 8,684 | 12,207 | (27,307) | 170,681 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | 3,032 | — | (280) | — | 2,752 | — | — | 6,249 | — | 9,001 |
| Dividends on preferred stock | — | — | — | — | — | — | — | — | 15,533 | 15,533 |
| Net income (loss) attributable to common stockholders | $ 142,181 | $ 20,466 | $ (15,852) | $ 47,672 | $ 194,467 | $ (20,122) | $ 8,684 | $ 5,958 | $ (42,840) | $ 146,147 |

| | Origination and Servicing | | | | | Residential Securities, Properties and Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Origination | Servicing | MSR Related Investments | Elimination[(A)] | Total Servicing and Origination | Real Estate Securities | Properties and Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| **Nine months ended September 30, 2021** | | | | | | | | | | |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ (19,638) | $ 696,143 | $ 491,926 | $ — | $ 1,168,431 | $ — | $ — | $ — | $ — | $ 1,168,431 |
| Change in fair value of MSRs and MSR financing receivables | — | (178,630) | (242,702) | — | (421,332) | — | — | — | — | (421,332) |
| Servicing revenue, net | (19,638) | 517,513 | 249,224 | — | 747,099 | — | — | — | — | 747,099 |
| Interest income | 108,965 | 13,460 | 35,969 | — | 158,394 | 240,299 | 107,106 | 73,104 | 14,439 | 593,342 |
| Gain on originated mortgage loans, held-for-sale, net | 1,163,702 | 53,103 | (109,127) | 85,390 | 1,193,068 | 25,036 | 38,990 | — | — | 1,257,094 |
| Total revenues | 1,253,029 | 584,076 | 176,066 | 85,390 | 2,098,561 | 265,335 | 146,096 | 73,104 | 14,439 | 2,597,535 |
| Interest expense | 74,798 | 130,191 | 17,013 | — | 222,002 | 38,715 | 58,419 | 8,547 | 27,689 | 355,372 |
| G&A and other | 734,675 | 280,165 | 258,498 | — | 1,273,338 | 3,943 | 62,555 | 8,501 | 86,980 | 1,435,317 |
| Total operating expenses | 809,473 | 410,356 | 275,511 | — | 1,495,340 | 42,658 | 120,974 | 17,048 | 114,669 | 1,790,689 |
| Change in fair value of investments | — | — | (18,780) | — | (18,780) | (121,642) | 154,984 | (13,338) | — | 1,224 |
| Gain (loss) on settlement of investments, net | — | (31,972) | 15,873 | — | (16,099) | (234,692) | 62,220 | — | (348) | (188,919) |
| Other income (loss), net | 565 | 1,081 | 56,891 | — | 58,537 | (1,686) | 22,221 | 575 | 49 | 79,696 |
| Total other income (loss) | 565 | (30,891) | 53,984 | — | 23,658 | (358,020) | 239,425 | (12,763) | (299) | (107,999) |
| Impairment | — | — | — | — | — | (5,020) | (42,617) | — | — | (47,637) |
| Income (loss) before income taxes | 444,121 | 142,829 | (45,461) | 85,390 | 626,879 | (130,323) | 307,164 | 43,293 | (100,529) | 746,484 |
| Income tax expense (benefit) | 87,738 | 14,804 | (17,206) | — | 85,336 | — | 43,326 | 79 | — | 128,741 |
| Net income (loss) | 356,383 | 128,025 | (28,255) | 85,390 | 541,543 | (130,323) | 263,838 | 43,214 | (100,529) | 617,743 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | 9,782 | — | (797) | — | 8,985 | — | — | 19,463 | — | 28,448 |
| Dividends on preferred stock | — | — | — | — | — | — | — | — | 44,249 | 44,249 |
| Net income (loss) attributable to common stockholders | $ 346,601 | $ 128,025 | $ (27,458) | $ 85,390 | $ 532,558 | $ (130,323) | $ 263,838 | $ 23,751 | $ (144,778) | $ 545,046 |

| | Origination and Servicing | | | | Residential Securities, Properties and Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Origination | Servicing | MSR Related Investments | Total Servicing and Origination | Real Estate Securities | Properties and Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| **September 30, 2021** | | | | | | | | | |
| Investments | $ 11,714,006 | $ 4,848,688 | $ 3,017,963 | $ 19,580,657 | $ 9,973,795 | $ 2,958,434 | $ 547,795 | $ — | $ 33,060,681 |
| Cash and cash equivalents | 768,301 | 102,825 | 321,924 | 1,193,050 | 171,532 | 53 | 1,778 | 265 | 1,366,678 |
| Restricted cash | 35,284 | 87,969 | 29,525 | 152,778 | 15,704 | 1,457 | 24,806 | — | 194,745 |
| Other assets | 1,484,399 | 2,582,560 | 2,072,971 | 6,139,930 | 368,724 | 131,996 | 38,987 | 272,906 | 6,952,543 |
| Goodwill | 11,836 | 12,540 | 5,092 | 29,468 | — | — | — | — | 29,468 |
| Total assets | $ 14,013,826 | $ 7,634,582 | $ 5,447,475 | $ 27,095,883 | $ 10,529,755 | $ 3,091,940 | $ 613,366 | $ 273,171 | $ 41,604,115 |
| Debt | $ 11,390,069 | $ 3,201,575 | $ 3,779,105 | $ 18,370,749 | $ 9,663,568 | $ 2,392,505 | $ 499,669 | $ 624,435 | $ 31,550,926 |
| Other liabilities | 583,220 | 2,389,688 | 108,326 | 3,081,234 | (6,108) | 182,653 | 746 | 167,551 | 3,426,076 |
| Total liabilities | 11,973,289 | 5,591,263 | 3,887,431 | 21,451,983 | 9,657,460 | 2,575,158 | 500,415 | 791,986 | 34,977,002 |
| Total equity | 2,040,537 | 2,043,319 | 1,560,044 | 5,643,900 | 872,295 | 516,782 | 112,951 | (518,815) | 6,627,113 |
| Noncontrolling interests in equity of consolidated subsidiaries | 16,134 | — | 13,283 | 29,417 | — | — | 41,606 | — | 71,023 |
| Total New Residential stockholders' equity | $ 2,024,403 | $ 2,043,319 | $ 1,546,761 | $ 5,614,483 | $ 872,295 | $ 516,782 | $ 71,345 | $ (518,815) | $ 6,556,090 |
| Investments in equity method investees | $ — | $ — | $ 103,956 | $ 103,956 | $ — | $ — | $ — | $ — | $ 103,956 |

| | Origination and Servicing | | | | | Residential Securities, Properties and Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Origination | Servicing | MSR Related Investments | Elimination[(A)] | Total Servicing and Origination | Real Estate Securities | Properties and Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| **Three Months Ended September 30, 2020** | | | | | | | | | | |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ (3,767) | $ 232,599 | $ 222,027 | $ — | $ 450,859 | $ — | $ — | $ — | $ — | $ 450,859 |
| Change in fair value of MSRs and MSR financing receivables | — | (189,958) | (225,381) | — | (415,339) | — | — | — | — | (415,339) |
| Servicing revenue, net | (3,767) | 42,641 | (3,354) | — | 35,520 | — | — | — | — | 35,520 |
| Interest income | 17,407 | 2,392 | 25,489 | — | 45,288 | 61,034 | 33,913 | 29,545 | — | 169,780 |
| Gain on originated mortgage loans, held-for-sale, net | 445,578 | 18,979 | (1,332) | 25,028 | 488,253 | — | — | — | — | 488,253 |
| Total revenues | 459,218 | 64,012 | 20,803 | 25,028 | 569,061 | 61,034 | 33,913 | 29,545 | — | 693,553 |
| Interest expense | 10,977 | 51,012 | 8,728 | — | 70,717 | 15,652 | 19,326 | 5,809 | 19,024 | 130,528 |
| G&A and other | 136,086 | 109,147 | 80,273 | — | 325,506 | 930 | 10,361 | 3,361 | 27,706 | 367,864 |
| Total operating expenses | 147,063 | 160,159 | 89,001 | — | 396,223 | 16,582 | 29,687 | 9,170 | 46,730 | 498,392 |
| Change in fair value of investments | — | — | 2,086 | — | 2,086 | 50,752 | 56,940 | 1,304 | — | 111,082 |
| Gain (loss) on settlement of investments, net | — | (3,873) | (7,583) | — | (11,456) | (15,534) | (2,230) | (4,183) | (61,054) | (94,457) |
| Other income (loss), net | 123 | 1,563 | 8,340 | — | 10,026 | 1,723 | (10,011) | (2,361) | 4,304 | 3,681 |
| Total other income (loss) | 123 | (2,310) | 2,843 | — | 656 | 36,941 | 44,699 | (5,240) | (56,750) | 20,306 |
| Impairment | — | — | — | — | — | (3,849) | 14,584 | — | — | 10,735 |
| Income (loss) before income taxes | 312,278 | (98,457) | (65,355) | 25,028 | 173,494 | 85,242 | 34,341 | 15,135 | (103,480) | 204,732 |
| Income tax expense (benefit) | 71,304 | 16,446 | 5,280 | — | 93,030 | — | 7,783 | (1) | — | 100,812 |
| Net income (loss) | 240,974 | (114,903) | (70,635) | 25,028 | 80,464 | 85,242 | 26,558 | 15,136 | (103,480) | 103,920 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | 4,840 | — | 2,612 | — | 7,452 | — | — | 4,188 | — | 11,640 |
| Dividends on preferred stock | — | — | — | — | — | — | — | — | 14,359 | 14,359 |
| Net income (loss) attributable to common stockholders | $ 236,134 | $ (114,903) | $ (73,247) | $ 25,028 | $ 73,012 | $ 85,242 | $ 26,558 | $ 10,948 | $ (117,839) | $ 77,921 |

| | Origination and Servicing | | | | | Residential Securities, Properties and Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Origination | Servicing | MSR Related Investments | Elimination[A] | Total Servicing and Origination | Real Estate Securities | Properties and Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| **Nine Months Ended September 30, 2020** | | | | | | | | | | |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ (6,843) | $ 432,960 | $ 963,925 | $ — | $ 1,390,042 | $ — | $ — | $ — | $ — | $ 1,390,042 |
| Change in fair value of MSRs and MSR financing receivables | — | (785,024) | (946,354) | — | (1,731,378) | — | — | — | — | (1,731,378) |
| Servicing revenue, net | (6,843) | (352,064) | 17,571 | — | (341,336) | — | — | — | — | (341,336) |
| Interest income | 43,105 | 16,280 | 45,815 | — | 105,200 | 278,702 | 141,118 | 97,204 | — | 622,224 |
| Gain on originated mortgage loans, held-for-sale, net | 885,730 | 43,026 | 5,293 | 26,102 | 960,151 | — | 6,662 | — | — | 966,813 |
| Total revenues | 921,992 | (292,758) | 68,679 | 26,102 | 724,015 | 278,702 | 147,780 | 97,204 | — | 1,247,701 |
| Interest expense | 30,071 | 102,319 | 76,105 | — | 208,495 | 141,340 | 67,570 | 18,691 | 27,690 | 463,786 |
| G&A and other | 338,760 | 240,175 | 297,946 | — | 876,881 | 8,128 | 46,395 | 10,947 | 83,672 | 1,026,023 |
| Total operating expenses | 368,831 | 342,494 | 374,051 | — | 1,085,376 | 149,468 | 113,965 | 29,638 | 111,362 | 1,489,809 |
| Change in fair value of investments | — | — | (14,244) | — | (14,244) | 3,682 | (108,306) | (4,446) | — | (123,314) |
| Gain (loss) on settlement of investments, net | — | (3,873) | (12,590) | — | (16,463) | (886,650) | (645) | (4,183) | (61,054) | (968,995) |
| Other income (loss), net | 497 | (1,716) | 11,534 | — | 10,315 | 1,707 | (1,945) | (7,378) | (42,465) | (39,766) |
| Total other income (loss) | 497 | (5,589) | (15,300) | — | (20,392) | (881,261) | (110,896) | (16,007) | (103,519) | (1,132,075) |
| Impairment | — | — | — | — | — | 15,166 | 118,504 | — | — | 133,670 |
| Income (loss) before income taxes | 553,658 | (640,841) | (320,672) | 26,102 | (381,753) | (767,193) | (195,585) | 51,559 | (214,881) | (1,507,853) |
| Income tax expense (benefit) | 138,304 | (67,019) | (55,561) | — | 15,724 | — | (64,501) | 130 | — | (48,647) |
| Net income (loss) | 415,354 | (573,822) | (265,111) | 26,102 | (397,477) | (767,193) | (131,084) | 51,429 | (214,881) | (1,459,206) |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | 10,542 | — | (44) | — | 10,498 | — | — | 23,620 | — | 34,118 |
| Dividends on preferred stock | — | — | — | — | — | — | — | — | 39,938 | 39,938 |
| Net income (loss) attributable to common stockholders | $ 404,812 | $ (573,822) | $ (265,067) | $ 26,102 | $ (407,975) | $ (767,193) | $ (131,084) | $ 27,809 | $ (254,819) | $ (1,533,262) |

(A) Elimination of intercompany transactions primarily relate to loan sales.

***Servicing Segment Revenues***

The table below summarizes the components of servicing segment revenues:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Base servicing | | | | |
| MSR assets | $ 174,220 | $ 172,906 | $ 477,020 | $ 258,311 |
| Residential whole loans | 11,281 | 4,729 | 13,518 | 10,938 |
| Third party | 24,245 | 23,858 | 77,051 | 83,468 |
| | 209,746 | 201,493 | 567,589 | 352,717 |
| Other fees | | | | |
| Ancillary and other fees[A] | 47,774 | 31,106 | 128,554 | 80,243 |
| Change in fair value due to: | | | | |
| Realization of cash flows | (207,184) | (253,670) | (610,433) | (539,264) |
| Change in valuation inputs and assumptions and other | 88,243 | 63,712 | 431,803 | (245,760) |
| Total servicing fees | $ 138,579 | $ 42,641 | $ 517,513 | $ (352,064) |
| Servicing Data (period end) (in millions) | | | | |
| UPB - MSR assets | $ 385,166 | $ 199,839 | $ 385,166 | $ 199,839 |
| UPB - Residential whole loans | 14,898 | 10,233 | 14,898 | 10,233 |
| UPB - Third party | 75,768 | 77,131 | 75,768 | 77,131 |

(A) Includes incentive, boarding and other fees.

## 4. EXCESS MORTGAGE SERVICING RIGHTS ASSETS

Excess mortgage servicing rights assets include New Residential's direct investments in Excess MSRs and investments in joint ventures jointly controlled by New Residential and Fortress-managed funds investing in Excess MSRs.

The table below summarizes the components of excess mortgage servicing rights assets as presented on the Consolidated Balance Sheets:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Direct investments in Excess MSRs | $ 270,180 | $ 310,938 |
| Excess MSR Joint Ventures | 89,108 | 99,917 |
| Excess mortgage servicing rights assets, at fair value | $ 359,288 | $ 410,855 |

***Direct Investments in Excess MSRs***

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

| | Servicer | | |
|---|---|---|---|
| | Mr. Cooper | SLS[(A)] | Total |
| **Balance as of December 31, 2020** | $ 309,009 | $ 1,929 | $ 310,938 |
| Purchases | — | — | — |
| Interest income | 16,315 | (127) | 16,188 |
| Other income | 303 | (325) | (22) |
| Proceeds from repayments | (42,971) | (267) | (43,238) |
| Proceeds from sales | (20) | — | (20) |
| Change in fair value | (14,092) | 426 | (13,666) |
| **Balance as of September 30, 2021** | $ 268,544 | $ 1,636 | $ 270,180 |

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

Mr. Cooper or SLS, 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 direct Excess MSR investments serviced by Mr. Cooper and SLS. Under such arrangements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any refinancing by Mr. Cooper of a loan in the original portfolio. These recapture agreements do not apply to New Residential's Servicer Advance Investments (Note 6).

The following is a summary of direct investments in Excess MSRs:

| | September 30, 2021 | | | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|---|---|
| | 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 | Mr. Cooper | | | | |
| **Agency** | | | | | | | | |
| Original and Recaptured Pools | $ 28,418,993 | 32.5% - 66.7% (53.3%) | 0.0% - 40% | 20.0% - 35.0% | 6.0 | $ 125,402 | $ 139,289 | $ 162,645 |
| **Non-Agency[E]** | | | | | | | | |
| Mr. Cooper and SLS Serviced: | | | | | | | | |
| Original and Recaptured Pools | 32,179,863 | 33.3% - 100.0% (59.4%) | 0.0% - 50% | 0.0% - 33.3% | 6.6 | 98,407 | 130,891 | 148,293 |
| **Total** | $ 60,598,856 | | | | 6.3 | $ 223,809 | $ 270,180 | $ 310,938 |

(A) 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 and recapture agreements, as applicable.
(D) Amounts in parentheses represent weighted averages.
(E) New Residential is also invested in related Servicer Advance Investments, including the basic fee component of the related MSR as of September 30, 2021 (Note 6) on $21.6 billion unpaid principal balance ("UPB") underlying these Excess MSRs.

Changes in fair value of investments consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Original and Recaptured Pools | $ (4,837) | $ (664) | $ (13,666) | $ (11,773) |

As of September 30, 2021, a weighted average discount rate of7.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

***Excess MSR Joint Ventures***

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:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Excess MSR assets | $ 158,916 | $ 179,762 |
| Other assets | 19,987 | 20,759 |
| Other liabilities | (687) | (687) |
| Equity | $ 178,216 | $ 199,834 |
| | | |
| New Residential's investment | $ 89,108 | $ 99,917 |
| New Residential's percentage ownership | 50.0 % | 50.0 % |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | $ 261 | $ 12,249 | $ 6,500 | $ 20,099 |
| Other income (loss) | (2,605) | (13,027) | (3,634) | (25,879) |
| Expenses | (8) | (8) | (24) | (24) |
| Net income (loss) | $ (2,352) | $ (786) | $ 2,842 | $ (5,804) |

The following table summarizes the activity of investments in equity method investees:

| | |
|---|---|
| **Balance at December 31, 2020** | $ 99,917 |
| Distributions of capital from equity method investees | (12,230) |
| Change in fair value of investments in equity method investees | 1,421 |
| **Balance at September 30, 2021** | $ 89,108 |

The following is a summary of Excess MSR investments made through equity method investees:

| | September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 24,230,726 | 66.7 % | 50.0 % | $ 119,814 | $ 158,916 | 5.7 |

(A) The remaining interests are held by Mr. Cooper.
(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 and recapture agreements, as applicable.
(D) Represents the weighted average expected timing of the receipt of cash flows of each investment.

## 5. MORTGAGE SERVICING RIGHTS AND MSR FINANCING RECEIVABLES

The following table presents activity related to the carrying value of MSRs and MSR Financing Receivables:

| | |
|---|---|
| **Balance as of December 31, 2020** | $ 4,585,841 |
| Caliber acquisition (Note 1) | 1,507,524 |
| Purchases, net[A] | 7,965 |
| Originations[B] | 878,190 |
| Proceeds from sales | (42,075) |
| Change in fair value due to: | |
| Realization of cash flows[C] | (928,646) |
| Change in valuation inputs and assumptions | 573,556 |
| (Gain) loss realized | (17,088) |
| **Balance at September 30, 2021** | $ 6,565,267 |

(A) Net of purchase price adjustments and purchase price fully reimbursable from MSR sellers as a result of prepayment protection.
(B) Represents MSRs retained on the sale of originated mortgage loans.
(C) Based on the paydown of the underlying residential mortgage loans.

Servicing Revenue, Net consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ 384,953 | $ 404,373 | $ 1,069,544 | $ 1,249,504 |
| Ancillary and other fees | 13,692 | 46,486 | 98,887 | 140,538 |
| Servicing fee revenue and fees | 398,645 | 450,859 | 1,168,431 | 1,390,042 |
| Change in fair value due to: | | | | |
| Realization of cash flows[A] | (287,318) | (509,624) | (924,766) | (1,135,515) |
| Change in valuation inputs and assumptions[B] | 147,233 | 97,832 | 573,213 | (598,226) |
| Change in fair value of derivative instruments | (41,365) | — | (41,564) | — |
| (Gain) loss realized | (739) | (3,547) | (17,088) | 2,363 |
| Gain (loss) on settlement of derivative instruments | (13,434) | — | (11,127) | — |
| Servicing revenue, net | $ 203,022 | $ 35,520 | $ 747,099 | $ (341,336) |

(A) Includes $1.3 million and $2.4 million of fair value adjustment due to realization of cash flows to Excess spread financing for the three months ended September 30, 2021 and 2020, respectively, and $3.9 million and $6.1 million for the nine months ended September 30, 2021 and 2020, respectively.
(B) Includes $1.3 million and $0.2 million of fair value adjustment to Excess spread financing for the three months ended September 30, 2021 and 2020, respectively, and $0.3 million and $6.2 million for the nine months ended September 30, 2021 and 2020, respectively.

The following is a summary of MSRs and MSR Financing Receivables as of September 30, 2021:

| | UPB of Underlying Mortgages | Weighted Average Life (Years)[A] | Carrying Value[B] |
|---|---|---|---|
| Agency | $ 374,945,577 | 5.9 | $ 4,273,376 |
| Non-Agency | 68,903,562 | 8.0 | 966,051 |
| Ginnie Mae[C] | 105,975,422 | 5.4 | 1,325,840 |
| Total | $ 549,824,561 | 6.1 | $ 6,565,267 |

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Carrying value represents fair value. As of September 30, 2021, weighted average discount rates of7.4% (range 6.9% - 12.5%) were used to value New Residential's MSRs and MSR Financing Receivables.
(C) As of September 30, 2021, New Residential holds approximately $1.8 billion in residential mortgage loans subject to repurchase and the related residential mortgage loans repurchase liability on its Consolidated Balance Sheets.

***Residential Mortgage Loans Subject to Repurchase***

New Residential, through its wholly owned subsidiaries as approved issuers of Ginnie Mae MBS, originates and securitizes government-insured residential mortgage loans. As the issuer of the Ginnie Mae-guaranteed securitizations, New Residential has the unilateral right to repurchase loans from the securitizations when they are delinquent for more than 90 days. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. Under GAAP, New Residential is required to recognize the right to loans on its balance sheet and establish a corresponding liability upon the triggering of the repurchase right regardless of whether the Company intends to repurchase the loans. As of September 30, 2021, New Residential holds approximately $1.8 billion in residential mortgage loans subject to repurchase and residential mortgage loans repurchase liability on its Consolidated Balance Sheets. New Residential may re-pool repurchased loans into new Ginnie Mae securitizations upon re-performance of the loan or otherwise sell to third-party investors. The Company does not change the accounting for MSRs related to previously sold loans upon recognizing loans eligible for repurchase. Rather, upon repurchase of a loan, the MSR is written off. As of September 30, 2021, New Residential holds approximately $1,082.9 million of repurchased residential mortgage loans on its Consolidated Balance Sheets.

***Ocwen MSR Financing Receivable Transactions***

In July 2017, Ocwen Loan Servicing, LLC (collectively with certain affiliates, "Ocwen") and New Residential entered into an agreement in which both parties agreed to undertake certain actions to facilitate the transfer from Ocwen to New Residential of Ocwen's remaining interests in the MSRs relating to loans with an aggregate unpaid principal balance of approximately $110.0 billion and with respect to which New Residential already held certain rights ("Rights to MSRs"). Ocwen and New Residential concurrently entered into a subservicing agreement pursuant to which Ocwen agreed to subservice the mortgage loans related to the MSRs that were transferred to New Residential.

In January 2018, 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. PHH (as successor by merger to Ocwen) will continue to service the mortgage loans related to the MSRs until any necessary third-party consents to transferring the MSRs are obtained and all other conditions to transferring the MSRs are satisfied.

Of the "Rights to MSRs" sold and transferred to NRM and Newrez, consents and all other conditions to transfer have been received with respect to approximately $66.7 billion UPB of underlying loans. Although legally sold and entitled to the economics of the transfer, as of September 30, 2021, with respect to MSRs representing approximately $14.4 billion UPB of underlying loans, it was determined for accounting purposes that substantially all of the risks and rewards inherent in owning the MSRs had not been transferred to Newrez and therefore are not treated as a sale under GAAP and are classified as MSR financing receivables.

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the MSRs and MSR Financing Receivables:

| | Percentage of Total Outstanding Unpaid Principal Amount | |
|---|---|---|
| **State Concentration** | **September 30, 2021** | **December 31, 2020** |
| California | 18.4 % | 21.2 % |
| Florida | 8.5 % | 7.4 % |
| Texas | 6.1 % | 5.6 % |
| New York | 6.1 % | 7.0 % |
| Washington | 5.4 % | 2.9 % |
| New Jersey | 4.6 % | 4.8 % |
| Illinois | 3.4 % | 3.6 % |
| Virginia | 3.4 % | 2.9 % |
| Maryland | 3.3 % | 3.1 % |
| Colorado | 3.0 % | 2.8 % |
| Other U.S. | 37.8 % | 38.7 % |
| | 100.0 % | 100.0 % |

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

***Mortgage Subservicing***

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 mortgage servicing right asset and, therefore, is not recognized on New Residential's Consolidated Balance Sheets. The UPB of residential mortgage loans subserviced for others as of September 30, 2021 and 2020 was $75.8 billion and $77.1 billion, respectively. New Residential earned subservicing revenue of $123.7 million and $138.6 million for the nine months ended September 30, 2021 and 2020, respectively, related to subserviced loans which is included within Servicing Revenue, Net and Interest Income from MSR Financing Receivables in the Consolidated Statements of Income.

NRM engages third party licensed mortgage servicers as subservicers and, in relation to certain MSR purchases, including to perform the operational servicing duties, including recapture activities, in connection with the MSRs it acquires, in exchange for a subservicing fee which is recorded as Subservicing Expense and reflected as part of General and Administrative Expenses in New Residential's Consolidated Statements of Income. As of September 30, 2021, these subservicers include PHH, Mr. Cooper, LoanCare, and Flagstar, which subservice 10.8%, 9.9%, 8.9% and 0.4% of the MSRs held by New Residential. The remaining 70.0% of the underlying UPB of the related mortgages is subserviced by Newrez and Caliber (Note 1 to our Consolidated Financial Statements).

***Servicer Advances Receivable***

In connection with New Residential's ownership of MSRs, the Company assumes the obligation to serve as a liquidity provider to initially fund servicer advances on the underlying pool of mortgages (Note 15) it services. These servicer advances are recorded when advanced and are included in Servicer Advances Receivable on the Consolidated Balance Sheets.

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Principal and interest advances | $ 592,212 | $ 665,538 |
| Escrow advances (taxes and insurance advances) | 1,414,507 | 1,547,796 |
| Foreclosure advances | 801,466 | 816,400 |
| Total[(A)(B)(C)] | $ 2,808,185 | $ 3,029,734 |

(A) Includes $555.9 million and $583.9 million of servicer advances receivable related to Agency MSRs, respectively, recoverable either from the borrower or the Agencies.
(B) Includes $183.0 million and $181.2 million of servicer advances receivable related to Ginnie Mae MSRs, respectively, recoverable from either the borrower or Ginnie Mae. Expected losses 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) Excludes $25.6 million and $27.5 million, respectively, in unamortized advance discount and reserves, net of accruals for advance recoveries. These reserves relate to inactive loans in the foreclosure or liquidation process.

New Residential's Servicer Advances Receivable related to Non-Agency MSRs generally have the highest reimbursement priority pursuant to the underlying servicing agreements (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. For advances on loans that have been liquidated, sold, paid in full or modified, the Company has reserved $34.6 million and $22.9 million for expected non-recovery of advances as of September 30, 2021 and December 31, 2020, respectively.

The following table summarizes servicer advances reserve:

| | |
|---|---|
| **Balance at December 31, 2020** | $ 22,852 |
| Caliber acquisition (Note 1) | 15,068 |
| Provision | 9,340 |
| Transfers and Other | (10,961) |
| Write-offs | (1,663) |
| **Balance at September 30, 2021** | $ 34,636 |

See Note 11 regarding the financing of MSRs and Servicer Advances Receivable.

## 6. SERVICER ADVANCE INVESTMENTS

New Residential's Servicer Advance Investments consist of arrangements to fund existing outstanding servicer advances and the requirement to purchase all future servicer advances made with respect to a specified pool of residential mortgage loans in exchange for 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 Advance Purchaser LLC (the "Buyer"), a joint venture entity, and owned an approximately 73.2% interest in the Buyer as of December 31, 2020. In July 2021, New

Residential entered into a purchase and sales agreement with certain third-party co-investors whereby New Residential agreed to purchase from certain third-party co-investments approximately 16.1% of aggregate interest in the Buyer, increasing New Residential's ownership of the Buyer to approximately 89.3% as of September 30, 2021. The Buyer is a limited liability company which was established in December 2013 for the purpose of investing in residential mortgage related advances. As of September 30, 2021, third-party co-investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of $75.0 million and New Residential has funded capital commitments to the Buyer of $627.4 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of September 30, 2021, the noncontrolling third-party co-investors and New Residential had previously funded their commitments; however, the Buyer may recall $69.0 million and $577.1 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

The following is a summary of New Residential's Servicer Advance Investments, including the right to the basic fee component of the related MSRs:

| | Amortized Cost Basis | Carrying Value[A] | Weighted Average Discount Rate | Weighted Average Yield | Weighted Average Life (Years)[B] |
|---|---|---|---|---|---|
| **September 30, 2021** | | | | | |
| Servicer advance investments | $ 453,442 | $ 472,004 | 5.2 % | 5.6 % | 6.0 |
| **December 31, 2020** | | | | | |
| Servicer advance investments | $ 512,958 | $ 538,056 | 5.2 % | 5.7 % | 6.0 |

(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.

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 Secured Notes and Bonds Payable | Loan-to-Value ("LTV")[A] | | Cost of Funds[C] | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Gross | Net[B] | Gross | Net |
| **September 30, 2021** | | | | | | | | |
| Servicer Advance Investments[D] | $ 21,568,182 | $ 408,085 | 1.9 % | $ 381,286 | 89.4 % | 88.7 % | 1.3 % | 1.2 % |
| **December 31, 2020** | | | | | | | | |
| Servicer Advance Investments[D] | $ 26,061,499 | $ 449,150 | 1.7 % | $ 423,144 | 88.4 % | 88.6 % | 1.5 % | 1.3 % |

(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:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Principal and interest advances | $ 75,564 | $ 84,976 |
| Escrow advances (taxes and insurance advances) | 170,817 | 186,426 |
| Foreclosure advances | 161,704 | 177,748 |
| Total | $ 408,085 | $ 449,150 |

Interest Income related to Servicer Advance Investments consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income, gross of amounts attributable to servicer compensation | $ (1,426) | $ 10,505 | $ 16,079 | $ 28,160 |
| Amounts attributable to base servicer compensation | 897 | (703) | (849) | (2,325) |
| Amounts attributable to incentive servicer compensation | 892 | 1,196 | (8,144) | (12,755) |
| Interest income (expense) from servicer advance investments | $ 363 | $ 10,998 | $ 7,086 | $ 13,080 |

## 7. REAL ESTATE AND OTHER SECURITIES

The following is a summary of Real Estate and Other Securities:

| | September 30, 2021 | | | | | | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross Unrealized | | | | Weighted Average | | | | | |
| | Outstanding Face Amount | Gains | Losses | Carrying Value[A] | Number of Securities | Rating[B] | Coupon[C] | Yield | Life (Years)[D] | Principal Subordination[E] | Carrying Value |
| **RMBS Designated as available for sale (AFS):** | | | | | | | | | | | |
| Agency[F][G] | $ 96,435 | $ 6,596 | $ — | $ 102,807 | 1 | AAA | 3.50 % | 3.50 % | 4.5 | N/A | $ 121,761 |
| Non-Agency[H][I] | 3,084,732 | 82,716 | (123) | 552,159 | 339 | AA | 3.25 % | 3.08 % | 3.4 | 24.3 % | 752,003 |
| **RMBS Measured at fair value through net income (FVO):** | | | | | | | | | | | |
| Agency[F][G] | 8,782,782 | 203 | (185,517) | 8,879,880 | 40 | AAA | 2.13 % | 2.13 % | 6.6 | N/A | 12,941,873 |
| Non-Agency[H][I] | 13,530,488 | 32,454 | (45,813) | 438,949 | 257 | AA+ | 2.16 % | 4.38 % | 3.3 | 21.8 % | 428,921 |
| **Total/ Weighted Average** | $ 25,494,437 | $ 121,969 | $ (231,453) | $ 9,973,795 | 637 | AAA | 2.28 % | 3.44 % | 4.5 | | $ 14,244,558 |

(A) Fair value is equal to the carrying value for all securities. See Note 12 regarding the fair value measurements.
(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 301 bonds with a carrying value of $370.9 million which either have never been rated or for which rating information is no longer provided. For each security rated by multiple rating agencies, the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were determined by third-party rating agencies and represent the most recent credit ratings available as of the reporting date and may not be current.
(C) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $24.8 million and $2.8 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 Ginnie Mae.
(G) The total outstanding face amount was $8.9 billion for fixed rate securities as of September 30, 2021.
(H) The total outstanding face amount was $10.0 billion (including $9.1 billion of residual and fair value option notional amount) for fixed rate securities and $6.6 billion (including $6.5 billion of residual and fair value option notional amount) for floating rate securities as of September 30, 2021.

(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 earnings, (ii) bonds backed by consumer loans, and (iii) corporate debt.

| | | Gross Unrealized | | | | Weighted Average | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Asset Type | Outstanding Face Amount | Gains | Losses | Carrying Value | Number of Securities | Rating | Coupon | Yield | Life (Years) | Principal Subordination |
| Corporate debt | $ 414 | $ 8 | $ — | $ 422 | 1 | B- | 8.3 % | 8.3 % | 3.5 | N/A |
| Consumer loan bonds | 4,394 | 1,117 | — | 4,439 | 3 | N/A | N/A | N/A | 0 | N/A |
| Fair value option securities: | | | | | | | | | | |
| Interest-only securities | 7,555,236 | 8,612 | (39,437) | 169,369 | 124 | AA+ | 1.2 % | 1.1 % | 2.0 | N/A |
| Servicing strips | 4,771,880 | 6,629 | (6,270) | 65,633 | 59 | N/A | 1.5 % | 16.6 % | 2.8 | N/A |

Activities related to Real Estate and Other Securities were as follows:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| (in millions) | Agency | Non-Agency | Agency | Non-Agency | Agency | Non-Agency | Agency | Non-Agency |
| **Purchases** | | | | | | | | |
| Face | $ — | $ 844.3 | $ 6,300.0 | $ — | $ 5,907.2 | $ 2,502.0 | $ 17,162.6 | $ 5,083.1 |
| Purchase price | — | 55.1 | 6,538.0 | — | 6,098.8 | 145.9 | 17,687.4 | 575.0 |
| **Sales** | | | | | | | | |
| Face | $ 4,343.0 | $ — | $ 1,195.5 | $ 716.6 | $ 7,830.8 | $ 1,686.3 | $ 18,590.6 | $ 8,204.4 |
| Amortized cost | 4,499.1 | 7.7 | 1,231.8 | 526.3 | 8,135.6 | 192.9 | 18,911.0 | 6,083.5 |
| Sale price | 4,443.0 | — | 1,251.5 | 514.6 | 8,074.3 | 164.6 | 19,120.5 | 5,139.2 |
| Gain (loss) on sale | (56.1) | (7.7) | 19.7 | (11.6) | (61.3) | (28.2) | 209.5 | (944.3) |

As of September 30, 2021 and December 31, 2020, there wereno unsettled trades. Unsettled sales and purchases are recorded on the Consolidated Balance Sheets on trade date as Receivable for Investments Sold and Payable for Investments Purchased.

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 Notes 8 and 16 for further details on these transactions.

***Unrealized Gains (Losses)*** **—** Other than credit impairment losses which are recognized in net income, changes in the fair value of RMBS designated as available for sale ("AFS") are reported in other comprehensive income as an unrealized gain or loss until the security is sold or matures. Effective January 1, 2021, New Residential elected the fair value option for RMBS purchased on or after that date with changes in fair value reported in net income as an unrealized gain or loss until the security is sold or matures.

***Realized Gains (Losses)*** **—** Upon the sale of an RMBS designated as AFS, any unrealized gain or loss is reclassified out of accumulated other comprehensive income into net income as a realized gain or loss within Gain (Loss) on Settlement of Investments, Net. Upon the sale of a security for which New Residential has elected the fair value option, any unrealized gain or loss recorded in Change in Fair value of Investments is reversed and the realized gain or loss is recorded within Gain (Loss) on Settlement of Investments, Net.

The following table summarizes certain information for RMBS designated as AFS in an unrealized loss position as of September 30, 2021:

| | | Amortized Cost Basis | | | | | | Weighted Average | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Securities in an Unrealized Loss Position | Outstanding Face Amount | Before Credit Impairment | Credit Impairment[A] | After Credit Impairment | Gross Unrealized Losses | Carrying Value | Number of Securities | Rating | Coupon | Yield | Life (Years) |
| Less than 12 Months | $ 6,179 | $ 4,438 | $ (175) | $ 4,263 | $ (18) | $ 4,245 | 4 | AAA | 1.5 % | 1.2 % | 2.2 |
| 12 or More Months | 21,274 | 12,152 | (3,477) | 8,675 | (105) | 8,570 | 14 | AA+ | — % | 0.5 % | 0.3 |
| Total/Weighted Average | $ 27,453 | $ 16,590 | $ (3,652) | $ 12,938 | $ (123) | $ 12,815 | 18 | AAA | 0.4 % | 0.7 % | 0.8 |

(A) Represents credit impairment on securities in an unrealized loss position as of September 30, 2021.

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

| | September 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Gross Unrealized Losses | | | | Gross Unrealized Losses | |
| RMBS Designated as AFS | Fair Value | Amortized Cost Basis After Credit Impairment | Credit[A] | Non-Credit[B] | Fair Value | Amortized Cost Basis After Credit Impairment | Credit[A] | Non-Credit[B] |
| Securities New Residential intends to sell | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Securities New Residential is more likely than not to be required to sell[C] | — | — | — | — | — | — | — | 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 | 8,501 | 8,501 | (3,652) | — | 21,326 | 21,326 | (8,672) | — |
| Non-credit impaired securities | 4,314 | 4,437 | — | (123) | 270,821 | 331,638 | — | (60,817) |
| Total debt securities in an unrealized loss position | $ 12,815 | $ 12,938 | $ (3,652) | $ (123) | $ 292,147 | $ 352,964 | $ (8,672) | $ (60,817) |

(A) This amount is required to be recorded through earnings. In measuring the portion of credit losses, New Residential estimates the expected cash flow for each of the securities. This evaluation included 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 included New Residential's expectations of prepayment rates, default rates and loss severities. Credit losses were measured as the decline in the present value of the expected future cash flows discounted at the security's effective interest rate.

(B) This amount represents unrealized losses on securities that are due to non-credit factors.

(C) 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 the allowance for credit losses on RMBS designated as AFS (excluding credit impairment relating to securities New Residential intends to sell or is more likely than not required to sell):

| RMBS Designated as AFS | Purchased Credit Deteriorated | Non-Purchased Credit Deteriorated | Total |
|---|---|---|---|
| Allowance for credit losses on available-for-sale debt securities at December 31, 2020 | $ 8,672 | $ — | $ 8,672 |
| Additions to the allowance for credit losses on securities for which credit losses were not previously recorded | — | — | — |
| Additions to the allowance for credit losses arising from purchases of available-for-sale debt securities accounted for as purchased financial assets with credit deterioration | — | — | — |
| Reductions for securities sold during the period | (2,182) | — | (2,182) |
| Reductions in the allowance for credit losses 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 | — | — | — |
| Additional increases (decreases) to the allowance for credit losses on securities that had credit losses or an allowance recorded in a previous period | (2,838) | — | (2,838) |
| Write-offs charged against the allowance | — | — | — |
| Recoveries of amounts previously written off | — | — | — |
| Allowance for credit losses on available-for-sale debt securities at September 30, 2021 | $ 3,652 | $ — | $ 3,652 |

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.

The following is the outstanding face amount and carrying value for securities, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments, excluding residual and fair value option securities:

| | Outstanding Face Amount | Carrying Value |
|---|---|---|
| September 30, 2021 | $ 521,234 | $ 181,176 |
| December 31, 2020 | 727,216 | 280,876 |

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

| | |
|---|---|
| **Balance at December 31, 2020** | $ 189,562 |
| Additions | 7,948 |
| Accretion | (3,951) |
| Reclassifications from (to) non-accretable difference | (8,177) |
| Disposals | (149,058) |
| **Balance at September 30, 2021** | $ 36,324 |

See Note 11 regarding the financing of Real Estate and Other Securities.

## 8. RESIDENTIAL MORTGAGE LOANS

New Residential's residential mortgage loan portfolio consists of loans acquired through pool acquisitions and the execution of call rights. New Residential, through its wholly-owned subsidiaries, Newrez and Caliber, originates residential mortgage loans for sale and securitization to third parties and generally retains the servicing rights on the underlying loans.

Loans are accounted for based on New Residential's strategy for the loan and on whether the loan was credit-impaired at the date of acquisition. As of September 30, 2021, New Residential accounts for loans based on the following categories:

- 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

The following table presents certain information regarding New Residential's residential mortgage loans outstanding by loan type:

| | September 30, 2021 | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|
| **Loan Type** | **Outstanding Face Amount** | **Carrying Value** | **Loan Count** | **Weighted Average Yield** | **Weighted Average Life (Years)[A]** | **Carrying Value** |
| Total residential mortgage loans, held-for-investment, at fair value[B] | $ 657,427 | $ 595,012 | 11,472 | 6.3 % | 5.3 | $ 674,179 |
| Acquired reverse mortgage loans[C] | $ 12,690 | $ 6,120 | 28 | 7.7 % | 3.7 | $ 5,884 |
| Acquired performing loans[D] | 150,127 | 136,921 | 2,977 | 6.7 % | 4.5 | 129,345 |
| Acquired non-performing loans[E] | 2,123 | 1,702 | 24 | 7.5 % | 4.8 | 374,658 |
| Total residential mortgage loans, held-for-sale, at lower of cost or market | $ 164,940 | $ 144,743 | 3,029 | 6.8 % | 4.4 | $ 509,887 |
| Acquired performing loans[D][F] | $ 2,100,079 | $ 2,112,181 | 12,575 | 3.4 % | 11.0 | $ 1,423,159 |
| Acquired non-performing loans[F] | 160,098 | 146,370 | 923 | 4.8 % | 5.6 | 335,544 |
| Originated loans | 11,403,519 | 11,714,006 | 13,538 | 3.0 % | 27.7 | 2,947,113 |
| Total residential mortgage loans, held-for-sale, at fair value | $ 13,663,696 | $ 13,972,557 | 27,036 | 3.1 % | 24.9 | $ 4,705,816 |
| Total residential mortgage loans, held-for-sale, at fair value/lower of cost or market | $ 13,828,636 | $ 14,117,300 | | | | $ 5,215,703 |

(A) For loans classified as Level 3 in the fair value hierarchy, the weighted average life is based on the expected timing of the receipt of cash flows. For Level 2 loans, the weighted average life is based on the contractual term of the loan.
(B) Residential mortgage loans, held-for-investment, at fair value is grouped and presented as part of Residential loans and variable interest entity consumer loans held-for-investment, at fair value on the Consolidated Balance Sheets.
(C) Represents a 70% participation interest that New Residential holds in a portfolio of reverse mortgage loans. Mr. Cooper holds the other30% interest and services the loans. The average loan balance outstanding based on total UPB was $0.6 million. Approximately 54% 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.
(D) Performing loans are generally placed on nonaccrual status when principal or interest is 120 days or more past due.
(E) As of September 30, 2021, New Residential has placed non-performing loans, held-for-sale on nonaccrual status, except as described in (F) below.
(F) Includes $981.3 million and $101.6 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

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

| | Percentage of Total Outstanding Unpaid Principal Amount | |
|---|---|---|
| **State Concentration** | **September 30, 2021** | **December 31, 2020** |
| California | 15.3 % | 11.9 % |
| Washington | 10.7 % | 1.8 % |
| Florida | 9.3 % | 7.1 % |
| Texas | 7.4 % | 10.1 % |
| New York | 4.1 % | 7.1 % |
| New Jersey | 3.6 % | 4.2 % |
| Virginia | 3.6 % | 2.5 % |
| Georgia | 3.0 % | 5.8 % |
| Illinois | 3.0 % | 3.0 % |
| Maryland | 2.9 % | 2.3 % |
| Other U.S. | 37.1 % | 44.2 % |
| | 100.0 % | 100.0 % |

See Note 11 regarding the financing of residential mortgage loans.

The following table summarizes the difference between the aggregate unpaid principal balance and the aggregate fair value of loans:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Days Past Due** | **Unpaid Principal Balance** | **Fair Value** | **Fair Value Over (Under) Unpaid Principal Balance** | **Unpaid Principal Balance** | **Fair Value** | **Fair Value Over (Under) Unpaid Principal Balance** |
| 90 to 119 | $ 28,898 | $ 26,442 | $ (2,456) | $ 71,567 | $ 59,679 | $ (11,888) |
| 120+ | 410,134 | 397,483 | (12,651) | 950,564 | 790,788 | (159,776) |
| | $ 439,032 | $ 423,925 | $ (15,107) | $ 1,022,131 | $ 850,467 | $ (171,664) |

**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 nine months ended September 30, 2021, New Residential executed calls on a total of 65 trusts and recognized $3.3 million of interest income on securities held in the collapsed trusts and $28.7 million of gain on securitizations accounted for as sales. For the nine months ended September 30, 2020, New Residential executed calls on a total of 15 trusts and recognized $12.0 million of interest income on securities held in the collapsed trusts and $48.3 million of gain on securitizations accounted for as sales. Refer to Note 16 for transactions with affiliates.

The following table summarizes the activity for residential mortgage 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 | Total |
|---|---|---|---|---|
| **Balance at December 31, 2020** | $ 674,179 | $ 509,887 | $ 4,705,816 | $ 5,889,882 |
| Caliber acquisition (Note 1) | — | — | 7,685,681 | 7,685,681 |
| Originations | — | — | 84,990,504 | 84,990,504 |
| Sales | — | (370,743) | (88,980,603) | (89,351,346) |
| Purchases/additional fundings | — | — | 5,797,205 | 5,797,205 |
| Proceeds from repayments | (91,074) | (26,988) | (360,757) | (478,819) |
| Transfer of loans to other assets[(A)] | — | 294 | 7,990 | 8,284 |
| Transfer of loans to real estate owned | (13,121) | (7,163) | (3,235) | (23,519) |
| Valuation (provision) reversal on loans | — | 39,456 | — | 39,456 |
| Fair value adjustments due to: | | | | |
| Changes in instrument-specific credit risk | (1,841) | — | (10,247) | (12,088) |
| Other factors | 26,869 | — | 140,203 | 167,072 |
| **Balance at September 30, 2021** | $ 595,012 | $ 144,743 | $ 13,972,557 | $ 14,712,312 |

(A) 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 grouped and presented as part of claims receivable in Other Assets (Note 2).

**Net interest income**

The following table summarizes the net interest income for residential mortgage loans:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income: | | | | |
| Loans held-for-investment, at fair value | $ 11,090 | $ 12,647 | $ 34,061 | $ 40,985 |
| Loans held-for-sale, at lower of cost or fair value | 5,449 | 7,406 | 18,241 | 38,673 |
| Loans held-for-sale, at fair value | 75,802 | 31,267 | 163,769 | 104,565 |
| Total interest income | 92,341 | 51,320 | 216,071 | 184,223 |
| | | | | |
| Interest expense: | | | | |
| Loans held-for-investment, at fair value | 4,238 | 5,326 | 13,129 | 15,934 |
| Loans held-for-sale, at lower of cost or fair value | 4,030 | 4,068 | 16,303 | 17,501 |
| Loans held-for-sale, at fair value | 49,187 | 20,909 | 103,785 | 64,206 |
| Total interest expense | 57,455 | 30,303 | 133,217 | 97,641 |
| | | | | |
| Net interest income | $ 34,886 | $ 21,017 | $ 82,854 | $ 86,582 |

**Gain on originated mortgage loans, held-for-sale, net**

Newrez and Caliber, both wholly-owned subsidiaries of New Residential, originate 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 and Caliber respectively generally retain 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 Originated Mortgage Loans, Held-for-Sale, Net in the Consolidated Statements of Income.

Gain on Originated Mortgage Loans, Held-for-Sale, Net is summarized below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Gain on loans originated and sold, net[A] | $ 249,848 | $ 244,225 | $ 347,574 | $ 520,096 |
| Gain (loss) on settlement of mortgage loan origination derivative instruments[B] | (105,594) | (68,789) | 48,522 | (290,671) |
| MSRs retained on transfer of loans[C] | 415,054 | 156,353 | 878,190 | 424,451 |
| Other[D] | 27,614 | 12,460 | 79,716 | 33,890 |
| Realized gain on sale of originated mortgage loans, net | $ 586,922 | $ 344,249 | $ 1,354,002 | $ 687,766 |
| Change in fair value of loans | (70,932) | 67,998 | (67,545) | 96,375 |
| Change in fair value of interest rate lock commitments (Note 10) | (101,411) | 82,019 | (281,094) | 206,073 |
| Change in fair value of derivative instruments (Note 10) | 152,182 | (6,013) | 251,731 | (23,401) |
| Gain on originated mortgage loans, held-for-sale, net | $ 566,761 | $ 488,253 | $ 1,257,094 | $ 966,813 |

(A) Includes loan origination fees of $678.4 million and $566.3 million for the three months ended September 30, 2021 and 2020, respectively, and $1,775.7 million and $953.1 million for the nine months ended September 30, 2021 and 2020, respectively.
(B) Represents settlement of forward securities delivery commitments utilized as an economic hedge for mortgage loans not included within forward loan sale commitments.
(C) Represents the initial fair value of the capitalized mortgage servicing rights upon loan sales with servicing retained.
(D) Includes fees for services associated with the loan origination process.

## 9. CONSUMER LOANS

New Residential, through limited liability companies (together, the "Consumer Loan Companies"), has a co-investment in a portfolio of consumer loans. The portfolio includes personal unsecured loans and personal homeowner loans. OneMain is the servicer of the loans and provides all servicing and advancing functions for the portfolio. As of September 30, 2021, 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 and are grouped and presented as part of Residential Loans and Variable Interest Entity Consumer Loans Held-for-Investment, at Fair Value on the Consolidated Balance Sheets.

The following table summarizes consumer loans, held-for-investment, at fair value:

| | Unpaid Principal Balance | Interest in Consumer Loans | Carrying Value | Weighted Average Coupon | Weighted Average Expected Life (Years)[A] | Weighted Average Delinquency[B] |
|---|---|---|---|---|---|---|
| **September 30, 2021** | | | | | | |
| Performing loans | $ 386,479 | 53.5 % | $ 444,377 | 18.5 % | 3.3 | 3.2 % |
| Purchased credit deteriorated loans[C] | 99,538 | 53.5 % | 103,221 | 14.0 % | 3.2 | 6.5 % |
| Other - performing loans | 333 | 100.0 % | 197 | 15.5 % | 0.3 | 15.7 % |
| Total consumer loans | $ 486,350 | | $ 547,795 | 17.6 % | 3.2 | 3.8 % |
| **December 31, 2020** | | | | | | |
| Performing loans | $ 490,222 | 53.5 % | $ 553,419 | 18.3 % | 3.6 | 3.7 % |
| Purchased credit deteriorated loans[C] | 127,899 | 53.5 % | 129,513 | 14.1 % | 3.5 | 7.4 % |
| Other - performing loans | 2,862 | 100.0 % | 2,643 | 15.3 % | 0.4 | 4.3 % |
| Total consumer loans | $ 620,983 | | $ 685,575 | 17.4 % | 3.6 | 4.4 % |

(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) 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.

See Note 11 regarding the financing of consumer loans.

The following table summarizes the past due status and difference between the aggregate unpaid principal balance and the aggregate fair value of consumer loans:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Days Past Due** | **Unpaid Principal Balance** | **Fair Value** | **Fair Value Over (Under) Unpaid Principal Balance** | **Unpaid Principal Balance** | **Fair Value** | **Fair Value Over (Under) Unpaid Principal Balance** |
| Under 90 days | $ 479,784 | $ 540,463 | $ 60,679 | $ 611,978 | $ 675,691 | $ 63,713 |
| 90+ | 6,566 | 7,332 | 766 | 9,005 | 9,884 | 879 |
| | $ 486,350 | $ 547,795 | $ 61,445 | $ 620,983 | $ 685,575 | $ 64,592 |

Activities related to consumer loans were as follows:

| | |
|---|---|
| **Balance at December 31, 2020** | $ 685,575 |
| Additional fundings[A] | 21,680 |
| Proceeds from repayments | (160,615) |
| Accretion of loan discount and premium amortization, net | 14,493 |
| Fair value adjustment due to: | |
| Changes in instrument-specific credit risk | 15,963 |
| Other factors | (29,301) |
| **Balance at September 30, 2021** | $ 547,795 |

(A) Represents draws on consumer loans with revolving privileges.

## 10. DERIVATIVES

New Residential enters into economic hedges including interest rate swaps and TBAs 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.

New Residential may at times hold to-be-announced forward contract positions ("TBAs") in order to mitigate New Residential's interest rate risk on certain specified mortgage backed securities and MSRs. 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 may enter 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. Changes in the value of derivatives designed to protect against mortgage backed securities and MSR fair value fluctuations, or hedging gains and losses, are reflected in the tables below.

As of September 30, 2021, New Residential also 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.

Derivatives are recorded at fair value on the Consolidated Balance Sheets as follows:

| | Balance Sheet Location | September 30, 2021 | December 31, 2020 |
|---|---|---|---|
| Derivative assets | | | |
| Interest rate lock commitments | Other assets | $ 144,365 | $ 289,355 |
| TBAs | Other assets | 122,539 | 789 |
| | | $ 266,904 | $ 290,144 |
| Derivative liabilities | | | |
| Interest rate swaps[(A)] | Accrued expenses and other liabilities | $ 1,082 | $ 25 |
| Interest rate lock commitments | Accrued expenses and other liabilities | 19,983 | 281 |
| Treasury futures and options on treasury futures | Accrued expenses and other liabilities | 11,542 | — |
| TBAs | Accrued expenses and other liabilities | 22,159 | 119,456 |
| | | $ 54,766 | $ 119,762 |

(A) Net of $60.0 million and $237.7 million of related variation margin balances as of September 30, 2021 and December 31, 2020, respectively.

The following table summarizes notional amounts related to derivatives:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Interest rate swaps[(A)] | $ 11,890,000 | $ 6,515,000 |
| Interest rate lock commitments | 16,611,634 | 15,031,345 |
| TBAs, short position[(B)] | 35,056,236 | 23,529,408 |
| Treasury futures | 655,400 | — |
| Options on treasury futures | 4,200,000 | — |

(A) Includes $11.9 billion notional of receive LIBOR/pay fixed of 1.47% and $0.0 billion notional of receive fixed of 0.00%/pay LIBOR with weighted average maturities of 34 months and 0 months, respectively, as of September 30, 2021. Includes $6.5 billion notional of receive LIBOR/pay fixed of 2.21% and $0.0 billion notional of receive fixed of 0.00%/pay LIBOR with weighted average maturities of 47 months and 0 months, respectively, as of December 31, 2020.
(B) Represents the notional amount of Agency RMBS, classified as derivatives.

The following table summarizes gain (loss) on derivatives and the related location on the Consolidated Statements of Income:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Servicing revenue, net[A] | | | | |
| TBAs | $ (14,156) | $ — | $ (14,355) | $ — |
| Treasury futures | (19,093) | — | (19,093) | — |
| Options on treasury futures | (8,116) | — | (8,116) | — |
| | (41,365) | — | (41,564) | — |
| Gain on originated mortgage loans, held-for-sale, net[A] | | | | |
| Interest rate lock commitments | (101,411) | 82,019 | (281,094) | 206,073 |
| TBAs | 152,182 | (6,013) | 251,731 | (23,428) |
| Forward loan sale commitments | — | — | — | 27 |
| | 50,771 | 76,006 | (29,363) | 182,672 |
| Change in fair value of investments[A] | | | | |
| Interest rate swaps | 45,389 | 23,089 | 214,367 | 4,213 |
| | 45,389 | 23,089 | 214,367 | 4,213 |
| Gain (loss) on settlement of investments, net[C] | | | | |
| Interest rate swaps | (36,314) | (23,192) | (105,386) | (62,039) |
| TBAs[B] | (37,664) | — | (47,527) | (71,060) |
| | (73,978) | (23,192) | (152,913) | (133,099) |
| Total income (loss) | $ (19,183) | $ 75,903 | $ (9,473) | $ 53,786 |

(A) Represents unrealized gain (loss).

(B) Excludes $105.6 million loss and $68.8 million loss for the three months ended September 30, 2021 and 2020, respectively, included within Gain on Originated Mortgage Loans, Held-for-Sale, Net (Note 8). Excludes $48.5 million gain and $290.7 million loss for the nine months ended September 30, 2021 and 2020, respectively, included within Gain on Originated Mortgage Loans, Held-for-Sale, Net.

(C) Excludes $13.4 million loss and $0.0 million for the three months ended September 30, 2021 and 2020, respectively, included within Servicing revenue, net (Note 5). Excludes $11.1 million loss and $0.0 million for the nine months ended September 30, 2021 and 2020, respectively, included within Servicing revenue, net.

## 11. DEBT OBLIGATIONS

The following table presents certain information regarding Secured Financing Agreements and Secured Notes and Bonds Payable debt obligations:

| | September 30, 2021 | | | | | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 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] |
| Secured Financing Agreements[C] | | | | | | | | | | |
| Repurchase Agreements: | | | | | | | | | | |
| Warehouse Credit Facilities-Residential Mortgage Loans[F] | $ 12,923,024 | $ 12,919,922 | Oct-21 to Sep-25 | 2.01 % | 0.8 | $ 13,774,859 | $ 13,775,860 | $ 13,803,756 | 23.9 | $ 4,039,564 |
| Agency RMBS[D] | 8,956,064 | 8,956,064 | Oct-21 to Jan-22 | 0.16 % | 0.1 | 8,876,431 | 9,158,455 | 9,321,370 | 6.6 | 12,682,427 |
| Non-Agency RMBS[E] | 723,486 | 723,486 | Oct-21 to Dec-21 | 2.52 % | 0.0 | 13,927,317 | 905,336 | 987,803 | 3.3 | 817,209 |
| Real Estate Owned[G][H] | 160,512 | 160,513 | Oct-21 to Sep-25 | 2.91 % | 1.2 | N/A | 230,128 | 224,580 | 4.5 | 8,480 |
| Total Secured Financing Agreements | 22,763,086 | 22,759,985 | | 1.31 % | 0.5 | | | | | 17,547,680 |
| Secured Notes and Bonds Payable | | | | | | | | | | |
| Excess MSRs[I] | 248,061 | 248,061 | Aug-25 | 3.74 % | 3.9 | 84,829,582 | 281,142 | 348,080 | 6.3 | 275,088 |
| MSRs[J] | 3,629,810 | 3,617,850 | Mar-22 to Jul-26 | 3.69 % | 3.2 | 531,851,913 | 6,029,066 | 6,477,289 | 6.1 | 2,691,791 |
| Servicer Advance Investments[K] | 381,286 | 380,420 | Apr-22 to Dec-22 | 1.30 % | 1.1 | 408,085 | 453,442 | 472,004 | 6.0 | 423,144 |
| Servicer Advances[K] | 2,347,819 | 2,342,335 | Nov-21 to Sep-23 | 2.34 % | 1.4 | 2,796,796 | 2,782,622 | 2,782,622 | 0.7 | 2,585,575 |
| Residential Mortgage Loans[L] | 1,170,838 | 1,162,080 | Sep-22 to Jul-43 | 2.10 % | 3.6 | 1,192,146 | 1,311,940 | 1,313,998 | 20.0 | 1,039,838 |
| Consumer Loans[M] | 492,999 | 497,346 | Sep-37 | 2.04 % | 3.6 | 485,966 | 496,573 | 547,548 | 3.3 | 628,759 |
| Total Secured Notes and Bonds Payable | 8,270,813 | 8,248,092 | | 2.87 % | 2.7 | | | | | 7,644,195 |
| Total/ Weighted Average | $ 31,033,899 | $ 31,008,077 | | 1.72 % | 1.1 | | | | | $ 25,191,875 |

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity through the date of issuance were refinanced, extended or repaid.
(C) These secured financing agreements had approximately $65.7 million of associated accrued interest payable as of September 30, 2021.
(D) All Agency RMBS repurchase agreements have a fixed rate. Collateral carrying value includes $341.8 million margin receivable.
(E) All Non-Agency RMBS secured financing agreements have LIBOR-based floating interest rates. This also includes repurchase agreements and related collateral of $12.3 million and $16.5 million, respectively, on retained bonds collateralized by Agency MSRs. Collateral carrying value includes $2.4 million margin receivable.
(F) Includes $266.4 million of repurchase agreements which bear interest at a fixed rate of 4.0%. All remaining repurchase agreements have LIBOR-based floating interest rates.
(G) All 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 as well as $152.6 million of financing collateralized by a portion of our single family rental portfolio.
(I) Includes $248.1 million of corporate loans which bear interest at a fixed rate of 3.7%.
(J) Includes $1.3 billion 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 2.8% to 4.5%; $99.9 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.9%; and $2.2 billion of capital markets notes with fixed interest rates ranging 3.0% to 5.4%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and MSR Financing Receivables that secure these notes.
(K) $1.8 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 1.1% to 1.9%. Collateral includes Servicer Advance Investments, as well as servicer advances receivable related to the mortgage servicing rights and MSR financing receivables owned by NRM.
(L) Represents (i) a $5.8 million note payable to Mr. Cooper which includes a $1.6 million receivable from government agency and bears interest equal to one-month LIBOR plus 2.9%, (ii) $30.4 million face amount of SAFT 2013-1

mortgage-backed securities issued with a fixed interest rate of 3.8% (see Note 12 for fair value details), (iii) $46.5 million of MDST Trusts asset-backed notes held by third parties which bear interest equal to 6.6% (see Note 12 for fair value details), (iv) $232.2 million of bonds held by third parties which bear interest at a fixed rate ranging from 3.6% to 5.0%, (v) a $105.8 million note payable collateralized by SFR with a fixed interest rate of 2.75%, and (vi) $750.0 million securitization backed by a revolving warehouse facility to finance newly originated first-lien, fixed- and adjustable-rate mortgage loans which bears interest equal to one-month LIBOR plus 1.13% (refer to Note 13 for further discussion).

(M) Includes the SpringCastle debt, which is primarily composed of the following classes of asset-backed notes held by third parties: $440.0 million UPB of Class A notes with a coupon of 2.0% and a stated maturity date in September 2037 and $53.0 million UPB of Class B notes with a coupon of 2.7% and a stated maturity date in September 2037 (collectively, "SCFT 2020-A").

***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.

As of September 30, 2021, New Residential has margin exposure on $22.8 billion of secured financing agreements. To the extent that the value of the collateral underlying these secured financing agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

Activities related to the carrying value of 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, 2020** | $ 275,088 | $ 2,691,791 | $ 3,008,719 | $ 13,499,636 | $ 5,087,882 | $ 628,759 | $ 25,191,875 |
| Secured Financing Agreements | | | | | | | |
| Acquired borrowings, net of discount | — | — | — | — | 7,090,577 | — | 7,090,577 |
| Borrowings | — | — | — | 54,297,394 | 90,195,545 | — | 144,492,939 |
| Repayments | — | — | — | (58,118,431) | (88,254,304) | — | (146,372,735) |
| Capitalized deferred financing costs, net of amortization | — | — | — | 951 | 573 | — | 1,524 |
| Secured Notes and Bonds Payable | | | | | | | |
| Acquired borrowings, net of discount | — | 1,045,000 | 76,772 | — | — | — | 1,121,772 |
| Borrowings | — | 2,422,470 | 2,124,459 | — | 855,890 | — | 5,402,819 |
| Repayments | (27,027) | (2,544,885) | (2,488,913) | — | (727,452) | (132,167) | (5,920,444) |
| Unrealized gain on notes, fair value | — | — | — | — | (5,999) | 754 | (5,245) |
| Capitalized deferred financing costs, net of amortization | — | 3,474 | 1,718 | — | (197) | — | 4,995 |
| **Balance at September 30, 2021** | $ 248,061 | $ 3,617,850 | $ 2,722,755 | $ 9,679,550 | $ 14,242,515 | $ 497,346 | $ 31,008,077 |

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

***Maturities***

Contractual maturities of debt obligations as of September 30, 2021 are as follows:

| Year Ending | Nonrecourse[(A)] | Recourse[(B)] | Total |
|---|---|---|---|
| October 1 through December 31, 2021 | $ — | $ 13,742,872 | $ 13,742,872 |
| 2022 | 1,432,049 | 6,338,673 | 7,770,722 |
| 2023 | 1,365,913 | 3,245,451 | 4,611,364 |
| 2024 | 750,000 | 952,951 | 1,702,951 |
| 2025 | 232,200 | 2,141,348 | 2,373,548 |
| 2026 and thereafter | 569,976 | 812,466 | 1,382,442 |
| | $ 4,350,138 | $ 27,233,761 | $ 31,583,899 |

(A) Reflects secured notes and bonds payable of $4.4 billion.
(B) Reflects secured financing agreements and secured notes and bonds payable of $22.8 billion and $4.4 billion, respectively.

***Borrowing Capacity***

The following table represents borrowing capacity as of September 30, 2021:

| Debt Obligations / Collateral | Borrowing Capacity | Balance Outstanding | Available Financing[(A)] |
|---|---|---|---|
| Secured Financing Agreements | | | |
| Residential mortgage loans and REO | $ 4,379,092 | $ 1,999,295 | $ 2,379,797 |
| New loan originations | 21,103,010 | 11,834,240 | 9,268,770 |
| | | | |
| Secured Notes and Bonds Payable | | | |
| Excess MSRs | 286,380 | 248,061 | 38,319 |
| MSRs | 4,685,450 | 3,629,810 | 1,055,640 |
| Servicer advances | 4,554,990 | 2,729,105 | 1,825,885 |
| Residential mortgage loans | 200,000 | 105,825 | 94,175 |
| | $ 35,208,922 | $ 20,546,336 | $ 14,662,586 |

(A) Although available financing is uncommitted, New Residential's unused borrowing capacity is available if it has additional eligible collateral to pledge and meets other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in New Residential's equity or a failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. New Residential was in compliance with all of its debt covenants as of September 30, 2021.

***2025 Senior Unsecured Notes***

On September 16, 2020, the Company, as borrower, completed a private offering of $550.0 million aggregate principal amount of 6.250% senior unsecured notes due 2025 (the "2025 Senior Notes"). Interest on the 2025 Senior Notes accrue at the rate of 6.250% per annum with interest payable semi-annually in arrears on each April 15 and October 15.

The 2025 Senior Notes mature on October 15, 2025 and the Company may redeem some or all of the 2025 Senior Notes at the Company's option, at any time from time to time, on or after October 15, 2022 at a price equal to the following fixed redemption prices (expressed as a percentage of principal amount of the 2025 Senior Notes to be redeemed):

| Year | Price |
|---|---|
| 2022 | 103.125% |
| 2023 | 101.563% |
| 2024 and thereafter | 100.000% |

Prior to October 15, 2022, the Company will be entitled at its option on one or more occasions to redeem the 2025 Senior Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the 2025 Senior Notes originally issued prior to the applicable redemption date at a fixed redemption price of 106.250%.

Net proceeds from the offering were approximately $544.5 million, after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by the Company. The Company incurred fees of approximately $8.3 million in relation to the issuance of the 2025 Senior Notes. These fees were capitalized as debt issuance cost and are grouped and presented as part of Unsecured Senior Notes, Net of Issuance Costs on the Consolidated Balance Sheets. For the three and nine months ended September 30, 2021, the Company recognized interest expense of $8.6 million and $25.7 million, respectively. At September 30, 2021, the unamortized debt issuance costs was approximately $7.1 million.

The 2025 Senior Notes are senior unsecured obligations and rank pari passu in right of payment with all of the Company's existing and future senior unsecured indebtedness and senior unsecured guarantees. At the time of issuance, the 2025 Senior Notes were not guaranteed by any of the Company's subsidiaries and none of its subsidiaries are required to guarantee the 2025 Senior Notes in the future, except under limited specified circumstances.

The 2025 Senior Notes contain financial covenants and other non-financial covenants, including, among other things, limits on the ability of the Company and its restricted subsidiaries to incur certain indebtedness (subject to various exceptions), requires that the Company maintain total unencumbered assets (as defined in the debt agreement) of not less than 120% of the aggregate principal amount of the outstanding unsecured debt, and imposes certain requirements in order for the Company to merge or consolidate with or transfer all or substantially all of its assets to another person, in each case subject to certain qualifications set forth in the debt agreement. If the Company were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lenders. As of September 30, 2021, the Company was in compliance with all covenants.

In the event of a change of control, each holder of the 2025 Senior Notes will have the right to require the Company to repurchase all or any part of the outstanding balance at a purchase price of 101% of the principal amount of the 2025 Senior Notes repurchased, plus accrued and unpaid interest, if any, to, but not including, the date of such repurchase.

## 12. FAIR VALUE MEASUREMENTS

The carrying values and fair values of assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of September 30, 2021 were as follows:

| | | | Fair Value | | | |
|---|---|---|---|---|---|---|
| | Principal Balance or Notional Amount | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | |
| Excess MSRs[(A)] | $ 60,598,856 | $ 270,180 | $ — | $ — | $ 270,180 | $ 270,180 |
| Excess MSRs, equity method investees[(A)] | 24,230,726 | 89,108 | — | — | 89,108 | 89,108 |
| MSRs and MSR financing receivables[(A)] | 549,824,561 | 6,565,267 | — | — | 6,565,267 | 6,565,267 |
| Servicer advance investments | 408,085 | 472,004 | — | — | 472,004 | 472,004 |
| Real estate and other securities | 25,494,437 | 9,973,795 | — | 8,982,687 | 991,108 | 9,973,795 |
| Residential mortgage loans, held-for-sale | 164,940 | 144,743 | — | — | 146,906 | 146,906 |
| Residential mortgage loans, held-for-sale, at fair value | 13,663,696 | 13,972,557 | — | 12,150,003 | 1,822,554 | 13,972,557 |
| Residential mortgage loans, held-for-investment, at fair value | 657,427 | 595,012 | — | — | 595,012 | 595,012 |
| Residential mortgage loans subject to repurchase | 1,826,620 | 1,826,620 | — | 1,826,620 | — | 1,826,620 |
| Consumer loans | 486,350 | 547,795 | — | — | 547,795 | 547,795 |
| Derivative assets | 51,930,667 | 266,904 | — | 122,539 | 144,365 | 266,904 |
| Notes receivable | 54,092 | 51,663 | — | — | 51,663 | 51,663 |
| Loans receivable | 233,339 | 233,339 | — | — | 233,339 | 233,339 |
| Cash and cash equivalents | 1,366,678 | 1,366,678 | 1,366,678 | — | — | 1,366,678 |
| Restricted cash | 194,745 | 194,745 | 194,745 | — | — | 194,745 |
| Other assets[(B)] | N/A | 39,902 | 4,834 | — | 35,068 | 39,902 |
| | | $ 36,610,312 | $ 1,566,257 | $ 23,081,849 | $ 11,964,369 | $ 36,612,475 |
| **Liabilities** | | | | | | |
| Secured financing agreements | $ 22,763,086 | $ 22,759,985 | $ — | $ 22,759,985 | $ — | $ 22,759,985 |
| Secured notes and bonds payable[(C)] | 8,270,813 | 8,248,092 | — | 750,000 | 7,527,636 | 8,277,636 |
| Unsecured senior notes, net of issuance costs | 542,849 | 542,849 | — | — | 555,550 | 555,550 |
| Residential mortgage loan repurchase liability | 1,826,620 | 1,826,620 | — | 1,826,620 | — | 1,826,620 |
| Derivative liabilities | 16,482,604 | 54,766 | — | 34,783 | 19,983 | 54,766 |
| Contingent consideration | N/A | 9,299 | — | — | 9,299 | 9,299 |
| | | $ 33,441,611 | $ — | $ 25,371,388 | $ 8,112,468 | $ 33,483,856 |

(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 $31.7 million as of September 30, 2021.

(C) Includes SAFT 2013-1, MDST Trust, RPL Securitization Trust and SCFT 2020-A mortgage backed securities issued for which the fair value option for financial instruments was elected and resulted in a fair value of $798.2 million as of September 30, 2021.

Assets measured at fair value on a recurring basis using Level 3 inputs changed as follows:

| | Level 3 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Excess MSRs[A] | | | | | | | | | Other Assets | | |
| | Agency | Non-Agency | Excess MSRs in Equity Method Investees[A][B] | MSRs and MSR Financing Receivables[A] | Servicer Advance Investments | Non-Agency RMBS | Derivatives[C] | Residential Mortgage Loans | Consumer Loans | Notes Receivable | Loans Receivable | Total |
| **Balance at December 31, 2020** | $ 162,645 | $ 148,293 | $ 99,917 | $ 4,585,841 | $ 538,056 | $ 1,180,924 | $ 289,074 | $ 2,320,384 | $ 685,575 | $ 52,389 | $ — | $ 10,063,098 |
| Transfers | | | | | | | | | | | | |
| Transfers from Level 3 | — | — | — | — | — | — | — | (15,134) | — | — | — | (15,134) |
| Transfers to Level 3 | — | — | — | — | — | — | — | — | — | — | — | — |
| Caliber acquisition (Note 1) | — | — | — | 1,507,524 | — | — | 116,403 | — | — | — | — | 1,623,927 |
| Gain (loss) included in net income | | | | | | | | | | | | |
| Reversal for credit losses on securities[D] | — | — | — | — | — | 5,020 | — | — | — | — | — | 5,020 |
| Change in fair value of excess MSRs[D] | (7,578) | (6,088) | — | — | — | — | — | — | — | — | — | (13,666) |
| Change in fair value of excess MSRs, equity method investees[D] | — | — | 1,421 | — | — | — | — | — | — | — | — | 1,421 |
| Servicing revenue, net[E] | — | — | — | (372,178) | — | — | — | — | — | — | — | (372,178) |
| Change in fair value of servicer advance investments | — | — | — | — | (6,535) | — | — | — | — | — | — | (6,535) |
| Change in fair value of residential mortgage loans | — | — | — | — | — | — | — | 154,984 | — | — | — | 154,984 |
| Change in fair value of investments in consumer loans | — | — | — | — | — | — | — | — | (13,338) | — | — | (13,338) |
| Gain (loss) on settlement of investments, net | 5 | 297 | — | — | — | (28,240) | — | — | — | — | — | (27,938) |
| Other income (loss), net[D] | 1 | (325) | — | — | — | 14,856 | (281,095) | (87) | — | (3,243) | — | (269,893) |
| Gains (losses) included in other comprehensive income[F] | — | — | — | — | — | 27,101 | — | — | — | — | — | 27,101 |
| Interest income | 7,368 | 8,820 | — | — | 7,086 | 10,917 | — | — | 14,493 | 4,017 | 2,036 | 54,737 |
| Purchases, sales and repayments | | | | | | | | | | | | |
| Purchases, net[G] | — | — | — | 7,965 | 976,629 | 145,920 | — | 3,151,597 | 21,680 | 1,688 | 250,000 | 4,555,479 |
| Proceeds from sales | (18) | (2) | — | (42,075) | | (164,630) | — | (2,821,072) | — | — | — | (3,027,797) |
| Proceeds from repayments | (23,134) | (20,104) | (12,230) | — | (1,043,232) | (200,760) | — | (373,106) | (160,615) | (3,188) | (18,697) | (1,855,066) |
| Originations and other | — | — | — | 878,190 | — | — | — | — | — | — | — | 878,190 |
| **Balance at September 30, 2021** | $ 139,289 | $ 130,891 | $ 89,108 | $ 6,565,267 | $ 472,004 | $ 991,108 | $ 124,382 | $ 2,417,566 | $ 547,795 | $ 51,663 | $ 233,339 | $ 11,762,412 |

(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 a50% interest.
(C) For the purpose of this table, the IRLC asset and liability positions are shown net.
(D) Gain (loss) recorded in earnings during the period are attributable to the change in unrealized gain (loss) relating to Level 3 assets still held at the reporting dates and realized gain (loss) recorded during the period.
(E) The components of Servicing Revenue, Net are disclosed in Note 5.
(F) Gain (loss) included in Unrealized Gain (Loss) on Available-for-Sale Securities, Net in the Consolidated Statements of Comprehensive Income.
(G) Net of purchase price adjustments and purchase price fully reimbursable from MSR sellers as a result of prepayment protection.

Liabilities measured at fair value on a recurring basis using Level 3 inputs changed as follows:

| | Level 3 | | | |
|---|---|---|---|---|
| | Excess Spread Financing | Asset-Backed Securities Issued | Contingent Consideration | Total |
| **Balance at December 31, 2020** | $ 18,420 | $ 1,662,852 | $ 14,247 | $ 1,695,519 |
| Transfers | | | | |
| Transfers from Level 3 | — | — | — | — |
| Transfers to Level 3 | — | — | — | — |
| Gains (losses) included in net income | | | | |
| Servicing revenue, net[(A)] | (3,537) | — | — | (3,537) |
| Other income[(B)] | — | (5,245) | 886 | (4,359) |
| Purchases, sales and repayments | | | | |
| Proceeds from sales | (15,379) | — | — | (15,379) |
| Payments | — | (859,409) | (5,834) | (865,243) |
| Other | 496 | — | — | 496 |
| **Balance at September 30, 2021** | $ — | $ 798,198 | $ 9,299 | $ 807,497 |

(A) The components of Servicing Revenue, Net are disclosed in Note 5.
(B) The gains (losses) recorded in earnings during the period are attributable to the change in unrealized gains (losses) relating to Level 3 liabilities still held at the reporting dates and realized gains (losses) recorded during the period.

***Excess MSRs, Excess MSRs Equity Method Investees, MSRs and MSR Financing Receivables Valuation***

The following table summarizes certain information regarding the ranges and weighted averages of inputs used as of September 30, 2021:

| | 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 | 5.5% - 8.4% (6.6%) | —% - 2.0% (0.9%) | 3.6% - 17.0% (6.6%) | 15 - 32 (21) | 11 - 21 (18) |
| Recaptured Pools | 4.7% - 8.6% (6.6%) | —% - 2.2% (0.4%) | —% - 21.9% (10.8%) | 21 - 27 (23) | 19- 24 (22) |
| | 4.7% - 8.6% (6.6%) | —% - 2.2% (0.7%) | —% - 21.9% (8.4%) | 15 - 32 (22) | 11 - 24 (20) |
| **Non-Agency[G]** | | | | | |
| Mr. Cooper and SLS Serviced: | | | | | |
| Original Pools | 6.2% - 11.9% (8.1%) | 1.5% - 11.2% (7.9%) | —% - 11.3% (7.7%) | 6 - 25 (15) | 18 - 28 (23) |
| Recaptured Pools | 3.7% - 5.1% (4.2%) | 0.1% - 0.3% (0.2%) | 6.6% - 11.4% (8.1%) | 23 - 25 (24) | 21 - 23 (23) |
| | 3.7% - 11.9% (7.4%) | 0.1% - 11.2% (7.9%) | —% - 11.4% (7.8%) | 6 - 25 (17) | 18 - 28 (23) |
| **Total/Weighted Average—Excess MSRs Directly Held** | 3.7% - 11.9% (7.0%) | —% - 11.2% (3.5%) | —% - 21.9% (8.1%) | 6 - 32 (19) | 11 - 28 (21) |
| **Excess MSRs Held through Equity Method Investees (Note 4)** | | | | | |
| **Agency** | | | | | |
| Original Pools | 6.5% - 8.4% (6.8%) | 0.7% - 1.6% (1.1%) | 3.6% - 9.7% (5.0%) | 15 - 25 (18) | 17- 19 (18) |
| Recaptured Pools | 5.5% - 7.6% (6.5%) | 0.3% - 0.9% (0.7%) | 5.1% - 11.4% (7.2%) | 22 - 26 (25) | 20 - 23 (22) |
| **Total/Weighted Average—Excess MSRs Held through Investees** | 5.5% - 8.4% (6.7%) | 0.3% - 1.6% (0.8%) | 3.6% - 11.4% (6.5%) | 15 - 26 (21) | 17 - 23 (20) |
| **Total/Weighted Average—Excess MSRs All Pools** | 3.7% - 11.9% (6.9%) | —% - 11.2% (2.6%) | —% - 21.9% (7.3%) | 6 - 32 (20) | 11 - 28 (21) |
| **MSRs and MSR Financing Receivables** | | | | | |
| Agency[H] | 6.1% - 15.2% (10.4%) | 0.3% - 2.1% (1.0%) | 2.7% - 31.8% (11.0%) | 25 - 30 (28) | 0 - 40 (23) |
| Non-Agency[H] | 7.2% - 43.9% (7.1%) | 0.9% - 63.2% (10.7%) | 2.0% - 24.7% (8.5%) | 26 - 85 (48) | 0 - 30 (24) |
| Ginnie Mae[H] | 6.0% - 15.6% (13.4%) | 1.5% - 12.4% (3.7%) | 2.6% - 35.0% (13.4%) | 30 - 46 (39) | 0 - 30 (28) |
| **Total/Weighted Average—MSRs and MSR Financing Receivables** | 6.0% - 43.9% (10.5%) | 0.3% - 63.2% (3.0%) | 2.0% - 35.0% (10.0%) | 25 - 85 (33) | 0 - 40 (24) |

(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 $6.20 - $7.30 ($6.90) per loan per month was used to value the agency MSRs. A weighted average cost of subservicing of $10.60 - $16.70 ($10.80) per loan per month was used to value the Non-Agency MSRs, including MSR Financing Receivables. A weighted average cost of subservicing of $8.80 - $8.90 ($8.80) 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.

With respect to valuing the PHH-serviced MSRs and MSR financing receivables, which include a significant servicer advances receivable component, the cost of financing servicer advances receivable is assumed to be LIBOR plus 2.1%.

As of September 30, 2021, a weighted average discount rate of7.8% (range 7.5% - 8.0%) was used to value New Residential's Excess MSRs (directly and through equity method investees). As of September 30, 2021, a weighted average discount rate of 7.4% (range 6.9% - 12.5%) was used to value New Residential's MSRs and MSR Financing Receivables.

***Servicer Advance Investments Valuation***

The following table summarizes certain information regarding the ranges and weighted averages of inputs used in valuing the Servicer Advance Investments, including the basic fee component of the related MSRs:

| | Significant Inputs | | | | | | |
|---|---|---|---|---|---|---|---|
| | Outstanding Servicer Advances to UPB of Underlying Residential Mortgage Loans | Prepayment Rate[A] | Delinquency | Mortgage Servicing Amount[B] | | Discount Rate | Collateral Weighted Average Maturity (Years)[C] |
| September 30, 2021 | 0.7% - 1.5% (1.5%) | 6.6% - 8.2% (8.2%) | 4.6% - 15.0% (14.8%) | 17.6 - 19.8 (19.7) | bps | 5.2% - 5.7% (5.2%) | 21.0 - 22.2 (22.2) |

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 10.9 bps which represents the amount New Residential paid its servicers as a monthly servicing fee.
(C) Weighted average maturity of the underlying residential mortgage loans in the pool.

***Real Estate and Other Securities Valuation***

As of September 30, 2021, securities valuation methodology and results are further detailed as follows:

| | | | Fair Value | | | |
|---|---|---|---|---|---|---|
| Asset Type | Outstanding Face Amount | Amortized Cost Basis | Multiple Quotes[A] | Single Quote[B] | Total | Level |
| Agency RMBS | $ 8,879,217 | $ 9,161,405 | $ 8,982,687 | $ — | $ 8,982,687 | 2 |
| Non-Agency RMBS[C] | 16,615,220 | 921,874 | 991,108 | — | 991,108 | 3 |
| Total | $ 25,494,437 | $ 10,083,279 | $ 9,973,795 | $ — | $ 9,973,795 | |

(A) New Residential generally obtained pricing service quotations or broker quotations fromtwo 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 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 99.3% of Non-Agency RMBS, the ranges and weighted averages 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 Non-Agency RMBS were not readily available.

| | Fair Value | Discount Rate | Prepayment Rate[(a)] | CDR[(b)] | Loss Severity[(c)] |
|---|---|---|---|---|---|
| Non-Agency RMBS | $ 984,616 | 0.0% to 15.0% (4.7%) | 0.0% to 25.0% (10.1%) | 0.0% to 12.0% (0.8%) | 0.0% to 100.0% (13.7%) |

(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.
(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 subsidiaries, Newrez and Caliber, 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 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.

The following table summarizes certain information regarding the ranges and weighted averages of 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 | $ 1,713,431 | 2.8% - 7.5%<br>(3.5%) | 1.9% - 22.4%<br>(13.8%) | —% - 15.8%<br>(0.9%) | 3.0% -50.0%<br>(20.6%) |
| Originated loans | 109,123 | 4.0% | 6.0% | 3.0% | 50.0% |
| Residential mortgage loans held-for-sale, at fair value | $ 1,822,554 | | | | |

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 ranges and weighted averages of 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 | $ 595,012 | 6.4% - 7.5%<br>(6.5%) | 1.9% - 11.4%<br>(10.6%) | 2.1% - 15.8%<br>(3.3%) | 38.4% - 57.0%<br>(55.3%) |

***Consumer Loans Valuation***

The following table summarizes certain information regarding the ranges and weighted averages of inputs used in valuing consumer loans held-for-investment, at fair value, classified as Level 3:

| | Fair Value | Discount Rate | Prepayment Rate | CDR | Loss Severity |
|---|---|---|---|---|---|
| Consumer loans, held-for-investment, at fair value | $ 547,795 | 7.5% - 9.7%<br>(7.5%) | 22.3% - 34.1%<br>(22.3%) | 4.4% - 23.6%<br>(4.4%) | 66.0% - 92.4%<br>(66.0%) |

***Derivatives 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 (i) incorporating 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) adjusting 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 ranges and weighted averages of inputs used in valuing IRLCs:

| | Fair Value | Loan Funding Probability | Fair Value of Initial Servicing Rights (Bps) |
|---|---|---|---|
| IRLCs, net | $ 124,382 | 0.0% - 100.0%<br>(83.0%) | 0.9 - 314.1<br>(120.7) |

***Asset-Backed Securities Issued***

New Residential and Newrez were deemed to be the primary beneficiaries of the MDST Trusts, SAFT 2013-1 securitization entity, RPL Securitization Trust and SCFT 2020-A, and therefore, New Residential's Consolidated Balance Sheets include the asset-backed securities issued by the MDST Trusts, SAFT 2013-1, RPL Securitization Trust and SCFT 2020-A, respectively. New Residential elected the fair value option for these financial instruments and the asset-backed securities issued were valued consistently with New Residential's Non-Agency RMBS described above.

The following table summarizes certain information regards the ranges and weighted averages of inputs used in valuing Asset-Backed Securities Issued:

| | Fair Value | Discount Rate | Prepayment Rate | CDR | Loss Severity |
|---|---|---|---|---|---|
| Asset-backed securities issued | $ 798,198 | 1.7% - 5.9%<br>(2.5%) | 8.6% - 40.0%<br>(18.7%) | 0.3% - 4.4%<br>(3.1%) | 20.0% - 95.0%<br>(72.1%) |

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

Certain assets are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment. For residential mortgage loans held-for-sale, single-family rental properties, and foreclosed real estate accounted for as REO, New Residential applies the lower of cost or fair value accounting and may be required, from time to time, to record a nonrecurring fair value adjustment.

At September 30, 2021, assets measured at fair value on a nonrecurring basis were $144.3 million. The $144.3 million of assets include approximately $126.6 million of residential mortgage loans held-for-sale and $17.7 million of REO. The fair value of New Residential's residential mortgage loans, held-for-sale is estimated based on a discounted cash flow model analysis using internal pricing models and is categorized within Level 3 of the fair value hierarchy. The following table summarizes the inputs used in valuing these residential mortgage loans as of September 30, 2021:

| | Fair Value and Carrying Value | Discount Rate | Weighted Average Life (Years)[A] | Prepayment Rate | CDR[B] | Loss Severity[C] |
|---|---|---|---|---|---|---|
| Performing loans | $ 118,755 | 3.8% - 7.0%<br>(7.0%) | 4.6 - 8.1<br>(4.7) | 5.6% - 8.6%<br>(6.6%) | 1.0% - 9.7%<br>(6.0%) | 31.2% - 49.7%<br>(39.4%) |
| Non-performing loans | 7,822 | 7.5% - 9.0%<br>(8.8%) | 3.7 - 4.8<br>(3.9) | 1.9% - 1.9%<br>(1.9%) | 15.8% - 15.8%<br>(15.8%) | 8.6% - 38.4%<br>(12.9%) |
| Total/weighted average | $ 126,577 | 7.1% | 4.7 | 6.3% | 6.6% | 37.7% |

(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% - 25% (weighted average of 18%), 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 Consolidated Statements of Income for three months ended September 30, 2021 consisted of a of valuation allowance of $7.0 million for residential mortgage loans and a valuation allowance of $1.7 million for REO.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Consolidated Statements of Income for the nine months ended September 30, 2021 consisted of a reversal of valuation allowance of $39.4 million for residential mortgage loans and a reversal of valuation allowance of $3.2 million for REO.

## 13. VARIABLE INTEREST ENTITIES

In the normal course of business, New Residential enters into transactions with special purpose entities (SPEs), which primarily consist of trusts established for a limited purpose. The SPEs have been formed for the purpose of transactions in which the Company transfers assets into an SPE in return for various forms of debt obligations supported by those assets. In these transactions, the Company typically receives cash and/or other interests in the SPE as proceeds for the transferred assets. The Company retains the right to service the transferred receivables. The Company evaluates its interests in each SPE for classification as a variable interest entity (VIE).

VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could be potentially significant to the VIE.

To assess whether New Residential has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, New Residential considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities. To assess whether New Residential has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, New Residential considers all of its economic interests and applies judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. When an SPE meets the definition of a VIE and the Company determines that it is the primary beneficiary, the Company includes the SPE in its consolidated financial statements.

**Consolidated VIEs**

*Servicer Advances*

New Residential, through a taxable wholly owned subsidiary, is the managing member of the Buyer and owned approximately 89.3% of the Buyer as of September 30, 2021. In 2013, New Residential created the Buyer to acquire the then outstanding servicing advance receivables related to a portfolio of residential mortgage loans from a third party. The Buyer is required to purchase all future servicer advances made with respect to this portfolio of mortgage loans and is entitled to receive cash flows from advance recoveries and a basic fee component of the related MSRs, net of subservicing compensation paid.

The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of September 30, 2021, the noncontrolling third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $69.0 million and $577.1 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.

*Shelter Joint Ventures*

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

*Residential Mortgage Loans*

During the third quarter of 2020, New Residential formed several entities that separately issued securitized debt collateralized by non-performing and reperforming residential mortgage loans. New Residential determined that these securitizations 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 securitizations and 2) significant variable interests in each

of the securitizations, through their control of the related optional redemption feature and their ownership of certain notes issued by the securitizations and, therefore, met the primary beneficiary criterion and, accordingly, the Company consolidated the securitizations. As of September 30, 2021, only one securitization (the "RPL Securitization Trust") remains outstanding.

On October 1, 2019, as a result of New Residential's acquisition of servicing assets from the bankruptcy estate of Ditech Holding Company and Ditech Financial LLC ("Ditech") and its pre-existing ownership of the equity, New Residential consolidated the MDST Trusts. New Residential's determination to consolidate the MDST Trusts is a result of its ownership of the equity in these trusts in conjunction with the ability to direct activities that most significantly impact the economic performance of the entities with the acquisition of the servicing by Newrez.

In May 2021, Newrez issued $750.0 million in notes through a securitization facility (the "2021-1 Securitization Facility") that bear interest at 30-day LIBOR plus a margin. The 2021-1 Securitization Facility is secured by newly originated, first-lien, fixed- and adjustable-rate residential mortgage loans eligible for purchase by the GSEs and Ginnie Mae. Through a master repurchase agreement, Newrez sells its originated loans to the 2021-1 Securitization Facility, which then issues notes to third party qualified investors, with Newrez retaining the trust certificate. The loans serve as collateral with the proceeds from the note issuance ultimately financing the originations. The 2021-1 Securitization Facility will terminate on the earlier of (i) the three-year anniversary of the initial closing date, (ii) the Company exercising its right to optional prepayment in full, or (iii) a repurchase triggering event. The Company determined it is the primary beneficiary of the 2021-1 Securitization Facility as it has both (i) the power to direct the activities of a VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses or the right to receive benefits from the VIE that could be potentially significant to the VIE.

Caliber Mortgage Participant I, LLC was formed to acquire, receive, participate, hold, release, and dispose of participation interests in certain of Caliber's mortgage loans held for sale ("MLHFS PC"). The Caliber Mortgage Participant I, LLC transfers the MLHFS PC in exchange for cash. Caliber is the primary beneficiary of the VIE and therefore, consolidates the SPE. The transferred MLHFS PC is classified on the Consolidated Balance Sheets as Residential Mortgage Loans, Held-for-Sale and the related warehouse credit facility liabilities as part of Secured Financing Agreements. Caliber retains the risks and benefits associated with the assets transferred to the SPEs.

Caliber remains the servicer of the underlying mortgage loans and has the power to direct the SPE's activities. Holders of the term notes issued by the Trust can look only to the assets of the Trust for satisfaction of the debt and have no recourse against Caliber.

*Consumer Loan Companies*

New Residential has a co-investment in a portfolio of consumer loans held through the Consumer Loan Companies. As of September 30, 2021, New Residential owns 53.5% of the limited liability company interests in, and consolidates, the Consumer Loan Companies.

On September 25, 2020, certain entities comprising the Consumer Loan Companies, in a private transaction, issued $663.0 million of asset-backed notes ("SCFT 2020-A") securitized by a portfolio of consumer loans.

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.

*MSR Financing Facilities*

CHL GMSR Issuer Trust is an SPE created for the purpose of transferring a participation certificate ("MSR PC") representing a beneficial interest in Caliber's GNMA MSRs in exchange for a variable funding note ("MSR Financing VFN") and a trust certificate with Caliber, as well for the issuance of term notes in exchange for cash. Caliber consolidates this SPE because it is the primary beneficiary of the VIE. The MSR PC is classified in Mortgage Servicing Rights and MSR Financing Receivables, at Fair Value and the MSR Financing VFN and term notes are classified as Secured Notes and Bonds Payable on the Consolidated Balance Sheets. The SPE uses collections from a specified portion of GNMA MSR net service fees collected to repay principal and interest and to pay the expenses of the entity.

Additionally, Caliber has also transferred a participation certificate representing a beneficial interest certain of Caliber's GNMA servicer advances ("Servicer Advance PC") to CHL GMSR Issuer Trust in exchange for a VFN ("Servicer Advance VFN"). The transferred Servicer Advance PC is classified on the Consolidated Balance Sheets as Servicing Advances Receivable and the related liabilities as part of Accrued Expenses and Other Liabilities. CHL GMSR Issuer Trust uses collections of the pledged advances to repay principal and interest and to pay the expenses of the Servicer Advance VFN.

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on the Consolidated Balance Sheets:

| | The Buyer | Shelter Joint Ventures | Residential Mortgage Loans | Consumer Loan SPVs | MSR Financing Facilities | Total |
|---|---|---|---|---|---|---|
| **September 30, 2021** | | | | | | |
| **Assets** | | | | | | |
| Mortgage servicing rights, at fair value | $ — | $ — | $ — | $ — | $ 352,144 | $ 352,144 |
| Servicer advance investments, at fair value | 459,812 | — | — | — | — | 459,812 |
| Residential mortgage loans, held-for-investment, at fair value | — | — | 98,373 | — | — | 98,373 |
| Residential mortgage loans, held-for-sale | — | — | 1,856 | — | — | 1,856 |
| Residential mortgage loans, held-for-sale, at fair value | — | — | 1,191,416 | — | — | 1,191,416 |
| Consumer loans, held-for-investment, at fair value | — | — | — | 547,598 | — | 547,598 |
| Cash and cash equivalents | 37,138 | 37,339 | 2,102 | — | — | 76,579 |
| Restricted cash | 2,377 | — | 170 | 7,430 | — | 9,977 |
| Other assets | 9 | 1,825 | 4,545 | 7,349 | 361,238 | 374,966 |
| Total Assets | $ 499,336 | $ 39,164 | $ 1,298,462 | $ 562,377 | $ 713,382 | $ 3,112,721 |
| **Liabilities** | | | | | | |
| Secured financing agreements[(A)] | $ — | $ — | $ 133,227 | $ — | $ — | $ 133,227 |
| Secured notes and bonds payable[(A)] | 374,025 | — | 1,048,821 | 497,346 | 367,871 | 2,288,063 |
| Accrued expenses and other liabilities | 925 | 6,570 | 13,848 | 886 | 106 | 22,335 |
| Total Liabilities | $ 374,950 | $ 6,570 | $ 1,195,896 | $ 498,232 | $ 367,977 | $ 2,443,625 |
| | | | | | | |
| **December 31, 2020** | | | | | | |
| **Assets** | | | | | | |
| Servicer advance investments, at fair value | $ 522,901 | $ — | $ — | $ — | $ — | $ 522,901 |
| Residential mortgage loans, held-for-investment, at fair value | — | — | 358,629 | — | — | 358,629 |
| Residential mortgage loans, held-for-sale | — | — | 346,250 | — | — | 346,250 |
| Residential mortgage loans, held-for-sale, at fair value | — | — | 614,868 | — | — | 614,868 |
| Consumer loans, held-for-investment | — | — | — | 682,932 | — | 682,932 |
| Cash and cash equivalents | 53,012 | 39,031 | — | — | — | 92,043 |
| Restricted cash | 2,808 | — | — | 8,090 | — | 10,898 |
| Other assets | 891 | 9,151 | 30,621 | 9,201 | — | 49,864 |
| Total Assets | $ 579,612 | $ 48,182 | $ 1,350,368 | $ 700,223 | $ — | $ 2,678,385 |
| **Liabilities** | | | | | | |
| Secured notes and bonds payable[(A)] | $ 414,576 | $ — | $ 1,034,093 | $ 628,759 | $ — | $ 2,077,428 |
| Accrued expenses and other liabilities | 1,092 | 9,455 | 1,661 | 764 | — | 12,972 |
| Total Liabilities | $ 415,668 | $ 9,455 | $ 1,035,754 | $ 629,523 | $ — | $ 2,090,400 |

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

**Non-Consolidated VIEs**

The following table comprises bonds held in unconsolidated VIEs and retained pursuant to required risk retention regulations:

| | As of and for the Nine Months Ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| Residential mortgage loan UPB | $ 11,403,079 | $ 14,779,498 |
| Weighted average delinquency[A] | 4.70 % | 3.15 % |
| Net credit losses | $ 118,958 | $ 28,874 |
| Face amount of debt held by third parties[B] | $ 10,475,990 | $ 12,817,104 |
| | | |
| Carrying value of bonds retained by New Residential[C][D] | $ 965,846 | $ 1,692,841 |
| Cash flows received by New Residential on these bonds | $ 260,306 | $ 151,852 |

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

**Noncontrolling Interests**

Noncontrolling interests represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than New Residential. These interests are related to noncontrolling interests in consolidated entities that hold New Residential's Servicer advance investments (Note 6), the Shelter JVs, (Note 8), Residential mortgage loan trusts (Note 8), and Consumer loans (Note 9).

Others' interests in the equity of consolidated subsidiaries is computed as follows:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **The Buyer[A]** | **Shelter Joint Ventures** | **Consumer Loan Companies** | **The Buyer[A]** | **Shelter Joint Ventures** | **Consumer Loan Companies** |
| Total consolidated equity | $ 124,386 | $ 32,594 | $ 88,312 | $ 163,944 | $ 38,727 | $ 96,418 |
| Others' ownership interest | 10.7 % | 49.5 % | 46.5 % | 26.8 % | 50.1 % | 46.5 % |
| Others' interest in equity of consolidated subsidiary | $ 13,283 | $ 16,134 | $ 41,606 | $ 43,882 | $ 19,402 | $ 45,384 |

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

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | **The Buyer[A]** | **Shelter Joint Ventures** | **Consumer Loan Companies** | **The Buyer[A]** | **Shelter Joint Ventures** | **Consumer Loan Companies** |
| Net income (loss) | $ (2,614) | $ 6,125 | $ 13,438 | $ 9,761 | $ 9,649 | $ 9,006 |
| Others' ownership interest | 10.7 % | 49.5 % | 46.5 % | 26.8 % | 50.2 % | 46.5 % |
| Others' interest in net income of consolidated subsidiary | $ (280) | $ 3,032 | $ 6,249 | $ 2,612 | $ 4,840 | $ 4,188 |

(A) New Residential owned 89.3% and 73.2% of the Buyer as of September 30, 2021 and 2020, respectively. See Note 11 regarding the financing of Servicer Advance Investments.

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | The Buyer[A] | Shelter Joint Ventures | Consumer Loan Companies | The Buyer[A] | Shelter Joint Ventures | Consumer Loan Companies |
| Net income (loss) | $ (4,546) | $ 19,763 | $ 41,855 | $ (162) | $ 21,013 | $ 50,795 |
| s' ownership interest | 10.7% | 49.5% | 46.5% | 26.8 % | 50.2% | 46.5% |
| s' interest in net income of consolidated subsidiary | $ (793) | $ 9,782 | $ 19,463 | $ (44) | $ 10,543 | $ 23,620 |

(A) New Residential owned 89.3% and 73.2% of the Buyer as of September 30, 2021 and 2020, respectively. See Note 11 regarding the financing of Servicer Advance Investments.

## 14. EQUITY AND EARNINGS PER SHARE

***Equity and Dividends***

On February 11, 2020, the Company priced its underwritten public offering of 14,000,000 of its 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $389.5 million. The offering closed on February 14, 2020. In connection with the offering, the underwriters exercised an option to purchase up to an additional 2,100,000 shares of preferred stock. 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 1.6 million shares of New Residential's common stock at the closing price per share of common stock on the pricing date, which had a fair value of approximately $1.0 million as of the grant date.

On February 16, 2021, New Residential announced that its board of directors had authorized the repurchase of up to $200.0 million of its common stock through December 31, 2021. Repurchases may be made from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 or by means of one or more tender offers, in each case, as permitted by securities laws and other legal requirements. No share repurchases have been made as of the date of issuance of these Consolidated Financial Statements. The share repurchase program may be suspended or discontinued at any time.

On April 14, 2021, the Company priced its underwritten public offering of 45,000,000 shares of its common stock at a public offering price of $10.10 per share. In connection with the offering, the Company granted the underwriters an option for a period of 30 days to purchase up to an additional 6,750,000 shares of common stock at a price of $10.10 per share. On April 16, 2021, the underwriters exercised their option, in part, to purchase an additional 6,725,000 shares of common stock. The offering closed on April 19, 2021. To compensate the Manager for its successful efforts in raising capital for New Residential, the Company granted options to the Manager relating to 5.2 million shares of New Residential's common stock at $10.10 per share.

On May 19, 2021, New Residential entered into a Distribution Agreement to sell shares of its common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). No share issuances were made during the three months ended September 30, 2021.

On September 14, 2021, the Company priced its underwritten public offering of 17,000,000 of its 7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $449.5 million. The offering closed on September 17, 2021. In connection with the offering, New Residential granted the underwriters an option for a period of 30 days to purchase up to an additional 2,550,000 shares of preferred stock at a price of $24.2125 per share. On September 22, 2021, the underwriters exercised their option, in part, to purchase an additional 1,600,000 shares of preferred stock. To compensate the Manager for its successful efforts in raising capital for New Residential, the Company granted options to the Manager relating to approximately 1.9 million shares of New Residential's common stock at $10.89 per share.

Pursuant to our certificate of incorporation, we are authorized to designate and issue up to 100.0 million shares of preferred stock, par value of $0.01 per share, in one or more classes or series. The table below summarizes preferred stock:

| | Number of Shares | | | | | Dividends Declared per Share | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| Series | September 30, 2021 | December 31, 2020 | Liquidation Preference[A] | Issuance Discount | Carrying Value[B] | 2021 | 2020 | 2021 | 2020 |
| Series A, 7.50% issued July 2019[C] | 6,210 | 6,210 | $ 155,250 | 3.15 % | $ 150,026 | $ 0.47 | $ 0.47 | $ 1.41 | $ 1.41 |
| Series B, 7.125% issued August 2019[C] | 11,300 | 11,300 | 282,500 | 3.15 % | 273,418 | 0.45 | 0.45 | 1.34 | 1.34 |
| Series C, 6.375% issued February 2020[C] | 16,100 | 16,100 | 402,500 | 3.15 % | 389,548 | 0.40 | 0.40 | 1.20 | 1.20 |
| Series D, 7.00%, issued September 2021[D] | 18,600 | — | 465,000 | 3.15 % | 449,506 | 0.28 | — | 0.28 | — |
| Total | 52,210 | 33,610 | $ 1,305,250 | | $ 1,262,498 | $ 1.60 | $ 1.32 | $ 4.23 | $ 3.95 |

(A) Each series has a liquidation preference or par value of $25.00 per share.
(B) Carrying value reflects par value less discount and issuance costs.
(C) Fixed-to-floating rate cumulative redeemable preferred.
(D) Fixed-rate reset cumulative redeemable preferred.

On September 22, 2021, New Residential's board of directors declared third quarter 2021 preferred dividends of $0.47 per share of Preferred Series A, $0.45 per share of Preferred Series B, $0.40 per share of Preferred Series C, and $0.28 per share of Preferred Series D or $2.9 million, $5.0 million, $6.4 million, and $1.2 million, respectively.

Common dividends have been declared as follows:

| | | Per Share | |
|---|---|---|---|
| Declaration Date | Payment Date | Quarterly Dividend | Total Amounts Distributed (millions) |
| March 31, 2020 | April 2020 | $ 0.05 | $ 20.8 |
| June 22, 2020 | July 2020 | 0.10 | 41.6 |
| September 23, 2020 | October 2020 | 0.15 | 62.4 |
| December 16, 2020 | January 2021 | 0.20 | 82.9 |
| March 24, 2021 | April 2021 | 0.20 | 82.9 |
| June 16, 2021 | August 2021 | 0.20 | 93.3 |
| August 23, 2021 | October 2021 | 0.25 | 116.6 |

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, at September 30, 2021.

***Common Stock Purchase Warrants***

During the second quarter of 2020, the Company issued warrants (the "2020 Warrants") in conjunction with the issuance of a term loan, which was fully repaid in the third quarter of 2020, that provide the holders the right to acquire, subject to anti-dilution adjustments, up to 43.4 million shares of the Company's common stock in the aggregate. The 2020 Warrants are exercisable in cash or on a cashless basis and expire on May 19, 2023 and are exercisable, in whole or in part, at any time or from time to time after September 19, 2020 at the following prices (subject to certain anti-dilution adjustments): approximately 24.6 million shares of common stock at $6.11 per share and approximately 18.9 million shares of common stock at $7.94 per share.

The 2020 Warrants were valued using a Black-Scholes option valuation model that resulted in a fair value of approximately $53.5 million on the Issuance Date and is not subject to subsequent remeasurement. The Company used the following assumptions in the application of the Black-Scholes option valuation model: an exercise price ranging between $6.11 and $7.94, a term of 3.0 years, a risk-free interest rate of 0.24%, and volatility of 35%. The 2020 Warrants met the definition of derivatives under the guidance in ASC 815, *Derivatives and Hedging*; however, because these instruments are determined to be indexed to the Company's own stock and met the criteria for equity classification under ASC 815, the 2020 Warrants are accounted for as an equity transaction and recorded in Additional Paid-in-Capital. The 2020 Warrants have a dilutive effect on net income per share and book value to the extent that the market value per share of the Company's common stock at the time of exercise exceeds the strike price of the 2020 Warrants.

The table below summarizes the 2020 Warrants at September 30, 2021:

| | Number of Warrants (in millions) | Weighted Average Exercise Price (per share) |
|---|---|---|
| **Outstanding warrants - December 31, 2020** | 43.4 | $ 6.79 |
| Granted | — | — |
| Exercised | — | — |
| Expired | — | — |
| **Outstanding warrants - September 30, 2021** | 43.4 | 6.58 (A) |

(A) Reflects a reduction in weighted average exercise price due to anti-dilution adjustments effective for dividends in excess of $0.10 a share.

***Option Plan***

As of September 30, 2021, outstanding options were as follows:

| | |
|---|---|
| Held by the Manager | 18,700,175 |
| Issued to the Manager and subsequently assigned to certain of the Manager's employees | 2,753,980 |
| Issued to the independent directors | 6,000 |
| Total | 21,460,155 |

The following table summarizes outstanding options as of September 30, 2021. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended September 30, 2021 was $11.00 per share.

| Recipient | Date of Grant/ Exercise(A) | Number of Unexercised Options | Options Exercisable as of September 30, 2021 | Weighted Average Exercise Price(B) | Intrinsic Value of Exercisable Options as of September 30, 2021 (millions) |
|---|---|---|---|---|---|
| Directors | Various | 6,000 | 6,000 | $ 13.46 | $ — |
| Manager(C) | 2017 | 1,130,916 | 1,130,916 | 13.78 | — |
| Manager(C) | 2018 | 5,320,000 | 5,320,000 | 16.50 | — |
| Manager(C) | 2019 | 6,351,000 | 6,000,800 | 15.93 | — |
| Manager(C) | 2020 | 1,619,739 | 1,025,835 | 17.23 | — |
| Manager(C) | 2021 | 7,032,500 | 862,083 | 10.10 | 0.78 |
| Outstanding | | 21,460,155 | 14,345,634 | | |

(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.
(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 |
|---|---|---|
| 2018 | $16.37 to $17.84 | 1,159,833 |
| 2019 | $14.96 to $16.50 | 1,270,200 |
| 2020 | $16.84 to $17.23 | 323,947 |
| Total | | 2,753,980 |

The following table summarizes activity in outstanding options:

| | Amount | Weighted Average Exercise Price |
|---|---|---|
| **Outstanding options - December 31, 2020** | 14,428,655 | |
| Granted | 7,032,500 | $ 10.31 |
| Exercised | — | — |
| Expired | (1,000) | 12.36 |
| **Outstanding options - September 30, 2021** | 21,460,155 | See table above |

***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.

The following table summarizes the basic and diluted earnings per share calculations:

| | Three Months Ended September 30, 2021 | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Net income (loss) | $ 170,681 | $ 103,920 | $ 617,743 | $ (1,459,206) |
| Noncontrolling interests in income of consolidated subsidiaries | 9,001 | 11,640 | 28,448 | 34,118 |
| Dividends on preferred stock | 15,533 | 14,359 | 44,249 | 39,938 |
| Net income (loss) attributable to common stockholders | $ 146,147 | $ 77,921 | $ 545,046 | $ (1,533,262) |
| | | | | |
| Basic weighted average shares of common stock outstanding | 466,579,920 | 415,744,518 | 446,085,657 | 415,665,441 |
| Dilutive effect of stock options and common stock purchase warrants[(A)] | 15,702,775 | 5,224,108 | 15,608,824 | — |
| Diluted weighted average shares of common stock outstanding | 482,282,695 | 420,968,626 | 461,694,481 | 415,665,441 |
| | | | | |
| Basic earnings per share attributable to common stockholders | $ 0.31 | $ 0.19 | $ 1.22 | $ (3.69) |
| Diluted earnings per share attributable to common stockholders | $ 0.30 | $ 0.19 | $ 1.18 | $ (3.69) |

(A) Stock options and common stock purchase warrants that could potentially dilute basic earnings per share in the future were not included in the computation of diluted earnings per share for the periods where a loss has been recorded because they would have been anti-dilutive for the period presented.

The Company excluded the following weighted-average potential common shares from the calculation of diluted net income (loss) per share during the applicable periods because their inclusion would have been anti-dilutive:

| | Three Months Ended September 30, 2021 | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Stock options and common stock purchase warrants | — | — | — | 5,966,141 |

## 15. COMMITMENTS AND CONTINGENCIES

***Litigation —*** New Residential is or may become, from time to time, involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on its business, financial position or results of operations. New Residential is not aware of any unasserted claims that it believes are material and probable of assertion where the risk of loss is expected to be reasonably possible.

New Residential is, from time to time, subject to inquiries by government entities. New Residential currently does not believe any of these inquiries would result in a material adverse effect on New Residential's business.

***Indemnifications —*** In the normal course of business, New Residential and its subsidiaries enter into contracts that contain a variety of representations and warranties and that provide general indemnifications. New Residential's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against New Residential that have not yet occurred. However, based on its experience, New Residential expects the risk of material loss to be remote.

***Capital Commitments —*** As of September 30, 2021, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 5 for MSR investment commitments and to Note 18 for additional capital commitments entered into subsequent to September 30, 2021, if any):

- *MSRs and Servicer Advance Investments* — 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 subsidiaries, NRM and Newrez, are generally obligated to fund future servicer advances related to the loans they are obligated to service. The actual amount of future advances purchased will be based on (i) the credit and prepayment performance of the underlying loans, (ii) the amount of advances recoverable prior to liquidation of the related collateral and (iii) 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. Notes 5 and 6 for discussion on New Residential's MSRs and Servicer Advance Investments, respectively.

- *Mortgage Origination Reserves* — Newrez and Caliber, both wholly-owned subsidiaries of New Residential, currently originate, or have in the past originated, 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 and Caliber respectively generally retain the right to service the underlying residential mortgage loans. In connection with the transfer of loans to the GSEs or mortgage investors, Newrez and Caliber respectively make 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 and Caliber respectively generally have an obligation to cure the breach. If Newrez and Caliber respectively are unable to cure the breach, the purchaser may require Newrez or Caliber, as applicable, to repurchase the loan.

  In addition, as issuers of Ginnie Mae guaranteed securitizations, Newrez and Caliber each hold the right to repurchase loans that are at least 90 days' delinquent from the securitizations at their discretion. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. While Newrez and Caliber are not obligated to repurchase the delinquent loans, Newrez and Caliber generally exercise their respective options to repurchase loans that will result in an economic benefit. As of September 30, 2021, New Residential's estimated liability associated with representations and warranties and Ginnie Mae repurchases was $36.8 million and $1.8 billion, respectively. See Note 5 for information on regarding the right to repurchase delinquent loans from Ginnie Mae securities and mortgage origination.

- *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 regarding New Residential's residential mortgage loans.

- *Consumer Loans* — The Consumer Loan Companies have invested in loans with an aggregate of $250.1 million of unfunded and available revolving credit privileges as of September 30, 2021. 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*** — Operating lease right-of-use ("ROU") assets and Operating lease liabilities are grouped and presented as part of Other Assets and Accrued Expenses and Other Liabilities, respectively, on New Residential's Consolidated Balance Sheets.

New Residential, through its wholly-owned subsidiaries, has leases on office space expiring through 2033. Rent expense, net of sublease income for the three months ended September 30, 2021 and 2020 totaled $7.0 million and $3.4 million, respectively, and $14.0 million and $10.5 million for the nine months ended September 30, 2021 and 2020, respectively. The Company has leases that include renewal options and escalation clauses. The terms of the leases do not impose any financial restrictions or covenants.

As of September 30, 2021, future commitments under the non-cancelable leases are as follows:

| Year Ending | Amount |
|---|---|
| October 1 through December 31, 2021 | $ 11,649 |
| 2022 | 39,173 |
| 2023 | 27,181 |
| 2024 | 20,032 |
| 2025 | 15,687 |
| 2026 and thereafter | 40,721 |
| **Total remaining undiscounted lease payments** | 154,443 |
| Less: imputed interest | 14,005 |
| **Total remaining discounted lease payments** | $ 140,438 |

The future commitments under the non-cancelable leases have not been reduced by the sublease rentals of $1.6 million due in the future periods.

Other information related to operating leases is summarized below:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Weighted-average remaining lease term (years) | 5.6 | 3.2 |
| Weighted-average discount rate | 3.7 % | 4.5 % |

***Environmental Costs*** — As a residential real estate owner, New Residential is subject to potential environmental costs. At September 30, 2021, 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*** — Certain of the Company's debt obligations are subject to 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. Refer to Note 11.

***Certain Tax-Related Covenants*** — If New Residential is treated as a successor to Drive Shack Inc. ("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.

## 16. 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, 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 preferred and common 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.

In March 2020, the Company and certain of its subsidiaries sold (collectively, the "Sale") through a broker-dealer to six purchasers (collectively, "the Purchasers") of a portfolio consisting of non-agency residential mortgage-backed securities with an aggregate face value of approximately $6.1 billion (the "Securities"). The Sale generated proceeds of approximately $3.3 billion in the aggregate, excluding any unpaid but accrued interest. The Purchasers included an entity affiliated with funds managed by an affiliate of the Manager (the "Fortress Purchaser"), which purchased approximately $1.85 billion of Securities in aggregate face value for approximately $1.0 billion. In connection with the sale of the Securities to the Fortress Purchaser, the Company agreed to exercise certain rights, including call rights, that the Company holds under the securitization

transactions with respect to the Securities sold to the Fortress Purchaser solely upon written direction by the Fortress Purchaser. Such rights include the rights, if any, to (i) amend and/or terminate the transactions contemplated by certain related residential mortgage servicing agreements, securitization trust agreements, pooling and servicing agreements or other agreements, (ii) acquire certain of the related residential mortgage loans, real estate owned and certain other assets in the trust subject to such residential mortgage servicing agreements, securitization trust agreements, pooling and servicing agreements or other agreements in connection with such amendment or termination against delivery of the applicable termination payment, and (iii) if applicable, direct certain related servicers, holders of subordinate securities and/or other applicable parties, to exercise the rights in (i) and (ii). Pursuant to such agreement, the Company and the Fortress Purchaser would share equally in any profits or losses arising from the exercise of any such rights, other than if the Company elects not to participate in the related transaction, in which case the Fortress Purchaser would realize all of the profits and bear all of the losses with respect thereto.

On May 19, 2020, the Company entered into a three-year senior secured term loan facility agreement in the principal amount of $600.0 million and also issued common stock purchase warrants providing the lenders with the right to acquire up to 43.4 million shares of the Company's common stock, par value $0.01 per share. Approximately 48% of the lenders and recipients of the warrants are funds managed by an affiliate of the Manager. In September 2020, the Company used the net proceeds from a private debt offering, together with cash on hand, to fully retire all of the outstanding principal balance on the term loan facility. See Notes 11 and 14 to our Consolidated Financial Statements for further details.

On June 30, 2021, the Company entered into a senior credit agreement and a senior subordinated credit agreement whereby the Company, and the other lenders party thereto, made term loans to an entity affiliated with funds managed by an affiliate of the Manager. The senior loan bears cash interest at a fixed rate equal to 10.5% per annum and the senior subordinated loan bears paid-in-kind interest at a rate equal to 16.0% per annum, subject to certain adjustments as set forth in the respective credit agreements. As of September 30, 2021, the principal balance of the Company's portion of the senior loan and the senior subordinated loan was $181.3 million and $52.0 million, respectively.

Due to affiliates consists of the following:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Management fees | $ 8,265 | $ 7,478 |
| Expense reimbursements and other | 630 | 1,972 |
| Total | $ 8,895 | $ 9,450 |

Affiliate expenses and fees consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Management fees | $ 24,315 | $ 22,482 | $ 70,154 | $ 66,682 |
| Expense reimbursements[(A)] | 125 | 125 | 375 | 375 |
| Total | $ 24,440 | $ 22,607 | $ 70,529 | $ 67,057 |

(A) Included in General and administrative expenses in the Consolidated Statements of Income.

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

See Note 14 regarding options granted to the Manager.

## 17. INCOME TAXES

Income tax expense (benefit) consists of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Current: | | | | |
| Federal | $ 2,813 | $ — | $ 6,932 | $ (7,877) |
| State and local | 1,415 | 1,438 | 2,283 | 1,496 |
| Total current income tax expense (benefit) | 4,228 | 1,438 | 9,215 | (6,381) |
| Deferred: | | | | |
| Federal | 23,690 | 77,300 | 100,842 | (29,921) |
| State and local | 3,641 | 22,074 | 18,684 | (12,345) |
| Total deferred income tax expense (benefit) | 27,331 | 99,374 | 119,526 | (42,266) |
| Total income tax expense (benefit) | $ 31,559 | $ 100,812 | $ 128,741 | $ (48,647) |

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2021. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

New Residential operates various business segments, including servicing, origination, and MSR related investments, 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. Refer to Note 3 for further details.

As of September 30, 2021, New Residential recorded a net deferred tax liability of $407.6 million, including $280.0 million of deferred tax liability recorded as part of the purchase price allocation related to the Caliber acquisition (Note 1). The deferred tax liability of $407.6 million is primarily composed of deferred tax liabilities generated through the deferral of gains from loans sold by the origination business and changes in fair value of MSRs, loans, and swaps held within taxable entities.

## 18. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to September 30, 2021 through the issuance of these Consolidated Financial Statements. Events subsequent to that date have not been considered in these financial statements.

Subsequent to September 30, 2021, New Residential announced that it had entered into a definitive agreement with affiliates of The Goldman Sachs Group, Inc. to acquire Genesis Capital LLC ("Genesis"), a leading business purpose lender that provides innovative solutions to developers of new construction, fix and flip and rental hold projects, and acquire a related portfolio of loans. The acquisition of Genesis is expected to close in the fourth quarter of 2021, subject to certain approvals and customary closing conditions.

## 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 Consolidated Financial Statements and notes thereto, and with "Risk Factors."

Management's discussion and analysis of financial condition and results of operations is intended to allow readers to view our business from management's perspective by (i) providing material information relevant to an assessment of our financial condition and results of operations, including an evaluation of the amount and certainty of cash flows from operations and from outside sources, (ii) focusing the discussion on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be indicative of future operating results or future financial condition, including descriptions and amounts of matters that are reasonably likely, based on management's assessment, to have a material impact on future operations, and (iii) discussing the financial statements and other statistical data management believes will enhance the reader's understanding of our financial condition, changes in financial condition, cash flows and results of operations.

As permitted by SEC Final Rule Release No. 33-10890,*Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*, this section discusses our results of operations for the current quarter ended September 30, 2021 compared to the immediately preceding prior quarter ended June 30, 2021.

### GENERAL

New Residential is a publicly traded REIT primarily focused on opportunistically investing in, and actively managing, investments related to the residential real estate market. We seek to generate long-term value for our investors by using our investment expertise to identify, create and invest primarily in mortgage related assets, including operating companies, that offer attractive risk-adjusted returns. Our investment strategy also involves opportunistically pursuing acquisitions and seeking to establish strategic partnerships that we believe enable us to maximize the value of the mortgage loans we originate and service by offering products and services to customers, servicers, and other parties through the lifecycle of transactions that affect each mortgage loan and underlying residential property. For more information about our investment guidelines, see "Item 1. Business — Investment Guidelines" of our annual report on Form 10-K for the year ended December 31, 2020.

As of September 30, 2021, we had $42 billion in total assets and 12,749 employees employed by our operating entities.

We have elected to be treated as a REIT for U.S. federal income tax purposes. New Residential became a publicly-traded entity on May 15, 2013.

### OUR MANAGER

We are externally managed by an affiliate of Fortress Investment Group LLC and benefit from the resources of this highly diversified global investment manager.

### STRATEGIC INVESTMENTS AND ACQUISITIONS

On April 14, 2021, we entered into a purchase agreement to acquire all of the assets and liabilities of Caliber through the acquisition of its outstanding common stock. On August 23, 2021, we completed the acquisition of all of the outstanding equity interests of Caliber from LSF Pickens Holdings, LLC for a purchase price of $1.318 billion in cash. Caliber is a leading mortgage originator and servicer. As a result of the acquisition, we expect to increase our scale and market position in the mortgage market.

Subsequent to September 30, 2021, we announced that we had entered into a definitive agreement with affiliates of The Goldman Sachs Group, Inc. ("Goldman Sachs") to acquire Genesis, a leading business purpose lender that provides innovative solutions to developers of new construction, fix and flip and rental hold projects, and acquire a related portfolio of loans. Genesis adds a new complementary business line and adds business purpose lending to our suite of products. Furthermore, we believe the acquisition supports our growing single-family rental strategy that allows us to capture additional unmet demand from our Retail and Wholesale origination channels. We intend to finance the transaction with existing cash and committed asset-based financing from Goldman Sachs. The acquisition of Genesis is expected to close in the fourth quarter of 2021, subject to certain approvals and customary closing conditions.

**CAPITAL ACTIVITIES**

On September 14, 2021, we priced our underwritten public offering of 17,000,000 of our 7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $449.5 million. The offering closed on September 17, 2021. In connection with the offering, we granted the underwriters an option for a period of 30 days to purchase up to an additional 2,550,000 shares of preferred stock at a price of $24.2125 per share. On September 22, 2021, the underwriters exercised their option, in part, to purchase an additional 1,600,000 shares of preferred stock. To compensate the Manager for its successful efforts in raising capital for us, we granted options to the Manager relating to approximately 1.9 million shares of our common stock at $10.89 per share.

The Company intends to use the net proceeds from the offering for general corporate purposes.

**MARKET CONSIDERATIONS**

Incoming economic data and indicators regarding the overall financial health and condition of the U.S. for the third quarter of 2021 were somewhat mixed. On balance, the broader financial markets remained relatively unchanged during the third quarter despite inflation concerns and potential headwinds over the spread of the more-contagious, more-vaccine-resistant COVID-19 “Delta” variant. The U.S. real gross domestic product (“GDP”) increased during the quarter, albeit at a slower rate compared to the first half of 2021. Labor market conditions continued to improve with the total unemployment rate stepping down notably to 4.8% at September 30, 2021 from 5.9% at June 30, 2021. The consumer price inflation—as measured by the 12-month percentage change in the personal consumption expenditures (“PCE”) price index—remained elevated and well above the Federal Reserve’s longer-term goal of 2.0%, largely driven by supply constraints and bottlenecks.

Consumer spending slowed in the third quarter after expanding markedly in the first half of 2021. The spread of the Delta variant in conjunction with lower inventories and higher prices due to supply constraints tempered consumer spending on goods and services across the board.

Housing demand remained strong during the quarter despite shortages in materials, with construction of single-family homes and home sales remaining above pre-pandemic levels, and house prices rising further. In the residential mortgage market, financing conditions during the third quarter of 2021 remained accommodative for credit-worthy borrowers who met standard conforming loan criteria. Mortgage rates increased slightly during the quarter but remained very low by historical standards. Credit availability continued to improve, especially for jumbo loans and lower-score FHA borrowers. Mortgage originations for home-purchases and refinancing were solid throughout the quarter. The share of mortgages in forbearance declined further. While loan originations benefited from low interest rates, including the recent elimination of the 0.5% mortgage refinancing pandemic fee imposed by Fannie Mae and Freddie Mac, gain on sale margins continued to tighten, driven by the Federal Reserve’s talk of increasing interest rates and potential tapering of mortgage bond purchases, as well as increased competition among loan originators seeking to capture volume and market share from a shrinking pool of eligible borrowers.

The U.S. economic outlook for the remainder of the year continues to be uncertain and still largely dependent on the course of COVID-19. While the FDA’s first fully approved COVID-19 vaccine in late August 2021 aided in slowing the spread of COVID-19, the overall number of infections remained elevated, which in turn is expected to exert a larger amount of restraint on consumer spending, hiring, and labor supply than previously anticipated earlier in the year. Real GDP is expected to rise more slowly but at a still-solid pace, supported by the continued reopening of the economy and potential easing of supply chain disruptions.

The market conditions discussed above influence our investment strategy and results, many of which have been significantly impacted since mid-March 2020 by the ongoing COVID-19 pandemic.

The following table summarizes the U.S. gross domestic product estimates annualized rate by quarter:

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | **September 30, 2021** | **June 30, 2021** | **March 31, 2021** | **December 31, 2020** | **September 30, 2020** |
| Real GDP | 2.0 % | 6.7 % | 6.3 % | 4.3 % | 33.4 % |

The following table summarizes the U.S. unemployment rate according to the U.S. Department of Labor:

| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|---|
| Unemployment rate | 4.8 % | 5.9 % | 6.0 % | 6.7 % | 7.9 % |

The following table summarizes the 10-year Treasury rate and the 30-year fixed mortgage rates:

| | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|---|
| 10-year U.S. Treasury rate | 1.6 % | 1.5 % | 1.7 % | 0.9 % | 0.7 % |
| 30-year fixed mortgage rate | 2.9 % | 3.0 % | 3.1 % | 2.7 % | 2.9 % |

We believe the estimates and assumptions underlying our Consolidated Financial Statements are reasonable and supportable based on the information available as of September 30, 2021; however, uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of September 30, 2021 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results may materially differ from those estimates. The COVID-19 pandemic and its impact on the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our financial condition, results of operations, liquidity and ability to pay distributions.

**UPCOMING CHANGES TO LIBOR**

The London Interbank Offered Rate ("LIBOR") is used extensively in the U.S. and globally as a "benchmark" or "reference rate" for various commercial and financial contracts, including corporate and municipal bonds and loans, floating rate mortgages, asset-backed securities, consumer loans, and interest rate swaps and other derivatives. It is expected that a number of private-sector banks currently reporting information used to set LIBOR will stop doing so after 2021 when their current reporting commitment ends, which could either cause LIBOR to stop publication immediately or cause LIBOR's regulator to determine that its quality has degraded to the degree that it is no longer representative of its underlying market. In addition, on March 5, 2021, the ICE Benchmark Administration confirmed its intention to ease publication of (i) one week and two-month USD LIBOR settings after December 31, 2021 and (ii) the remaining USD LIBOR settings after June 30, 2023. The U.S. and other countries are currently working to replace LIBOR with alternative reference rates. In the U.S., the Alternative Reference Rates Committee ("ARRC"), has identified the Secured Overnight Financing Rate ("SOFR"), as its preferred alternative rate for U.S. dollar-based LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Some market participants may continue to explore whether other U.S. dollar-based reference rates would be more appropriate for certain types of instruments. The ARRC has proposed a paced market transition plan to SOFR, and various organizations are currently working on industry wide and company-specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. We have material contracts that are indexed to USD-LIBOR and are monitoring this activity and evaluating the related risks and our exposure.

In preparation for the phase-out of LIBOR, we adopted and implemented the SOFR index for our Freddie Mac and Fannie Mae adjustable-rate mortgages ("ARMs") and non-QM loans. For debt facilities that do not mature prior to the phase-out of LIBOR, we have implemented amending terms to transition to an alternative benchmark. We continue to evaluate the transitional impact to serviced ARMs.

## OUR PORTFOLIO

Our portfolio, as of September 30, 2021, consists of servicing and origination, including our subsidiary operating entities, residential securities and loans and other investments, as described in more detail below (dollars in thousands).

| | Servicing and Origination | | | | Residential Securities and Loans | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Origination | Servicing | MSR Related Investments | Total Servicing and Origination | Real Estate Securities | Residential Mortgage Loans | Consumer Loans | Corporate | Total |
| **September 30, 2021** | | | | | | | | | |
| Investments | $ 11,714,006 | $ 4,848,688 | $ 3,017,963 | $ 19,580,657 | $ 9,973,795 | $ 2,958,434 | $ 547,795 | $ — | $ 33,060,681 |
| Cash and cash equivalents | 768,301 | 102,825 | 321,924 | 1,193,050 | 171,532 | 53 | 1,778 | 265 | 1,366,678 |
| Restricted cash | 35,284 | 87,969 | 29,525 | 152,778 | 15,704 | 1,457 | 24,806 | — | 194,745 |
| Other assets | 1,484,399 | 2,582,560 | 2,072,971 | 6,139,930 | 368,724 | 131,996 | 38,987 | 272,906 | 6,952,543 |
| Goodwill | 11,836 | 12,540 | 5,092 | 29,468 | — | — | — | — | 29,468 |
| Total assets | $ 14,013,826 | $ 7,634,582 | $ 5,447,475 | $ 27,095,883 | $ 10,529,755 | $ 3,091,940 | $ 613,366 | $ 273,171 | $ 41,604,115 |
| Debt | $ 11,390,069 | $ 3,201,575 | $ 3,779,105 | $ 18,370,749 | $ 9,663,568 | $ 2,392,505 | $ 499,669 | $ 624,435 | $ 31,550,926 |
| Other liabilities | 583,220 | 2,389,688 | 108,326 | 3,081,234 | (6,108) | 182,653 | 746 | 167,551 | 3,426,076 |
| Total liabilities | 11,973,289 | 5,591,263 | 3,887,431 | 21,451,983 | 9,657,460 | 2,575,158 | 500,415 | 791,986 | 34,977,002 |
| Total equity | 2,040,537 | 2,043,319 | 1,560,044 | 5,643,900 | 872,295 | 516,782 | 112,951 | (518,815) | 6,627,113 |
| Noncontrolling interests in equity of consolidated subsidiaries | 16,134 | — | 13,283 | 29,417 | — | — | 41,606 | — | 71,023 |
| Total New Residential stockholders' equity | $ 2,024,403 | $ 2,043,319 | $ 1,546,761 | $ 5,614,483 | $ 872,295 | $ 516,782 | $ 71,345 | $ (518,815) | $ 6,556,090 |
| Investments in equity method investees | $ — | $ — | $ 103,956 | $ 103,956 | $ — | $ — | $ — | $ — | $ 103,956 |

### Operating Investments

*Origination*

For the three months ended September 30, 2021, loan origination volume was $34.5 billion, up from $23.5 billion in the quarter prior. Funded volumes by channel represented roughly 19%, 16%, 13% and 52% of total volume for Direct to Consumer, Retail / Joint Venture, Wholesale and Correspondent, respectively, as compared to 27%, 4%, 10% and 58% for the three months ended June 30, 2021. The increase in funded volumes quarter over quarter was primarily driven by the addition of the Caliber origination platform following the close of the Caliber acquisition in August 2021. Pull-through adjusted lock volume was $31.7 billion, compared to $20.5 billion in the prior quarter. During the three months ended September 30, 2021, refinance activity represented 52% of overall funded volumes and purchase activity represented 48% of overall funded volumes. This compared to 64% for refinance and 36% for purchase, respectively, in the prior quarter. Caliber represented approximately 15% and 11% of total purchase and refinance activity, respectively, for the third quarter. Purchase activity for the broader industry is expected to continue to increase. Gain on sale margin for the three months ended September 30, 2021 was 1.61%, 30 bps higher than the 1.31% for the prior quarter primarily driven by the addition of the Caliber platform during the third quarter of 2021 and contributions from the higher margin Retail / Joint Venture channel. While increased competition and capacity have driven gain on sale margins from their highs in 2020, we expect margins to stabilize, especially in third-party originated channels, as industry capacity adjusts to demand.

Included in our Origination segment are the financial results of two affiliated businesses, E Street Appraisal Management LLC ("E Street") and Avenue 365 Lender Services, LLC ("Avenue 365"). E Street offers appraisal valuation services and Avenue 365 provides title insurance and settlement services to Newrez and Caliber.

The following table provides loan production by channel and product:

| | Unpaid Principal Balance | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended | | | | Nine Months Ended | | | | | |
| (in millions) | September 30, 2021 | % of Total | June 30, 2021 | % of Total | September 30, 2021 | % of Total | September 30, 2020 | % of Total | QoQ Change | YoY Change |
| Production by Channel | | | | | | | | | | |
| Direct to Consumer | $ 6,425 | 19 % | $ 6,404 | 27 % | $ 18,502 | 22 % | $ 8,571 | 23 % | $ 21 | $ 9,931 |
| Retail / Joint Venture | 5,556 | 16 % | 1,007 | 4 % | 7,613 | 9 % | 2,789 | 7 % | 4,549 | 4,824 |
| Wholesale | 4,476 | 13 % | 2,413 | 10 % | 9,561 | 11 % | 4,893 | 13 % | 2,063 | 4,668 |
| Correspondent | 18,017 | 52 % | 13,656 | 58 % | 49,491 | 58 % | 21,494 | 57 % | 4,361 | 27,997 |
| Total Production by Channel | $ 34,474 | 100 % | $ 23,480 | 100 % | $ 85,167 | 100 % | $ 37,747 | 100 % | $ 10,994 | $ 47,420 |
| Production by Product | | | | | | | | | | |
| Agency | $ 24,709 | 72 % | $ 17,649 | 75 % | $ 61,942 | 73 % | $ 24,316 | 64 % | $ 7,060 | $ 37,626 |
| Government | 8,872 | 26 % | 5,632 | 24 % | 21,978 | 26 % | 12,709 | 34 % | 3,240 | 9,269 |
| Non-QM | 184 | 1 % | 63 | — % | 247 | — % | 365 | 1 % | 121 | (118) |
| Non-Agency | 602 | 2 % | 120 | 1 % | 860 | 1 % | 294 | 1 % | 482 | 566 |
| Other | 107 | — % | 16 | — % | 140 | — % | 63 | — % | 91 | 77 |
| Total Production by Product | $ 34,474 | 100 % | $ 23,480 | 100 % | $ 85,167 | 100 % | $ 37,747 | 100 % | $ 10,994 | $ 47,420 |
| % Purchase | 48 % | | 36 % | | 38 % | | 30 % | | | |
| % Refinance | 52 % | | 64 % | | 62 % | | 70 % | | | |

The following table provides information regarding Gain on Originated Mortgage Loans, Held-for-Sale, Net:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Gain on originated mortgage loans, held-for-sale, net[A][B][C][D] | $ 510,740 | $ 268,539 | $ 1,163,702 | $ 885,730 | $ 242,201 | $ 277,972 |
| Pull through adjusted lock volume | $ 31,731,617 | $ 20,497,057 | $ 79,135,350 | $ 44,044,241 | $ 11,234,560 | $ 35,091,109 |
| Gain on originated mortgage loans, as a percentage of pull through adjusted lock volume, by channel: | | | | | | |
| Direct to Consumer | 3.99 % | 3.83 % | 4.02 % | 4.44 % | | |
| Retail / Joint Venture | 3.80 % | 4.81 % | 4.02 % | 3.70 % | | |
| Wholesale | 1.04 % | 0.95 % | 1.21 % | 2.29 % | | |
| Correspondent | 0.32 % | 0.25 % | 0.30 % | 0.66 % | | |
| Total gain on originated mortgage loans, as a percentage of pull through adjusted lock volume | 1.61 % | 1.31 % | 1.47 % | 2.01 % | | |

(A) Includes realized gains on loan sales and related new MSR capitalization, changes in repurchase reserves, changes in fair value of IRLCs, changes in fair value of loans held for sale and economic hedging gains and losses.

(B) Includes loan origination fees of $678.4 million and $438.9 million for the three months ended September 30, 2021 and June 30, 2021, respectively. Includes loan origination fees of $1,775.7 million and $953.1 million for the nine months ended September 30, 2021 and 2020, respectively.

(C) Excludes $56.0 million and $18.3 million of Gain on Originated Mortgage Loans, Held-for-Sale, Net for the three months ended September 30, 2021 and June 30, 2021, respectively, related to the MSR Related Investments, Servicing, and Residential Mortgage Loans segments, as well as intercompany eliminations (Note 8 to the Consolidated Financial Statements). Excludes $93.4 million and $81.1 million of Gain on Originated Mortgage Loans, Held-for-Sale, Net for the nine months ended September 30, 2021 and 2020, respectively.

(D) Excludes mortgage servicing rights revenue on recaptured loan volume delivered back to NRM.

Total Gain on Originated Mortgage Loans, Held-for-Sale, Net increased for the three months ended September 30, 2021 compared to the three months ended June 30, 2021 primarily driven by the addition of the Caliber platform during the third quarter of 2021 and contributions from the higher margin Retail / Joint Venture channel. Total Gain on Originated Mortgage

Loans, Held-for-Sale, Net increased for the nine months ended September 30, 2021 compared to the same period in 2020 primarily driven by the higher volume from all our channels.

*Servicing*

Our servicing business operates through our performing loan servicing division and a special servicing division, Shellpoint Mortgage Servicing ("SMS"). The performing loan servicing division services performing Agency and government-insured loans. SMS services delinquent government-insured, Agency and Non-Agency loans on behalf of the owners of the underlying mortgage loans. During the third quarter, as part of the Caliber acquisition, we assumed Caliber's servicing portfolio, including $156 billion of UPB of performing servicing. As of September 30, 2021, the performing loan servicing division (Newrez and Caliber) serviced $378.8 billion UPB of loans and Shellpoint Mortgage Servicing serviced $97.0 billion UPB of loans, for a total servicing portfolio of $475.8 billion UPB, representing a 56% increase from June 30, 2021. Active forbearances within this portfolio continued to decline in the second quarter 2021 as our servicer continued to help homeowners and clients navigate the COVID-19 landscape. Only 1.94% of this portfolio was in active forbearance as of September 30, 2021, down from 2.46% in the quarter prior, with minimal additions in new forbearance requests during the quarter. Our servicer has continued to leverage proprietary loss mitigation technology to help homeowners move into permanent solutions such as repayment plans, deferments, and loan modifications.

The table below provides the mix of our serviced assets portfolio between subserviced performing servicing on behalf of New Residential or its subsidiaries (labeled as "Performing Servicing") and subserviced non-performing, or special servicing (labeled as "Special Servicing") for third parties and delinquent loans subserviced for other New Residential subsidiaries for the periods presented.

| (in millions) | Unpaid Principal Balance | | | | |
|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Performing Servicing | | | | | |
| MSR Assets | $ 368,716 | $ 207,881 | $ 185,273 | $ 160,835 | $ 183,443 |
| Residential Whole Loans | 9,119 | 6,301 | 2,975 | 2,818 | 6,144 |
| Third Party | 954 | — | — | 954 | 954 |
| Total Performing Servicing | 378,789 | 214,182 | 188,248 | 164,607 | 190,541 |
| | | | | | |
| Special Servicing | | | | | |
| MSR Assets | 16,450 | 13,866 | 14,566 | 2,584 | 1,884 |
| Residential Whole Loans | 5,779 | 1,450 | 7,258 | 4,329 | (1,479) |
| Third Party | 74,814 | 76,409 | 77,131 | (1,595) | (2,317) |
| Total Special Servicing | 97,043 | 91,725 | 98,955 | 5,318 | (1,912) |
| Total Servicing Portfolio | $ 475,832 | $ 305,907 | $ 287,203 | $ 169,925 | $ 188,629 |
| | | | | | |
| Agency Servicing | | | | | |
| MSR Assets | $ 269,830 | $ 157,848 | $ 143,555 | $ 111,982 | $ 126,275 |
| Residential Whole Loans | — | — | — | — | — |
| Third Party | 12,319 | 13,155 | 19,216 | (836) | (6,897) |
| Total Agency Servicing | 282,149 | 171,003 | 162,771 | 111,146 | 119,378 |
| | | | | | |
| Government-insured Servicing | | | | | |
| MSR Assets | 105,976 | 58,604 | 55,894 | 47,372 | 50,082 |
| Residential Whole Loans | — | — | — | — | — |
| Third Party | — | — | 1,342 | — | (1,342) |
| Total Government Servicing | 105,976 | 58,604 | 57,236 | 47,372 | 48,740 |
| | | | | | |
| Non-Agency (Private Label) Servicing | | | | | |
| MSR Assets | 9,360 | 5,295 | 390 | 4,065 | 8,970 |
| Residential Whole Loans | 14,898 | 7,751 | 10,233 | 7,147 | 4,665 |
| Third Party | 63,449 | 63,254 | 56,573 | 195 | 6,876 |
| Total Non-Agency (Private Label) Servicing | 87,707 | 76,300 | 67,196 | 11,407 | 20,511 |
| Total Servicing Portfolio | $ 475,832 | $ 305,907 | $ 287,203 | $ 169,925 | $ 188,629 |

| (in thousands) | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Base Servicing Fees | | | | | | |
| MSR Assets | $ 174,220 | $ 143,999 | $ 477,020 | $ 258,311 | $ 30,221 | $ 218,709 |
| Residential Whole Loans | 11,281 | 1,163 | 13,518 | 10,938 | 10,118 | 2,580 |
| Third Party | 24,245 | 25,408 | 77,051 | 83,468 | (1,163) | (6,417) |
| Total Base Servicing Fees | $ 209,746 | $ 170,570 | $ 567,589 | $ 352,717 | $ 39,176 | $ 214,872 |
| | | | | | | |
| Other Fees | | | | | | |
| Incentive fees | $ 23,698 | $ 20,349 | $ 64,296 | $ 29,565 | $ 3,349 | $ 34,731 |
| Ancillary fees | 14,822 | 11,519 | 37,330 | 30,623 | 3,303 | 6,707 |
| Boarding fees | 2,425 | 2,510 | 6,872 | 8,580 | (85) | (1,708) |
| Other fees | 6,829 | 7,516 | 20,056 | 11,475 | (687) | 8,581 |
| Total Other Fees[(A)] | $ 47,774 | $ 41,894 | $ 128,554 | $ 80,243 | $ 5,880 | $ 48,311 |
| | | | | | | |
| Total Servicing Fees | $ 257,520 | $ 212,464 | $ 696,143 | $ 432,960 | $ 45,056 | $ 263,183 |

(A) Includes other fees earned from third parties of $14.9 million and $15.4 million for the three months ended September 30, 2021 and June 30, 2021, respectively, and $46.6 million and $55.1 million for the nine months ended September 30, 2021 and 2020, respectively.

**MSR Related Investments**

*MSRs and MSR Financing Receivables*

As of September 30, 2021, we had $6.6 billion carrying value of MSRs and MSR Financing Receivables. As of September 30, 2021, our Full and Excess MSR portfolio increased to $635 billion UPB from $536 billion UPB as of December 31, 2020. Full MSRs as of September 30, 2021 increased to $550 billion from $435 billion UPB as of December 31, 2020. Excess MSRs as of September 30, 2021 decreased to $85 billion UPB from $101 billion as of December 31, 2020. The increase in portfolio size during the periods presented was predominantly a result of the Caliber acquisition and MSRs retained from originations offset by prepayments.

We finance our MSRs and MSR financing receivables with short- and medium-term bank and public capital markets notes. These borrowings are primarily recourse debt and bear both fixed and variable interest rates offered by the counterparty for the term of the notes of a specified margin over LIBOR. The capital markets notes are typically issued with a collateral coverage percentage, which is a quotient expressed as a percentage equal to the aggregate note amount divided by the market value of the underlying collateral. The market value of the underlying collateral is generally updated on a quarterly basis and if the collateral coverage percentage becomes greater than or equal to a collateral trigger, generally 90%, we may be required to add funds, pay down principal on the notes, or add additional collateral to bring the collateral coverage percentage below 90%. The difference between the collateral coverage percentage and the collateral trigger is referred to as a “margin holiday.”

See Note 11 to our Consolidated Financial Statements for further information regarding financing of our MSRs and MSR Financing Receivables.

We have contracted with certain subservicers and, in relation to certain MSR purchases, interim subservicers, to perform the related servicing duties on the residential mortgage loans underlying our MSRs. As of September 30, 2021, these subservicers include PHH, Mr. Cooper, LoanCare, and Flagstar, which subservice 10.8%, 9.9%, 8.9% and 0.4% of the underlying UPB of the related mortgages, respectively (includes both MSRs and MSR Financing Receivables).The remaining 70.0% of the underlying UPB of the related mortgages is subserviced by Newrez and Caliber (Note 1 to our Consolidated Financial Statements).

We are generally obligated to fund all future servicer advances related to the underlying pools of mortgage loans on our MSRs and MSR Financing Receivables. Generally, we will advance funds when the borrower fails to meet, including forbearances, contractual payments (e.g. principal, interest, property taxes, insurance). We will also advance funds to maintain and report foreclosed real estate properties on behalf of investors. Advances are recovered through claims to the related investor and subservicers. Pursuant to our servicing agreements, we are obligated to make certain advances on mortgage loans to be in

compliance with applicable requirements. In certain instances, the subservicer is required to reimburse us for any advances that were deemed nonrecoverable or advances that were not made in accordance with the related servicing contract.

We finance our servicer advances with short- and medium-term collateralized borrowings. These borrowings are non-recourse committed facilities that are not subject to margin calls and bear both fixed and variable interest rates offered by the counterparty for the term of the notes, generally less than one year, of a specified margin over LIBOR. See Note 11 to our Consolidated Financial Statements for further information regarding financing of our servicer advances.

See Note 5 to our Consolidated Financial Statements for further information regarding our MSR Financing Receivables.

The table below summarizes our MSRs and MSR Financing Receivables as of September 30, 2021.

| (dollars in millions) | Current UPB | Weighted Average MSR (bps) | Carrying Value |
|---|---|---|---|
| GSE | $ 374,945.6 | 28 bps | $ 4,273.4 |
| Non-Agency | 68,903.6 | 48 | 966.1 |
| Ginnie Mae | 105,975.4 | 39 | 1,325.8 |
| Total | $ 549,824.6 | 33 bps | $ 6,565.3 |

The following table summarizes the collateral characteristics of the loans underlying our MSRs and MSR Financing Receivables as of September 30, 2021 (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 |
| GSE | $ 4,273,376 | $ 374,945,577 | 2,156,647 | 754 | 3.7 % | 279 | 51 | 1.8 % | 23.0 % | 22.9 % | 0.1 % | 19.4 % |
| Non-Agency | 966,051 | 68,903,562 | 575,219 | 639 | 4.3 % | 293 | 180 | 10.9 % | 13.3 % | 12.0 % | 1.5 % | 4.0 % |
| Ginnie Mae | 1,325,840 | 105,975,422 | 492,986 | 698 | 3.3 % | 333 | 24 | 0.9 % | 23.0 % | 22.8 % | 0.1 % | 22.3 % |
| Total | $ 6,565,267 | $ 549,824,561 | 3,224,852 | 729 | 3.7 % | 291 | 62 | 2.7 % | 21.8 % | 21.5 % | 0.3 % | 18.1 % |

| | Collateral Characteristics | | | | | |
|---|---|---|---|---|---|---|
| | Delinquency 30 Days[F] | Delinquency 60 Days[F] | Delinquency 90+ Days[F] | Loans in Foreclosure | Real Estate Owned | Loans in Bankruptcy |
| GSE | 0.8 % | 0.2 % | 1.9 % | 0.3 % | — % | 0.2 % |
| Non-Agency | 6.5 % | 2.0 % | 5.1 % | 5.5 % | 0.9 % | 2.3 % |
| Ginnie Mae | 2.2 % | 0.7 % | 3.2 % | 0.3 % | — % | 0.4 % |
| Total | 1.8 % | 0.5 % | 2.5 % | 0.9 % | 0.1 % | 0.5 % |

(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 Excess MSRs:

**Summary of Direct Excess MSRs as of September 30, 2021**

| | MSR Component[A] | | | | Excess MSR |
|---|---|---|---|---|---|
| | Current UPB (billions) | Weighted Average MSR (bps) | Weighted Average Excess MSR (bps) | Interest in Excess MSR (%) | Carrying Value (millions) |
| Agency | $ 28.4 | 29 bps | 21 bps | 32.5% - 66.7% | $ 139.3 |
| Non-Agency[B] | 32.2 | 35 | 15 | 33.3% - 100% | 130.9 |
| **Total/Weighted Average** | $ 60.6 | 32 bps | 18 bps | | $ 270.2 |

(A) The MSR is a weighted average as of September 30, 2021, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) Serviced by Mr. Cooper and SLS, we also invested in related Servicer advance investments, including the basic fee component of the related MSR (Note 6 to our Consolidated Financial Statements) on $21.6 billion UPB underlying these Excess MSRs.

**Summary of Excess MSRs Through Equity Method Investees as of September 30, 2021**

| | | MSR Component[A] | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current UPB (billions) | 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 (millions) |
| Agency | $ 24.2 | 31 bps | 21 bps | 50.0 % | 66.7 % | 33.3 % | $ 158.9 |
| **Total/Weighted Average** | $ 24.2 | 31 bps | 21 bps | | | | $ 158.9 |

(A) The MSR is a weighted average as of September 30, 2021, 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 MSRs as of September 30, 2021 (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 | $ 82,307 | $ 17,923,229 | 150,628 | 731 | 4.5 % | 227 | 141 | 1.5 % | 26.2 % | 24.8 % | 1.9 % | 22.4 % |
| Recaptured Loans | 56,982 | 10,495,764 | 66,048 | 736 | 3.9 % | 262 | 49 | — % | 25.5 % | 24.6 % | 1.2 % | 38.5 % |
| | $ 139,289 | $ 28,418,993 | 216,676 | 733 | 4.3 % | 241 | 105 | 0.9 % | 26.0 % | 24.7 % | 1.6 % | 28.4 % |
| **Non-Agency[F]** | | | | | | | | | | | | |
| Mr. Cooper and SLS Serviced: | | | | | | | | | | | | |
| Original Pools | $ 106,967 | $ 28,581,082 | 166,746 | 680 | 4.2 % | 269 | 186 | 8.7 % | 18.7 % | 16.8 % | 2.2 % | 14.6 % |
| Recaptured Loans | 23,924 | 3,598,781 | 17,255 | 743 | 3.7 % | 273 | 30 | — % | 25.4 % | 25.5 % | — % | 40.1 % |
| | $ 130,891 | $ 32,179,863 | 184,001 | 687 | 4.2 % | 269 | 169 | 7.1 % | 19.3 % | 17.6 % | 2.0 % | 18.2 % |
| **Total/Weighted Average[H]** | $ 270,180 | $ 60,598,856 | 400,677 | 708 | 4.2 % | 256 | 140 | 3.9 % | 22.4 % | 20.9 % | 1.9 % | 23.7 % |

| | Collateral Characteristics | | | | | |
|---|---|---|---|---|---|---|
| | Delinquency | | | | | |
| | 30 Days[G] | 60 Days[G] | 90+ Days[G] | Loans in Foreclosure | Real Estate Owned | Loans in Bankruptcy |
| **Agency** | | | | | | |
| Original Pools | 1.8 % | 0.5 % | 4.6 % | 0.5 % | 0.1 % | 0.1 % |
| Recaptured Loans | 1.2 % | 0.3 % | 3.7 % | 0.1 % | — % | — % |
| | 1.5 % | 0.4 % | 4.3 % | 0.4 % | 0.1 % | 0.1 % |
| **Non-Agency**[F] | | | | | | |
| Mr. Cooper and SLS Serviced: | | | | | | |
| Original Pools | 10.8 % | 6.2 % | 4.7 % | 5.5 % | 0.3 % | 1.3 % |
| Recaptured Loans | 1.4 % | 0.2 % | 2.1 % | 0.1 % | — % | — % |
| | 9.8 % | 5.5 % | 4.4 % | 4.9 % | 0.3 % | 1.2 % |
| **Total/Weighted Average**[H] | 6.0 % | 3.2 % | 4.3 % | 2.8 % | 0.2 % | 0.7 % |

(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 Consolidated Financial Statements) on $21.6 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 September 30, 2021 of the loans underlying Excess MSRs 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 | $ 92,577 | $ 12,590,174 | 33.3 % | 139,932 | 715 | 5.1 % | 218 | 160 | 1.2 % | 25.2 % | 22.3 % | 3.6 % | 25.3 % |
| Recaptured Loans | 66,339 | 11,640,552 | 33.3 % | 88,610 | 721 | 4.0 % | 258 | 58 | — % | 26.3 % | 24.3 % | 3.0 % | 44.4 % |
| **Total/Weighted Average**[G] | $ 158,916 | $ 24,230,726 | | 228,542 | 718 | 4.6 % | 237 | 111 | 1.2 % | 25.9 % | 23.3 % | 3.3 % | 34.9 % |

| | Collateral Characteristics | | | | | |
|---|---|---|---|---|---|---|
| | Delinquency | | | | | |
| | 30 Days[F] | 60 Days[F] | 90+ Days[F] | Loans in Foreclosure | Real Estate Owned | Loans in Bankruptcy |
| **Agency** | | | | | | |
| Original Pools | 2.5 % | 0.6 % | 4.3 % | 0.7 % | 0.1 % | 0.1 % |
| Recaptured Loans | 1.6 % | 0.4 % | 4.1 % | 0.1 % | — % | 0.1 % |
| **Total/Weighted Average**[G] | 2.1 % | 0.5 % | 4.2 % | 0.5 % | 0.1 % | 0.1 % |

(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):

| | September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | 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 | | | | | |
| Mr. Cooper and SLS serviced pools | $ 453,442 | $ 472,004 | $ 21,568,182 | $ 408,085 | 1.9 % |

(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 nine months ended September 30, 2021 (dollars in thousands):

| | | | Nine Months Ended September 30, 2021 | | Loan-to-Value ("LTV")[A] | | Cost of Funds[B] | |
|---|---|---|---|---|---|---|---|---|
| | Weighted Average Discount Rate | Weighted Average Life (Years)[C] | Change in Fair Value Recorded in Other Income | Face Amount of Secured Notes and Bonds Payable | Gross | Net[D] | Gross | Net |
| Servicer advance investments[E] | 5.2 % | 6.0 | $ (6,535) | $ 381,286 | 89.4 % | 95.1 % | 1.3 % | 1.2 % |

(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:

| | September 30, 2021 |
|---|---|
| Principal and interest advances | $ 75,564 |
| Escrow advances (taxes and insurance advances) | 170,817 |
| Foreclosure advances | 161,704 |
| Total | $ 408,085 |

*MSR Related Services Businesses*

Our MSR related investments segment also includes the activity from several wholly-owned subsidiaries or minority investments in companies that perform various services in the mortgage and real estate industries. Our subsidiary Guardian is a national provider of field services and property management services. We also made a strategic minority investment in Covius,

a provider of various technology-enabled services to the mortgage and real estate industries. As of September 30, 2021, our ownership interest in Covius is 24.3%.

**Residential Securities and Loans**

*Real Estate Securities*

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of September 30, 2021 (dollars in thousands):

| | | | | Gross Unrealized | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Asset Type | Outstanding Face Amount | Amortized Cost Basis | Percentage of Total Amortized Cost Basis | Gains | Losses | Carrying Value[A] | Count | Weighted Average Life (Years) | 3-Month CPR[B] | Outstanding Repurchase Agreements |
| Agency RMBS | $ 8,879,217 | $ 9,161,405 | 100.0 % | $ 6,799 | $ (185,517) | $ 8,982,687 | 41 | 6.6 | 13.2 % | $ 8,956,064 |

(A) Fair value, which is equal to carrying value for all securities.
(B) Three month average constant prepayment rate represents the annualized rate of the prepayments during the quarter as a percentage of the total amortized cost basis.

The following table summarizes the net interest spread of our Agency RMBS portfolio for the three months ended September 30, 2021:

| | Net Interest Spread[A] |
|---|---|
| Weighted Average Asset Yield | 2.15 % |
| Weighted Average Funding Cost | 0.16 % |
| Net Interest Spread | 1.99 % |

(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.

We finance our investments in Agency RMBS with short-term borrowings under master repurchase agreements. These borrowings generally bear interest rates offered by the counterparty for the term of the proposed repurchase transaction (e.g., 30 days, 60 days, etc.) of a specified margin over one-month LIBOR. The repurchase agreements represent uncommitted financing. At September 30, 2021 and December 31, 2020, the Company pledged Agency RMBS with a carrying value of approximately $9.3 billion and $13.8 billion, respectively, as collateral for borrowings under repurchase agreements. To the extent available on desirable terms, we expect to continue to finance our acquisitions of Agency RMBS with repurchase agreement financing. See Note 11 to our Consolidated Financial Statements for further information regarding financing of our Agency RMBS.

Non-Agency RMBS

The following table summarizes our Non-Agency RMBS portfolio as of September 30, 2021 (dollars in thousands):

| | | | Gross Unrealized | | | Outstanding Repurchase Agreements |
|---|---|---|---|---|---|---|
| Asset Type | Outstanding Face Amount | Amortized Cost Basis | Gains | Losses | Carrying Value[A] | |
| Non-Agency RMBS | $ 16,615,220 | $ 921,874 | $ 115,170 | $ (45,936) | $ 991,108 | $ 665,343 |

(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 September 30, 2021 (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-2008 | NR | 126 | $ 457,520 | $ 18,393 | 2.0 % | $ 23,590 | — % | — % | 3.8 | 5.5 % |
| 2008 and later | BBB- | 466 | 16,152,892 | 899,744 | 98.0 % | 962,657 | 24.4 % | 0.2 % | 3.4 | 2.7 % |
| Total/weighted average | BBB- | 592 | $ 16,610,412 | $ 918,137 | 100.0 % | $ 986,247 | 23.8 % | 0.2 % | 3.4 | 2.7 % |

| | Collateral Characteristics[A][G] | | | | |
|---|---|---|---|---|---|
| Vintage[B] | Average Loan Age (years) | Collateral Factor[H] | 3-Month CPR[I] | Delinquency[J] | Cumulative Losses to Date |
| Pre-2008 | 13.3 | 0.10 | 10.0 % | 10.0 % | 10.0 % |
| 2008 and later | 13.4 | 0.63 | 21.1 % | 4.1 % | 0.6 % |
| Total/weighted average | 13.4 | 0.62 | 20.9 % | 4.2 % | 0.8 % |

(A) Excludes $4.4 million face amount of bonds backed by consumer loans and $0.4 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 301 bonds with a carrying value of $370.9 million, which either have never been rated or for which rating information is no longer provided. We had no assets that were on negative watch for possible downgrade by at least one rating agency as of September 30, 2021.
(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 September 30, 2021.
(F) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $24.8 million and $2.8 million, respectively, for which no coupon payment is expected.
(G) The weighted average loan size of the underlying collateral is $275.6 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 for the three months ended September 30, 2021:

| | Net Interest Spread[A] |
|---|---|
| Weighted average asset yield | 3.72 % |
| Weighted average funding cost | 2.52 % |
| Net interest spread | 1.20 % |

(A) The Non-Agency RMBS portfolio consists of 29.5% floating rate securities and 70.5% fixed rate securities (based on amortized cost basis).

We finance our investments in Non-Agency RMBS with short-term borrowings under master repurchase agreements. These borrowings generally bear interest rates offered by the counterparty for the term of the proposed repurchase transaction (e.g., 30 days, 60 days, etc.) of a specified margin over one-month LIBOR. The repurchase agreements represent uncommitted financing. At September 30, 2021 and December 31, 2020, the Company pledged Non-Agency RMBS with a carrying value of approximately $1.0 billion and $1.5 billion, respectively, as collateral for borrowings under repurchase agreements. A portion of collateral for borrowings under repurchase agreements is subject to daily mark-to-market fluctuations and margin calls. In addition, a portion of collateral for borrowings under repurchase agreements is not subject to daily margin calls unless the collateral coverage percentage, a quotient expressed as a percentage equal to the current carrying value of outstanding debt divided by the market value of the underlying collateral, becomes greater than or equal to a collateral trigger. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday." See Note 11 to our Consolidated Financial Statements for further information regarding financing of our Non-Agency RMBS.

Call Rights

We hold a limited right to cleanup call options with respect to certain securitization trusts (including securitizations we have issued) serviced or master serviced by Mr. Cooper 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 Mr. Cooper 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 $80.0 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 Notes 8 and 16 in our Consolidated Financial Statements for further details on these transactions.

On March 31, 2020, in connection with the sale of certain Non-Agency RMBS (the "Securities"), we agreed to exercise call rights with respect to those Securities on behalf and solely at the direction of one of the buyers.

Refer to Note 16 for additional discussion regarding call rights and transactions with affiliates.

Residential Mortgage Loans

As of September 30, 2021, we had approximately $14.5 billion outstanding face amount of residential mortgage loans (see below). These investments were financed with secured financing agreements with an aggregate face amount of approximately $12.9 billion and secured notes and bonds payable with an aggregate face amount of approximately $1.2 billion. We acquired these loans through open market purchases, through loan origination, as well as through the exercise of call rights and acquisitions.

The following table presents the total residential mortgage loans outstanding by loan type at September 30, 2021 (dollars in thousands).

| | Outstanding Face Amount | Carrying Value | Loan Count | Weighted Average Yield | Weighted Average Life (Years)[A] |
|---|---|---|---|---|---|
| Total residential mortgage loans, held-for-investment, at fair value | $ 657,427 | $ 595,012 | 11,472 | 6.3 % | 5.3 |
| | | | | | |
| Acquired reverse mortgage loans[E][F] | $ 12,690 | $ 6,120 | 28 | 7.7 % | 3.7 |
| Acquired performing loans[G][I] | 150,127 | 136,921 | 2,977 | 6.7 % | 4.5 |
| Acquired non-performing loans[H][I] | 2,123 | 1,702 | 24 | 7.5 % | 4.8 |
| Total residential mortgage loans, held-for-sale, at lower of cost or market | $ 164,940 | $ 144,743 | 3,029 | 6.8 % | 4.4 |
| | | | | | |
| Acquired performing loans[G][I] | $ 2,100,079 | $ 2,112,181 | 12,575 | 3.4 % | 11.0 |
| Acquired non-performing loans | 160,098.0 | 146,370 | 1 | 4.8 % | 5.6 |
| Originated loans | 11,403,519 | 11,714,006 | 13,538 | 3.0 % | 27.7 |
| Total residential mortgage loans, held-for-sale, at fair value/lower of cost or market | $ 13,663,696 | $ 13,972,557 | 27,113 | 3.1 % | 24.9 |

(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 we hold in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB was $0.6 million. Approximately 54% of these loans outstanding 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) As of September 30, 2021, we have placed all Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.
(I) Includes $981.3 million and $101.6 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

We consider the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as our credit quality indicators.

We finance a significant portion of our investments in residential mortgage loans with borrowings under repurchase agreements. These recourse borrowings bear variable interest rates offered by the counterparty for the term of the proposed repurchase transaction, generally less than one year, of a specified margin over the one-month LIBOR. At September 30, 2021 and December 31, 2020, the Company pledged mortgage loans with a carrying value of approximately $13.8 billion and $4.5 billion, respectively, as collateral for borrowings under repurchase agreements. A portion of collateral for borrowings under repurchase agreements are subject to daily mark-to-market fluctuations and margin calls. A portion of collateral for borrowings under repurchase agreements is not subject to daily margin calls unless the collateral coverage percentage, a quotient expressed as a percentage equal to the current carrying value of outstanding debt divided by the market value of the underlying collateral, becomes greater than or equal to a collateral trigger. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday." See Note 11 to our Consolidated Financial Statements for further information regarding financing of our mortgage loans.

**Other**

*Consumer Loans*

The table below summarizes the collateral characteristics of the consumer loans, including those held in the Consumer Loan Companies and those acquired from the Consumer Loan Seller, as of September 30, 2021 (dollars in thousands):

| | Collateral Characteristics | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | UPB | Personal Unsecured Loans % | Personal Homeowner Loans % | Number of Loans | Weighted Average Original FICO Score[A] | Weighted Average Coupon | Adjustable Rate Loan % | Average Loan Age (months) | Average Expected Life (Years) | Delinquency 30 Days[B] | Delinquency 60 Days[B] | Delinquency 90+ Days[B] | 12-Month CRR[C] | 12-Month CDR[D] |
| Consumer loans | $ 486,350 | 58.9 % | 41.1 % | 75,391 | 688 | 17.6 % | 12.9 % | 200 | 3.2 | 1.1 % | 0.8 % | 1.2 % | 22.6 % | 4.4 % |

(A) Weighted average original FICO score represents the FICO score at the time the loan was originated.
(B) 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.
(C) 12-month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the three months as a percentage of the total principal balance of the pool.
(D) 12-month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the three months as a percentage of the total principal balance of the pool.

We have financed our investments in consumer loans with securitized non-recourse long-term notes with a stated maturity date of May 2036. Furthermore, the notes are non-mark-to-market and not subject to margin calls. See Note 11 to our Consolidated Financial Statements for further information regarding financing of our consumer loans.

*Single-Family Rental ("SFR") Portfolio*

As of September 30, 2021 our SFR portfolio consisted of approximately 1,882 units with an aggregate carrying value of $403.7 million, up from 1,155 units with an aggregate carrying value of $227.6 million as of June 30, 2021. During the three months ended September 30, 2021 and June 30, 2021, we acquired approximately 727 and 530 SFR units, respectively.

**TAXES**

We have elected to be treated as a REIT for U.S. federal income tax purposes. As a REIT we generally pay no federal or state and local income tax on assets that qualify under the REIT requirements if we distribute out at least 90% of the current taxable income generated from these assets.

We hold certain assets, including Servicer Advance Investments and MSRs, in taxable REIT subsidiaries ("TRSs") that are subject to federal, state and local income tax because these assets either do not qualify under the REIT requirements or the

status of these assets is uncertain. We also operate our securitization program, servicing, origination, and services businesses through TRSs.

As our operating investments continue to grow and become a larger component of our total consolidated income, we anticipate income subject to tax will increase, along with a corresponding increase in tax expense and our consolidated effective tax rate.

At September 30, 2021, we recorded a net deferred tax liability of $407.6 million, including $280.0 million of deferred tax liability recorded as part of the purchase price allocation related to the Caliber acquisition (Note 1). Our net deferred tax liability of $407.6 million is primarily composed of deferred tax liabilities generated through the deferral of gains from loans sold by our origination business with servicing retained by us, as well as, deferred tax liabilities generated from changes in fair value of MSRs, loans, and swaps held in within taxable entities.

For the three months and nine months ended September 30, 2021, we recognized deferred tax expense of $27.3 million and $119.5 million, respectively, primarily reflecting deferred tax expense generated from changes in the fair value of MSRs, loans, and swaps held within taxable entities as well as income in our servicing and origination business segments.

**APPLICATION OF CRITICAL ACCOUNTING POLICIES**

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates. We believe that the estimates and assumptions utilized in the preparation of the Consolidated Financial Statements are prudent and reasonable. Actual results historically have generally been in line with our estimates and judgments used in applying each of the accounting policies described below, as modified periodically to reflect current market conditions.

Our critical accounting policies as of September 30, 2021, which represent our accounting policies that are most affected by judgments, estimates and assumptions, included all of the critical accounting policies referred to in our annual report on Form 10-K for the year ended December 31, 2020.

The outbreak of the novel coronavirus pandemic around the globe continues to adversely impact the U.S. and world economies and has contributed to significant volatility in global financial and credit markets. The impact of the outbreak has evolved rapidly. The major disruptions caused by COVID-19 significantly slowed many commercial activities in the U.S., resulting in a rapid rise in unemployment claims, reduced business revenues and sharp reductions in liquidity and the fair value of many assets, including those in which we invest. The ultimate duration and impact of the COVID-19 pandemic and response thereto remains uncertain. We believe the estimates and assumptions underlying our Consolidated Financial Statements are reasonable and supportable based on the information available as of September 30, 2021; however, uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of September 30, 2021 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results may materially differ from those estimates.

**Recent Accounting Pronouncements**

See Note 1 to our Consolidated Financial Statements.

**RESULTS OF OPERATIONS**

The following table summarizes the changes in our results of operations for the three months ended September 30, 2021 compared to the three months ended June 30, 2021 and the nine months ended September 30, 2021 compared to the nine

months ended September 30, 2020 (dollars in thousands). Our results of operations are not necessarily indicative of future performance.

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| **Revenues** | | | | | | |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ 398,645 | $ 388,858 | $ 1,168,431 | $ 1,390,042 | $ 9,787 | $ (221,611) |
| Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(287,318), $(297,778), $(924,766) and $(1,135,515), respectively) | (195,623) | (417,983) | (421,332) | (1,731,378) | 222,360 | 1,310,046 |
| Servicing revenue, net | 203,022 | (29,125) | 747,099 | (341,336) | 232,147 | 1,088,435 |
| Interest income | 190,633 | 201,762 | 593,342 | 622,224 | (11,129) | (28,882) |
| Gain on originated mortgage loans, held-for-sale, net | 566,761 | 286,885 | 1,257,094 | 966,813 | 279,876 | 290,281 |
| | 960,416 | 459,522 | 2,597,535 | 1,247,701 | 500,894 | 1,349,834 |
| **Expenses** | | | | | | |
| Interest expense | 129,928 | 106,539 | 355,372 | 463,786 | 23,389 | (108,414) |
| General and administrative expenses | 245,071 | 205,668 | 647,244 | 546,939 | 39,403 | 100,305 |
| Compensation and benefits | 324,545 | 194,730 | 717,919 | 412,402 | 129,815 | 305,517 |
| Management fee to affiliate | 24,315 | 23,677 | 70,154 | 66,682 | 638 | 3,472 |
| | 723,859 | 530,614 | 1,790,689 | 1,489,809 | 193,245 | 300,880 |
| **Other Income (Loss)** | | | | | | |
| Change in fair value of investments | 11,112 | 229,900 | 1,224 | (123,314) | (218,788) | 124,538 |
| Gain (loss) on settlement of investments, net | (98,317) | (78,611) | (188,919) | (968,995) | (19,706) | 780,076 |
| Other income (loss), net | 59,266 | 30,044 | 79,696 | (39,766) | 29,222 | 119,462 |
| | (27,939) | 181,333 | (107,999) | (1,132,075) | (209,272) | 1,024,076 |
| **Impairment** | | | | | | |
| Provision (reversal) for credit losses on securities | (2,370) | (1,756) | (5,020) | 15,166 | (614) | (20,186) |
| Valuation and credit loss provision (reversal) on loans and real estate owned (REO) | 8,748 | (32,652) | (42,617) | 118,504 | 41,400 | (161,121) |
| | 6,378 | (34,408) | (47,637) | 133,670 | 40,786 | (181,307) |
| **Income (Loss) Before Income Taxes** | 202,240 | 144,649 | 746,484 | (1,507,853) | 57,591 | 2,254,337 |
| Income tax expense (benefit) | 31,559 | (1,077) | 128,741 | (48,647) | 32,636 | 177,388 |
| **Net Income (Loss)** | $ 170,681 | $ 145,726 | $ 617,743 | $ (1,459,206) | $ 24,955 | $ 2,076,949 |
| Noncontrolling interests in income (loss) of consolidated subsidiaries | 9,001 | 10,053 | 28,448 | 34,118 | (1,052) | (5,670) |
| Dividends on preferred stock | 15,533 | 14,358 | 44,249 | 39,938 | 1,175 | 4,311 |
| **Net Income (Loss) Attributable to Common Stockholders** | $ 146,147 | $ 121,315 | $ 545,046 | $ (1,533,262) | $ 24,832 | $ 2,078,308 |

**Servicing Revenue, Net**

Servicing Revenue, Net consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Servicing fee revenue, net and interest income from MSRs and MSR financing receivables | $ 384,953 | $ 344,256 | $ 1,069,544 | $ 1,249,504 | $ 40,697 | $ (179,960) |
| Ancillary and other fees | 13,692 | 44,602 | 98,887 | 140,538 | (30,910) | (41,651) |
| Servicing fee revenue and fees | 398,645 | 388,858 | 1,168,431 | 1,390,042 | 9,787 | (221,611) |
| Change in fair value due to: | | | | | | |
| Realization of cash flows | (287,318) | (297,778) | (924,766) | (1,135,515) | 10,460 | 210,749 |
| Change in valuation inputs and assumptions [(A)] | 147,233 | (115,986) | 573,213 | (598,226) | 263,219 | 1,171,439 |
| Change in fair value of derivative instruments | (41,365) | 8,624 | (41,564) | — | (49,989) | (41,564) |
| (Gain) loss realized | (739) | (15,150) | (17,088) | 2,363 | 14,411 | (19,451) |
| Gain (loss) on settlement of derivative instruments | (13,434) | 2,307 | (11,127) | — | (15,741) | (11,127) |
| Servicing revenue, net | $ 203,022 | $ (29,125) | $ 747,099 | $ (341,336) | $ 232,147 | $ 1,088,435 |

(A) The following table summarizes the components of servicing revenue, net related to changes in valuation inputs and assumptions:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Changes in interest and prepayment rates | $ 140,736 | $ (227,002) | $ 454,521 | $ (551,793) | $ 367,738 | $ 1,006,314 |
| Changes in discount rates | — | 113,305 | 113,305 | 9,245 | (113,305) | 104,060 |
| Changes in other factors | 6,497 | (2,289) | 5,387 | (55,678) | 8,786 | 61,065 |
| Change in valuation and assumptions | $ 147,233 | $ (115,986) | $ 573,213 | $ (598,226) | $ 263,219 | $ 1,171,439 |

The table below summarizes the unpaid principal balances of our MSRs and MSR Financing Receivables:

| | Unpaid Principal Balance | | | | |
|---|---|---|---|---|---|
| (dollars in millions) | September 30, 2021 | June 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| GSE | $ 374,945.6 | $ 269,342.7 | $ 329,633.7 | $ 105,602.9 | $ 45,311.9 |
| Non-Agency | 68,903.6 | 70,711.1 | 74,695.1 | (1,807.5) | (5,791.5) |
| Ginnie Mae | 105,975.4 | 58,509.6 | 57,290.6 | 47,465.8 | 48,684.8 |
| Total | $ 549,824.6 | $ 398,563.4 | $ 461,619.4 | $ 151,261.2 | $ 88,205.2 |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Servicing revenue, net increased $232.1 million primarily driven by (i) a $197.5 million net change from negative to positive mark-to-market adjustments, and (ii) a $10.5 million net decrease in realization of cash flows consisting of a $50.3 million decrease in the realization of cash flows related to MSRs held at June 30, 2021 and a $39.8 million increase related to the acquisition of Caliber. The positive mark-to-market adjustments of $147.2 million for the three months ended September 30, 2021 were primarily driven by changes in assumptions related to prepayment rates.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Servicing revenue, net increased $1.09 billion primarily driven by (i) a $1.12 billion net change from negative to positive mark-to-market adjustments as a result of slower prepayment rates, lower delinquency rates, and a decrease in discount rates, and (ii)

a $210.7 million decrease in realization of cash flows as a result of slower prepayment rates. The increase was partially offset by (iii) a $221.6 million decrease in servicing fee revenue and fees from portfolio runoff.

**Interest Income**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Interest income decreased by $11.1 million quarter over quarter primarily driven by (i) a $45.5 million decrease in interest income attributable to a smaller average agency bond portfolio for the third quarter due to sale of approximately $4.5 billion to fund the Caliber acquisition, partially offset by (ii) a $17.9 million increase from our operating businesses largely related to funded loans pending sale, including the impact from the Caliber acquisition during the third quarter of 2021, and (iii) a $14.4 million increase in interest income at our corporate segment related to commercial loans with an affiliate of our manager.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Interest income decreased $28.9 million year over year driven by (i) a $38.4 million decrease in interest income related to a smaller average agency and non-agency bond portfolio, (ii) a $58.1 million decrease attributable to a decline in our loan portfolio and tightening of interest rates on residential mortgage loans and consumer loans, partially offset by (iii) a $53.2 million increase from our operating businesses, including the impact from the Caliber acquisition during the third quarter of 2021, and (iv) a $14.4 million increase in interest income at our corporate segment related to commercial loans with an affiliate of our manager.

**Gain on Originated Mortgage Loans, Held-for-Sale, Net**

The following table provides information regarding Gain on Originated Mortgage Loans, Held-for-Sale, Net as a percentage of pull through adjusted lock volume, by channel:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 |
| Direct to Consumer | 3.99 % | 3.83 % | 4.02 % | 4.44 % |
| Retail / Joint Venture | 3.80 % | 4.81 % | 4.02 % | 3.70 % |
| Wholesale | 1.04 % | 0.95 % | 1.21 % | 2.29 % |
| Correspondent | 0.32 % | 0.25 % | 0.30 % | 0.66 % |
| | 1.61 % | 1.31 % | 1.47 % | 2.01 % |

The following table provides loan production by channel:

| | Unpaid Principal Balance | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended | | Nine Months Ended | | | |
| (in millions) | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Production by Channel | | | | | | |
| Direct to Consumer | $ 6,425 | $ 6,404 | $ 18,502 | $ 8,571 | $ 21 | $ 9,931 |
| Retail / Joint Venture | 5,556 | 1,007 | 7,613 | 2,789 | 4,549 | 4,824 |
| Wholesale | 4,476 | 2,413 | 9,561 | 4,893 | 2,063 | 4,668 |
| Correspondent | 18,017 | 13,656 | 49,491 | 21,494 | 4,361 | 27,997 |
| Total Production by Channel | $ 34,474 | $ 23,480 | $ 85,167 | $ 37,747 | $ 10,994 | $ 47,420 |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Gain on originated mortgage loans, held-for-sale, net increased $279.9 million primarily driven by the addition of the Caliber platform during the third quarter of 2021 and contributions from the higher margin Retail / Joint Venture channel. Gain on sale margin for the three months ended September 30, 2021 was 1.61%, 30 bps higher than 1.31% for the prior quarter. For the third

quarter of 2021, loan origination volume was $34.5 billion, up from $23.5 billion in the prior quarter. Production in all four channels increased quarter over quarter given origination contributions attributable to the acquisition of Caliber.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Gain on originated mortgage loans, held-for-sale, net increased primarily driven by higher volume across all channels as well as the addition of Caliber during the third quarter. For the first nine months of 2021, loan origination volume was $85.2 billion, up from $37.7 billion in the prior year.

**Interest Expense**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Interest expense increased by $23.4 million quarter over quarter primarily attributable to (i) a $24.9 million increase in interest expense attributable to the Origination segment (Newrez and Caliber), partially offset by (ii) a $4.3 million decrease in interest expense on a smaller bond portfolio owned during the third quarter of 2021 related to sales of agency bonds to fund the Caliber acquisition.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Interest expense decreased $108.4 million year over year primarily attributable to (i) a $102.6 million decrease related to a smaller portfolio of bonds owned in 2021, (ii) a $19.3 million decrease in interest expense on our residential mortgage loans and consumer loans driven by decreases in interest rates and portfolio sizes, partially offset by (iii) a $13.5 million increase in interest expense related to our growing Origination business at Newrez and Caliber.

**Management Fee to Affiliate**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Management fee to affiliate increased $0.6 million as a result of capital raises subsequent to June 30, 2021.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Management fee to affiliate increased $3.5 million as a result of capital raises subsequent to September 30, 2020.

**General and Administrative Expenses**

General and Administrative Expenses consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Legal and professional | $ 29,419 | $ 18,587 | $ 66,225 | $ 63,798 | $ 10,832 | $ 2,427 |
| Loan origination | 52,481 | 44,916 | 137,642 | 59,462 | 7,565 | 78,180 |
| Occupancy | 18,612 | 10,221 | 39,183 | 26,195 | 8,391 | 12,988 |
| Subservicing | 74,156 | 77,960 | 234,599 | 277,367 | (3,804) | (42,768) |
| Loan servicing | 3,976 | 4,627 | 13,282 | 23,313 | (651) | (10,031) |
| Property and maintenance | 19,331 | 15,755 | 47,216 | 26,855 | 3,576 | 20,361 |
| Other miscellaneous general and administrative | 47,096 | 33,602 | 109,097 | 69,949 | 13,494 | 39,148 |
| General and administrative expenses | $ 245,071 | $ 205,668 | $ 647,244 | $ 546,939 | $ 39,403 | $ 100,305 |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

General and administrative expenses increased $39.4 million quarter over quarter, this increase was primarily attributable to the Caliber acquisition which reflected an additional $14.1 million of loan origination expense, $13.8 million of occupancy/office expenses, $4.4 million of legal and professional fees, and $5.5 million of marketing expenses.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

General and administrative expenses increased $100.3 million year over year. Of this increase, the Caliber acquisition contributed a total of $42.5 million of general and administrative during the third quarter, growth in Guardian Asset Management's inspection and property management contracts contributed $20.3 million of the increase, and the remaining increase is attributed to growth in loan origination and servicing volumes which drove higher general and administrative expenses. For the nine months ended September 30, 2021, our operating platform funded $85.2 billion in origination volume compared to $37.7 billion for the prior year. On the servicing side, we serviced $475.8 billion in UPB as of September 30, 2021 compared to $287.2 billion UPB of servicing volume as of September 30, 2020.

**Compensation and Benefits**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Compensation and benefits increased $129.8 million quarter over quarter primarily driven by $141.8 million of payroll and benefits attributable to the Caliber acquisition in August 2021.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Compensation and benefits increased $305.5 million year over year largely due to continued growth in headcount within our operating companies. As of September 30, 2021, headcount within our operating companies totaled 12,749 employees compared to 5,105 as of September 30, 2020. The completion of the Caliber acquisition in August 2021 added 7,039 employees and resulted in $141.8 million of incremental compensation and benefits for 2021 compared to the prior year.

**Change in Fair Value of Investments**

Change in Fair Value of Investments consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Excess MSRs | $ (4,837) | $ (4,211) | $ (13,666) | $ (11,773) | $ (626) | $ (1,893) |
| Excess MSRs, equity method investees | (1,176) | (568) | 1,421 | (2,902) | (608) | 4,323 |
| Servicer advance investments | (1,662) | (4,502) | (6,535) | 431 | 2,840 | (6,966) |
| Real estate and other securities | 5,538 | 156,792 | (336,009) | (531) | (151,254) | (335,478) |
| Residential mortgage loans | (26,432) | 121,242 | 154,984 | (108,306) | (147,674) | 263,290 |
| Consumer loans held-for-investment | (5,708) | (1,626) | (13,338) | (4,446) | (4,082) | (8,892) |
| Derivative instruments | 45,389 | (37,227) | 214,367 | 4,213 | 82,616 | 210,154 |
| Change in fair value of investments | $ 11,112 | $ 229,900 | $ 1,224 | $ (123,314) | $ (218,788) | $ 124,538 |

**Change in Fair Value of Excess MSRs**

Change in Fair Value of Excess MSRs consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Changes in interest rates and prepayment rates | $ 375 | $ (1,477) | $ 4,435 | $ 1,650 | $ 1,852 | $ 2,785 |
| Changes in discount rates | — | — | — | (365) | — | 365 |
| Changes in other factors | (5,212) | (2,734) | (18,101) | (13,058) | (2,478) | (5,043) |
| Change in fair value of Excess MSRs | $ (4,837) | $ (4,211) | $ (13,666) | $ (11,773) | $ (626) | $ (1,893) |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

The negative mark-to-market fair value adjustments during the three months ended September 30, 2021 were mainly driven by increases in delinquency rates in our conventional, agency, and PLS excess mortgage servicing rights pools and reduced recapture rates, slightly offset by decreased prepayment speeds. The negative mark-to-market fair value adjustments during the three months ended June 30, 2021 were mainly driven by increases in delinquency rates and reduced recapture rates. Additionally, decreased interest rates and increased prepayment speeds further drove the negative marks.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

The negative mark-to-market fair value adjustments during the nine months ended September 30, 2021 were mainly driven by increases in delinquency rates in our conventional, agency, and PLS excess mortgage servicing rights pools and reduced recapture rates. This was partially offset by favorable changes in interest rates and prepayment speeds. The negative mark-to-market fair value adjustments during the nine months ended September 30, 2020 were mainly driven by increases in delinquency rates and higher discount rates. This was partially offset by increased interest rates and decreased prepayment speeds.

**Change in Fair Value of Excess MSRs, Equity Method Investees**

Change in Fair Value of Excess MSRs, Equity Method Investees consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Changes in interest rates and prepayment rates | $ 31 | $ (377) | $ 728 | $ (52) | $ 408 | $ 780 |
| Changes in discount rates | — | — | — | (82) | — | 82 |
| Changes in other factors | (1,207) | (191) | 693 | (2,768) | (1,016) | 3,461 |
| Total | $ (1,176) | $ (568) | $ 1,421 | $ (2,902) | $ (608) | $ 4,323 |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

The negative mark-to-market fair value adjustments during the three months ended September 30, 2021 were due to increases in delinquency rates in our conventional, agency, and PLS excess mortgage servicing rights pools and reduced recapture rates. The negative mark-to-market fair value adjustments during the three months ended June 30, 2021 were mainly driven by
decreased interest rates and increased prepayment speeds.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

The positive mark-to-market fair value adjustments during the nine months ended September 30, 2021 were mainly driven by favorable changes in interest rates and prepayment speeds. The negative mark-to market adjustments during the nine months ended September 30, 2020 were mainly driven by increasing delinquency rates and reduced recapture rates.

**Change in Fair Value of Servicer Advance Investments**

Changes in Fair Value of Servicer Advance Investments consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Changes in interest and prepayment rates | $ 261 | $ (1,000) | $ (727) | $ (1,869) | $ 1,261 | $ 1,142 |
| Changes in discount rates | — | — | — | 2,219 | — | (2,219) |
| Changes in other factors | (1,923) | (3,502) | (5,808) | 81 | 1,579 | (5,889) |
| Total | $ (1,662) | $ (4,502) | $ (6,535) | $ 431 | $ 2,840 | $ (6,966) |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

The negative mark-to-market adjustments during the three months ended September 30, 2021 were driven by the Advance/UPB ratio which increased resulting in less advance recoveries. The negative mark-to-market adjustments during the three months ended June 30, 2021 were driven by increased prepayment speeds resulting in a decrease in the UPB for the loans underlying the advances. Additionally, during the second quarter of 2021, the advance to UPB ratio increased resulting in less advance recoveries

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

The negative mark-to-market adjustments during the nine months ended September 30, 2021 were driven by increased prepayment speeds resulting in decreased UPB for the loans underlying the advances. Additionally, the Advance/UPB ratio increased as a result of the underlying loans under forbearance. This resulted in less advance recoveries which drove negative

mark-to-market adjustments. The positive mark-to-market adjustments during the nine months ended September 30, 2020 were mainly driven by a decrease in the discount rates that caused the fair value to increase.

**Change in Fair Value of Real Estate and Other Securities**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Change in fair value of investments in real estate securities decreased $151.3 million primarily driven by unfavorable changes in Agency valuation inputs including a slight increase in interest rates. These items were partially offset by favorable adjustments in Non-Agency securities due to lower projected prepayments and credit default rates.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Change in fair value of investments in real estate securities decreased $335.5 million primarily driven by a decrease in observable prices of Agency securities due to higher interest rates.

**Change in Fair Value of Residential Mortgage Loans**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Change in fair value of investments in residential mortgage loans decreased $147.7 million primarily due to (i) a $84.5 million decrease in valuation inputs and assumptions largely driven by an increase in interest rates at the end of the quarter and (ii) a $63.2 million increase in realization of gain through loan sales and securitizations, decreasing the unrealized gain position.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Change in fair value of investments in residential mortgage loans increased $263.3 million primarily due to (i) a $378.4 million increase related to changes in valuation inputs and assumptions attributable to favorable changes in estimates regarding the

economic outlook, partially offset by (ii) a $115.1 million increase in realization of gain through loan sales and securitizations, decreasing unrealized gain position.

**Change in Fair Value of Consumer Loans Held-for-Investment**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Change in fair value of consumer loans decreased $4.1 million primarily due to changes in inputs and assumptions, including higher prepayment rates and lower recoveries.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Change in fair value of consumer loans decreased $8.9 million primarily due to changes in inputs and assumptions, including higher prepayment rates.

**Change in Fair Value of Derivative Instruments**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Change in fair value of derivative instruments increased $82.6 million on interest rate swaps due to favorable changes in inputs and assumptions driven by higher interest rates.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Change in fair value of derivative instruments increased $210.2 million on interest rate swaps due to favorable changes in inputs and assumptions driven by higher interest rates.

**Gain (Loss) on Settlement of Investments, Net**

Gain (Loss) on Settlement of Investments, Net consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Sale of real estate securities | $ (63,809) | $ (24,708) | $ (89,500) | $ (753,551) | $ (39,101) | $ 664,051 |
| Sale of acquired residential mortgage loans | 66,807 | 19,198 | 116,404 | (8,343) | 47,609 | 124,747 |
| Settlement of derivatives | (73,978) | (51,562) | (152,913) | (133,099) | (22,416) | (19,814) |
| Liquidated residential mortgage loans | (6,497) | (268) | (5,868) | 2,546 | (6,229) | (8,414) |
| Sale of REO | 371 | (239) | (3,814) | 2,632 | 610 | (6,446) |
| Extinguishment of debt | — | 89 | 83 | (64,795) | (89) | 64,878 |
| Other | (21,211) | (21,120) | (53,311) | (14,385) | (91) | (38,926) |
| | $ (98,317) | $ (78,610) | $ (188,919) | $ (968,995) | $ (19,707) | $ 780,076 |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Loss on settlement of investments, net increased $19.7 million primarily due to (i) a $39.1 million increase in losses on Agency security sales during the third quarter, (ii) a $22.4 million increase in losses on derivatives, (iii) a decrease of $16.6 million on

gains on MSR's, partially offset by (iv) a $41.4 million increase in gains on mortgage loan sales related to the NPL sale at the beginning of the quarter, and (v) a $29.3 million decrease in losses on advance receivables at Newrez from the second quarter.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Loss on settlement of investments, net decreased $780.1 million primarily attributable to a large reduction in our Agency and Non-Agency RMBS portfolio in the first half of 2020 in order to generate liquidity and de-risk our balance sheet in response to the onset of COVID-19 related market factors. We realized significant losses due to the timing of the bond sales.

**Other Income (Loss), Net**

Other Income (Loss), Net consists of the following:

| | Three Months Ended | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2020 | QoQ Change | YoY Change |
| Unrealized gain (loss) on secured notes and bonds payable | $ 4,029 | $ 5,638 | $ 5,245 | $ 535 | $ (1,609) | $ 4,710 |
| Unrealized gain (loss) on contingent consideration | (478) | — | (886) | (5,949) | (478) | 5,063 |
| Unrealized gain (loss) on equity investments | 10,546 | (1,834) | 5,929 | (52,413) | 12,380 | 58,342 |
| Gain (loss) on transfer of loans to REO | (699) | 2,790 | 3,412 | 5,010 | (3,489) | (1,598) |
| Gain (loss) on transfer of loans to other assets | (37) | 44 | (14) | (773) | (81) | 759 |
| Gain (loss) on Ocwen common stock | (489) | 1,725 | 1,050 | 221 | (2,214) | 829 |
| Provision for servicing losses | (3,347) | (16,643) | (26,148) | (19,764) | 13,296 | (6,384) |
| Bargain Purchase Gain | 3,497 | — | 3,497 | — | 3,497 | 3,497 |
| Rental and ancillary revenue | 19,072 | 14,195 | 39,094 | 17,851 | 4,877 | 21,243 |
| Property and maintenance revenue | 28,755 | 25,104 | 73,765 | 45,495 | 3,651 | 28,270 |
| Other income (loss) | (1,583) | (975) | (25,248) | (29,979) | (608) | 4,731 |
| | $ 59,266 | $ 30,044 | $ 79,696 | $ (39,766) | $ 29,222 | $ 119,462 |

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Other income increased $29.2 million primarily due to (i) a $13.3 million decrease in provision for servicing losses at Newrez, (ii) a $10.6 million favorable mark-to-market adjustment on certain preferred stock and warrants carried at fair value, (iii) a $4.9 million increase in rental and ancillary revenue from single-family rental properties attributable to an increase in property purchases during the third quarter, (iv) a $3.7 million increase in property and maintenance revenue at Guardian Asset Management, and (v) a $3.5 million bargain purchase gain attributable to the Caliber acquisition.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Other income increased $119.5 million primarily due to (i) a $42.2 million reduction in the unrealized loss on an equity investment in a commercial redevelopment project, which was written down during the early part of 2020 and $10.2 million of lower unrealized losses on other equity investments throughout the year, (ii) a $28.3 million increase in property and maintenance revenue at Guardian Asset Management attributable to continued growth in operations, (iii) a $21.2 million increase in rental and related revenue from single-family rental properties attributable to continued property purchases, (iv) a $10.6 million favorable mark-to-market adjustment on certain preferred stock and warrants carried at fair value, (v) a $4.7 million increase in favorable change in unrealized gain on secured notes and bonds payable, (vi) a $5.1 million decrease in

contingent consideration accounted for at fair value, (vii) a $3.5 million bargain purchase gain attributable to the Caliber acquisition, partially offset by (viii) a $6.3 million increase in provision for servicing losses at Newrez.

**Provision (Reversal) for Credit Losses on Securities**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

The reversal for credit losses on securities increased $0.6 million driven by improved credit spreads on Non-Agency RMBS.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

The reversal for credit losses on securities increased $20.2 million primarily due to an increase in fair values on Non-Agency RMBS purchased with existing credit impairment driven by continued improvements in macroeconomic forecasts and outlook.

**Valuation and Credit Loss Provision (Reversal) on Loans and Real Estate Owned**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

The valuation and credit loss provision on loans and real estate owned increased $41.4 million driven by (i) a $38.0 million decrease in reversal of impairment driven by higher projected prepayment rates, and (ii) a $3.4 million increase of impairment on certain REOs.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

The valuation and credit loss reversal on loans and real estate owned increased $161.1 million driven by (i) a $160.6 million increase in reversal of impairment on residential mortgage loans due to lower delinquency rates and improved performance, and (ii) a $0.5 million increase in reversal of impairment on certain REOs with an increase in home prices.

**Income Tax Expense (Benefit)**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Income tax expense increased $32.6 million, primarily driven by changes in the fair value of MSRs, loans, and swaps held within taxable entities.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Income tax expense increased $177.4 million. The tax benefit for the prior year primarily reflected deferred tax benefits resulting from changes in the fair value of loans and MSRs, partially offset by deferred tax expense generated from income in our servicing and origination business segments.

**Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries**

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Noncontrolling interests in income of consolidated subsidiaries increased $1.1 million primarily due to (i) a $2.4 million of higher income within the Consumer Loan Companies, which are 46.5% owned by third parties, partially offset by (ii) $1.5 million of lower income recognized by third parties' due to a reduction in ownership in Advance Purchaser LLC during the third quarter.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Noncontrolling interests in income of consolidated subsidiaries decreased by $5.7 million primarily attributable to (i) a $4.2 million decrease related to interest income and fair value adjustments at our Consumer Loan Companies, which are 46.5% owned by third parties, (ii) a $0.8 million increase related to Advance Purchaser LLC, which we own an 89.3% interest in, and (iii) a $0.8 million increase from the Shelter JVs, driven by higher earnings from originations during 2021.

**Dividends on Preferred Stock**

The table below summarizes preferred stock:

| | Number of Shares | | | Dividends Declared Per Share and Amount[(A)] | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Three Months Ended | | | | Nine Months Ended September 30, | | | |
| Series | September 30, 2021 | June 30, 2021 | September 30, 2020 | September 30, 2021 | | June 30, 2021 | | 2021 | | 2020 | |
| Series A, 7.50% issued July 2019 | 6,210 | 6,210 | 6,210 | $ 0.47 | $ 2,911 | $ 0.47 | $ 2,911 | $ 1.41 | $ 8,733 | $ 1.41 | $ 8,733 |
| Series B, 7.125% issued August 2019 | 11,300 | 11,300 | 11,300 | 0.45 | 5,032 | 0.45 | 5,032 | 1.34 | 15,096 | 1.34 | 15,096 |
| Series C, 6.375% issued February 2020 | 16,100 | 16,100 | 16,100 | 0.40 | 6,415 | 0.40 | 6,415 | 1.20 | 19,245 | 1.20 | 16,109 |
| Series D, 7.00%, issued September 2021 | 18,600 | — | — | 0.28 | 1,175 | — | — | 0.28 | 1,175 | — | — |
| Total | 52,210 | 33,610 | 33,610 | $ 1.60 | $ 15,533 | $ 1.32 | $ 14,358 | $ 4.23 | $ 44,249 | $ 3.95 | $ 39,938 |

(A) The Series D dividends declared represents the amount accrued atSeptember 30, 2021.

*Three months ended September 30, 2021 compared to the three months ended June 30, 2021.*

Dividends on preferred stock increased $1.2 million to $15.5 million due to the issuance of Preferred Series D shares in mid-September 2021.

*Nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.*

Dividends on preferred stock increased $4.3 million to $44.2 million due to the issuance of Preferred Series D shares in mid-September 2021 as well as the issuance of the Preferred Series C shares in mid-February 2020.

**Other Comprehensive Income.** See "—Accumulated Other Comprehensive Income (Loss)" below.

**LIQUIDITY AND CAPITAL RESOURCES**

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, and other general business needs. Additionally, to maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT taxable income. We note that a portion of this requirement may be able to be met in future years through stock dividends, rather than cash, subject to limitations based on the value of our stock.

Our primary sources of funds are cash provided by operating activities (primarily income from servicing and originations), sales of and repayments from our investments, potential debt financing sources, including securitizations, and the issuance of equity securities, when feasible and appropriate.

Our primary uses of funds are the payment of interest, management fees, servicing and subservicing expenses, outstanding commitments (including margins and mortgage loan originations), other operating expenses, repayment of borrowings and hedge obligations, dividends and funding of future servicer advances. The Company's total cash and cash equivalents at September 30, 2021 was $1,366.7 million.

Our ability to utilize funds generated by the MSRs held in our servicer subsidiaries, NRM, Newrez, and Caliber, is subject to and limited by certain regulatory requirements, including maintaining liquidity, tangible net worth and ratio of capital to assets. Moreover, our ability to access and utilize cash generated from our regulated entities is an important part of our dividend paying ability. As of September 30, 2021, approximately $1,166.4 million of our cash and cash equivalents were held at NRM, Newrez, and Caliber, of which $971.0 million were in excess of regulatory liquidity requirements. NRM, Newrez, and Caliber are expected to maintain compliance with applicable liquidity and net worth requirements throughout the year.

Currently, our primary sources of financing are secured financing agreements and secured notes and bonds payable, although we have in the past and may in the future also pursue one or more other sources of financing such as securitizations and other secured and unsecured forms of borrowing. As of September 30, 2021, we had outstanding secured financing agreements with an aggregate face amount of approximately $22.8 billion to finance our investments. The financing of our entire RMBS portfolio, which generally has 30- to 90-day terms, is subject to margin calls. Under secured financing agreements, we sell a security to a counterparty and concurrently agree to repurchase the same security at a later date for a higher specified price. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the

financing. The price at which the security is sold generally represents the market value of the security less a discount or "haircut," which can range broadly. During the term of the secured financing agreement, the counterparty holds the security as collateral. If the agreement is subject to margin calls, the counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the agreement. If this value declines by more than a de minimis threshold, the counterparty could require us to post additional collateral (or "margin") in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that may be subject to margin calls based on the value of such instruments. In addition, $3.9 billion face amount of our MSR and Excess MSR financing is subject to mandatory monthly repayment to the extent that the outstanding balance exceeds the market value (as defined in the related agreement) of the financed asset multiplied by the contractual maximum loan-to-value ratio. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls or related requirements resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates.

Our ability to obtain borrowings and to raise future equity capital is dependent on our ability to access borrowings and the capital markets on attractive terms. We continually monitor market conditions for financing opportunities and at any given time may be entering or pursuing one or more of the transactions described above. Our Manager's senior management team has extensive long-term relationships with investment banks, brokerage firms and commercial banks, which we believe enhance our ability to source and finance asset acquisitions on attractive terms and access borrowings and the capital markets at attractive levels.

Our ability to fund our operations, meet financial obligations and finance acquisitions may be impacted by our ability to secure and maintain our secured financing agreements, credit facilities and other financing arrangements. Because secured financing agreements and credit facilities are short-term commitments of capital, lender responses to market conditions may make it more difficult for us to renew or replace, on a continuous basis, our maturing short-term borrowings and have imposed, and may continue to impose, more onerous conditions when rolling such financings. If we are not able to renew our existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under our financing facilities or if we are required to post more collateral or face larger haircuts, we may have to curtail our asset acquisition activities and/or dispose of assets.

While market volatility attributable to COVID-19 has subsided since its onset in 2020, it is possible that volatility may increase again, and our lenders may become unwilling or unable to provide us with financing and we could be forced to sell our assets at an inopportune time when prices are depressed. In addition, if the regulatory capital requirements imposed on our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also have revised and may continue to revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, including haircuts and requiring additional collateral in the form of cash, based on, among other factors, the regulatory environment and their management of actual and perceived risk. Moreover, the amount of financing we receive under our secured financing agreements will be directly related to our lenders' valuation of our assets that cover the outstanding borrowings.

With respect to the next 12 months, we expect that our cash on hand combined with our cash flow provided by operations and our ability to roll our secured financing agreements and servicer advance financings will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, potential margin calls, mortgage loan origination and operating expenses. Our ability to roll over short-term borrowings is critical to our liquidity outlook. We have a significant amount of near-term maturities, which we expect to be able to refinance. If we cannot repay or refinance our debt on favorable terms, we will need to seek out other sources of liquidity. While it is inherently more difficult to forecast beyond the next 12 months, we currently expect to meet our long-term liquidity requirements through our cash on hand and, if needed, additional borrowings, proceeds received from secured financing agreements and other financings, proceeds from equity offerings and the liquidation or refinancing of our assets.

These short-term and long-term expectations are forward-looking and subject to a number of uncertainties and assumptions, including those described under "—Market Considerations" as well as "Risk Factors." If our assumptions about our liquidity prove to be incorrect, we could be subject to a shortfall in liquidity in the future, and such a shortfall may occur rapidly and with little or no notice, which could limit our ability to address the shortfall on a timely basis and could have a material adverse effect on our business.

Our cash flow provided by operations differs from our net income due to these primary factors (i) the difference between (a) accretion and amortization and unrealized gains and losses recorded with respect to our investments and (b) cash received therefrom, (ii) unrealized gains and losses on our derivatives, and recorded impairments, if any, (iii) deferred taxes, and (iv) principal cash flows related to held-for-sale loans, which are characterized as operating cash flows under GAAP.

In addition to the information referenced above, the following factors could affect our liquidity, access to capital resources and our capital obligations. As such, if their outcomes do not fall within our expectations, changes in these factors could negatively affect our liquidity.

- *Access to Financing from Counterparties* – Decisions by investors, counterparties and lenders to enter into transactions with us will depend upon a number of factors, such as our historical and projected financial performance, compliance with the terms of our current credit arrangements, industry and market trends, the availability of capital and our investors', counterparties' and lenders' policies and rates applicable thereto, and the relative attractiveness of alternative investment or lending opportunities. Our business strategy is dependent upon our ability to finance certain of our investments at rates that provide a positive net spread.
- *Impact of Expected Repayment or Forecasted Sale on Cash Flows* – The timing of and proceeds from the repayment or sale of certain investments may be different than expected or may not occur as expected. Proceeds from sales of assets are unpredictable and may vary materially from their estimated fair value and their carrying value. Further, the availability of investments that provide similar returns to those repaid or sold investments is unpredictable and returns on new investments may vary materially from those on existing investments.

***Debt Obligations***

The following table presents certain information regarding our debt obligations (dollars in thousands):

| | September 30, 2021 | | | | | | | | | December 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 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 |
| Secured Financing Agreements[C] | | | | | | | | | | |
| Repurchase Agreements: | | | | | | | | | | |
| Warehouse Credit Facilities-Residential Mortgage Loans[F] | $ 12,923,024 | $ 12,919,922 | Oct-21 to Sep-25 | 2.01 % | 0.8 | $ 13,774,859 | $ 13,775,860 | $ 13,803,756 | 23.9 | $ 4,039,564 |
| Agency RMBS[D] | 8,956,064 | 8,956,064 | Oct-21 to Jan-22 | 0.16 % | 0.1 | 8,876,431 | 9,158,455 | 9,321,370 | 6.6 | 12,682,427 |
| Non-Agency RMBS[E] | 723,486 | 723,486 | Oct-21 to Dec-21 | 2.52 % | 0.0 | 13,927,317 | 905,336 | 987,803 | 3.3 | 817,209 |
| Real Estate Owned[G][H] | 160,512 | 160,513 | Oct-21 to Sep-25 | 2.91 % | 1.2 | N/A | 230,128 | 224,580 | 4.5 | 8,480 |
| Total Secured Financing Agreements | 22,763,086 | 22,759,985 | | 1.31 % | 0.5 | | | | | 17,547,680 |
| Secured Notes and Bonds Payable | | | | | | | | | | |
| Excess MSRs[I] | 248,061 | 248,061 | Aug-25 | 3.74 % | 3.9 | 84,829,582 | 281,142 | 348,080 | 6.3 | 275,088 |
| MSRs[J] | 3,629,810 | 3,617,850 | Mar-22 to Jul-26 | 3.69 % | 3.2 | 531,851,913 | 6,029,066 | 6,477,289 | 6.1 | 2,691,791 |
| Servicer Advance Investments[K] | 381,286 | 380,420 | Apr-22 to Dec-22 | 1.30 % | 1.1 | 408,085 | 453,442 | 472,004 | 6.0 | 423,144 |
| Servicer Advances[K] | 2,347,819 | 2,342,335 | Nov-21 to Sep-23 | 2.34 % | 1.4 | 2,796,796 | 2,782,622 | 2,782,622 | 0.7 | 2,585,575 |
| Residential Mortgage Loans[L] | 1,170,838 | 1,162,080 | Sep-22 to Jul-43 | 2.10 % | 3.6 | 1,192,146 | 1,311,940 | 1,313,998 | 20.0 | 1,039,838 |
| Consumer Loans[M] | 492,999 | 497,346 | Sep-37 | 2.04 % | 3.6 | 485,966 | 496,573 | 547,548 | 3.3 | 628,759 |
| Total Secured Notes and Bonds Payable | 8,270,813 | 8,248,092 | | 2.87 % | 2.7 | | | | | 7,644,195 |
| Total/ Weighted Average | $ 31,033,899 | $ 31,008,077 | | 1.72 % | 1.1 | | | | | $ 25,191,875 |

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity through the date of issuance were refinanced, extended or repaid.
(C) These secured financing agreements had approximately $65.7 million of associated accrued interest payable as of September 30, 2021.
(D) All Agency RMBS repurchase agreements have a fixed rate. Collateral carrying value includes $341.8 million margin receivable.
(E) All Non-Agency RMBS secured financing agreements have LIBOR-based floating interest rates. This also includes repurchase agreements and related collateral of $12.3 million and $16.5 million, respectively, on retained bonds collateralized by Agency MSRs. Collateral carrying value includes $2.4 million margin receivable.
(F) Includes $266.4 million of repurchase agreements which bear interest at a fixed rate of 4.0%. All remaining repurchase agreements have LIBOR-based floating interest rates.
(G) All 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 as well as $152.6 million of financing collateralized by a portion of our single family rental portfolio.

(I) Includes $248.1 million of corporate loans which bear interest at a fixed rate of 3.7%.

(J) Includes $1.3 billion 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 2.8% to 4.5%; $99.9 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.9%; and $2.2 billion of capital markets notes with fixed interest rates ranging 3.0% to 5.4%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and MSR Financing Receivables that secure these notes.

(K) $1.8 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 1.1% to 1.9%. Collateral includes Servicer Advance Investments, as well as servicer advances receivable related to the mortgage servicing rights and MSR financing receivables owned by NRM.

(L) Represents (i) a $5.8 million note payable to Mr. Cooper which includes a $1.6 million receivable from government agency and bears interest equal to one-month LIBOR plus 2.9%, (ii) $30.4 million face amount of SAFT 2013-1 mortgage-backed securities issued with a fixed interest rate of 3.8% (see Note 12 for fair value details), (iii) $46.5 million of MDST Trusts asset-backed notes held by third parties which bear interest equal to 6.6% (see Note 12 for fair value details), (iv) $232.2 million of bonds held by third parties which bear interest at a fixed rate ranging from 3.6% to 5.0%, (v) a $105.8 million note payable collateralized by SFR with a fixed interest rate of 2.75%, and (vi) $750.0 million securitization backed by a revolving warehouse facility to finance newly originated first-lien, fixed- and adjustable-rate mortgage loans which bears interest equal to one-month LIBOR plus 1.13% (refer to Note 13 for further discussion).

(M) Includes the SpringCastle debt, which is primarily composed of the following classes of asset-backed notes held by third parties: $440.0 million UPB of Class A notes with a coupon of 2.0% and a stated maturity date in September 2037 and $53.0 million UPB of Class B notes with a coupon of 2.7% and a stated maturity date in September 2037 (collectively, "SCFT 2020-A").

Certain of the debt obligations included above are obligations of our consolidated subsidiaries, which own the related collateral. In some cases, such collateral is not available to other creditors of ours.

We have margin exposure on $22.8 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, we may be required to post margin, which could significantly impact our liquidity.

The following table provides additional information regarding our short-term borrowings (dollars in thousands):

| | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|
| | Outstanding Balance at September 30, 2021 | Average Daily Amount Outstanding[A] | Maximum Amount Outstanding | Weighted Average Daily Interest Rate |
| Secured Financing Agreements | | | | |
| Agency RMBS | $ 8,956,064 | $ 12,786,907 | $ 18,667,907 | 0.19 % |
| Non-Agency RMBS | 723,486 | 748,301 | 1,300,470 | 3.17 % |
| Residential mortgage loans | 8,922,426 | 9,055,124 | 11,608,298 | 1.90 % |
| Real estate owned | 6,006 | 9,923 | 24,133 | 2.65 % |
| Secured Notes and Bonds Payable | | | | |
| MSRs | 366,360 | 215,328 | 716,360 | 3.39 % |
| Servicer advances | 744,193 | 643,959 | 928,259 | 1.94 % |
| Residential mortgage loans | 5,834 | 5,821 | 5,888 | 3.06 % |
| Total/weighted average | $ 19,724,369 | $ 23,465,363 | $ 33,251,315 | 1.20 % |

(A) Represents the average for the period the debt was outstanding.

| | Average Daily Amount Outstanding[A] | | | |
|---|---|---|---|---|
| | Three Months Ended | | | |
| | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
| Secured Financing Agreements | | | | |
| Agency RMBS | $ 10,098,123 | $ 15,169,877 | $ 13,833,811 | $ 11,391,397 |
| Non-Agency RMBS | 715,802 | 724,014 | 806,260 | 447,824 |
| Residential mortgage loans | 4,879,365 | 4,622,809 | 4,552,293 | 3,655,906 |
| Real estate owned | 9,923 | 19,294 | 2,282 | 2,581 |

(A) Represents the average for the period the debt was outstanding.

*Corporate Debt*

On May 19, 2020, we, as borrower, entered into a three-year senior secured term loan facility agreement (the "2020 Term Loan") in the principal amount of $600.0 million at a fixed annual rate of 11.0%.

In August 2020, we made a $51.0 million prepayment on the 2020 Term Loan. As a result, we recorded a $5.7 million loss on extinguishment of debt, representing a write-off of unamortized debt issuance costs and original issue discount.

In conjunction with the issuance of the 2020 Term Loan, we issued warrants providing the lenders with the right to acquire, subject to anti-dilution adjustments, up to 43.4 million shares of our common stock in the aggregate (the "2020 Warrants"). The 2020 Warrants are exercisable in cash or on a cashless basis and expire on May 19, 2023 and are exercisable, in whole or in part, at any time or from time to time after September 19, 2020 at the following prices (subject to certain anti-dilution provisions): approximately 24.6 million shares of common stock at $6.11 per share and approximately 18.9 million shares of common stock at $7.94 per share. As of September 30, 2021, the weighted average exercise price was $6.58 per share.

On September 16, 2020, we, as borrower, completed a private offering of $550.0 million aggregate principal amount of 6.250% senior unsecured notes due 2020 (the "2025 Senior Notes"). Interest on the 2025 Senior Notes accrue at the rate of 6.250% per annum with interest payable semi-annually in arrears on each April 15 and October 15, commencing on April 15, 2021. Net proceeds from the offering were approximately $544.5 million, after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by us. We used the net proceeds from the offering, together with cash on hand, to prepay and retire our then-existing 2020 Term Loan and to pay related fees and expenses. As a result, we recorded a $61.1 million loss on extinguishment of debt, representing a write-off of unamortized debt issuance costs and original issue discount.

The 2025 Senior Notes mature on October 15, 2025 and we may redeem some or all of the 2025 Senior Notes at our option, at any time from time to time, on or after October 15, 2022 at a price equal to the following fixed redemption prices (expressed as a percentage of principal amount of the 2025 Senior Notes to be redeemed):

| Year | Price |
|---|---|
| 2022 | 103.125% |
| 2023 | 101.563% |
| 2024 and thereafter | 100.000% |

Prior to October 15, 2022, we will be entitled at its option on one or more occasions to redeem the 2025 Senior Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the 2025 Senior Notes originally issued prior to the applicable redemption date at a fixed redemption price of 106.250%.

For additional information on our debt activities, see Note 11 to our Consolidated Financial Statements.

*Maturities*

Our debt obligations as of September 30, 2021, as summarized in Note 11 to our Consolidated Financial Statements, had contractual maturities as follows (in thousands):

| Year Ending | Nonrecourse[A] | Recourse[B] | Total |
|---|---|---|---|
| October 1 through December 31, 2021 | $ — | $ 13,742,872 | $ 13,742,872 |
| 2022 | 1,432,049 | 6,338,673 | 7,770,722 |
| 2023 | 1,365,913 | 3,245,451 | 4,611,364 |
| 2024 | 750,000 | 952,951 | 1,702,951 |
| 2025 | 232,200 | 2,141,348 | 2,373,548 |
| 2026 and thereafter | 569,976 | 812,466 | 1,382,442 |
| | $ 4,350,138 | $ 27,233,761 | $ 31,583,899 |

(A) Includes secured notes and bonds payable of $4.4 billion.
(B) Includes secured financing agreements and secured notes and bonds payable of $22.8 billion and $4.4 billion, respectively.

The weighted average differences between the fair value of the assets and the face amount of available financing for the Agency RMBS repurchase agreements and Non-Agency RMBS repurchase agreements were 3.9% and 27%, respectively, and for residential mortgage loans and REO were 6% and 29%, respectively, during the nine months ended September 30, 2021.

*Borrowing Capacity*

The following table represents our borrowing capacity as of September 30, 2021 (in thousands):

| Debt Obligations/ Collateral | Borrowing Capacity | Balance Outstanding | Available Financing[A] |
|---|---|---|---|
| Secured Financing Agreements | | | |
| Residential mortgage loans and REO | $ 4,379,092 | $ 1,999,295 | $ 2,379,797 |
| New loan origination | 21,103,010 | 11,834,240 | 9,268,770 |
| Secured Notes and Bonds Payable | | | |
| Excess MSRs | 286,380 | 248,061 | 38,319 |
| MSRs | 4,685,450 | 3,629,810 | 1,055,640 |
| Servicer advances | 4,554,990 | 2,729,105 | 1,825,885 |
| Residential mortgage loans | 200,000 | 105,825 | 94,175 |
| | $ 35,208,922 | $ 20,546,336 | $ 14,662,586 |

(A) Although available financing is uncommitted, our unused borrowing capacity is available to us if we have additional eligible collateral to pledge and meet other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate.

*Covenants*

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in our equity or failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. We were in compliance with all of our debt covenants as of September 30, 2021.

**Stockholders' Equity**

*Preferred Stock*

Pursuant to our certificate of incorporation, we are authorized to designate and issue up to 100.0 million shares of preferred stock, par value of $0.01 per share, in one or more classes or series.

| Series | Number of Shares | | Liquidation Preference[A] | Issuance Discount | Carrying Value[B] | Dividends Declared per Share | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | September 30, 2021 | December 31, 2020 | | | | 2021 | 2020 | 2021 | 2020 |
| Series A, 7.50% issued July 2019[C] | 6,210 | 6,210 | $ 155,250 | 3.15 % | $ 150,026 | $ 0.47 | $ 0.47 | $ 1.41 | $ 1.41 |
| Series B, 7.125% issued August 2019[C] | 11,300 | 11,300 | 282,500 | 3.15 % | 273,418 | 0.45 | 0.45 | 1.34 | 1.34 |
| Series C, 6.375% issued February 2020[C] | 16,100 | 16,100 | 402,500 | 3.15 % | 389,548 | 0.40 | 0.40 | 1.20 | 1.20 |
| Series D, 7.00%, issued September 2021[D] | 18,600 | — | 465,000 | 3.15 % | 449,506 | 0.28 | — | 0.28 | — |
| Total | 52,210 | 33,610 | $ 1,305,250 | | $ 1,262,498 | $ 1.60 | $ 1.32 | $ 4.23 | $ 3.95 |

(A) Each series has a liquidation preference or par value of $25.00 per share.
(B) Carrying value reflects par value less discount and issuance costs.
(C) Fixed-to-floating rate cumulative redeemable preferred.
(D) Fixed-rate reset cumulative redeemable preferred.

Our Series A, Series B, Series C, and Series D rank senior to all classes or series of our common stock and to all other equity securities issued by us that expressly indicate are subordinated to the Series A, Series B, Series C, and Series D with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up. Our Series A, Series B, Series C, and Series D have no stated maturity, are not subject to any sinking fund or mandatory redemption and rank on parity with each other. Under certain circumstances upon a change of control, our Series A, Series B, Series C, and Series D are convertible to shares of our common stock.

From and including the date of original issue, July 2, 2019, August 15, 2019, February 14, 2020, and September 17, 2021 but excluding August 15, 2024, February 15, 2025, and November 15, 2026, holders of shares of our Series A, Series B, Series C, and Series D are entitled to receive cumulative cash dividends at a rate of 7.50%, 7.125%, 6.375%, and 7.00% per annum of the $25.00 liquidation preference per share (equivalent to $1.875, $1.781, $1.594, and $1.750 per annum per share), respectively, and from and including August 15, 2024 and February 15, 2025, at a floating rate per annum equal to the three-month LIBOR plus a spread of 5.802%, 5.640%, and 4.969% per annum, for our Series A, Series B, and Series C, respectively. Holders of shares of our Series D, from and including November 15, 2026, are entitled to receive cumulative cash dividends based on the five-year treasury rate plus a spread of 6.223%. Dividends for the Series A, Series B, Series C, and Series D are payable quarterly in arrears on or about the 15th day of each February, May, August and November.

The Series A and Series B will not be redeemable before August 15, 2024, the Series C will not be redeemable before February 15, 2025, and the Series D will not be redeemable before November 15, 2026 except under certain limited circumstances intended to preserve our qualification as a REIT for U.S. federal income tax purposes and except upon the occurrence of a Change of Control (as defined in the Certificate of Designations). On or after August 15, 2024 for the Series A and Series B, February 15, 2025 for the Series C, and November 15, 2026 for the Series D we may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series A, Series B, Series C, and Series D in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date, without interest.

*Common Stock*

Approximately 2.4 million shares of our common stock were held by Fortress, through its affiliates, and its principals as of September 30, 2021.

On February 16, 2021, we announced that our board of directors had authorized the repurchase of up to $200.0 million of our common stock through December 31, 2021. Repurchases may be made at any time and from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Exchange Act, by means of one or more tender offers, or otherwise, in each case, as permitted by securities laws and other legal and contractual requirements. The amount and timing of the purchases will depend on a number of factors including the price and availability of our shares, trading volume, capital availability, our performance and general economic and market conditions. The share repurchase program may be suspended or discontinued at any time. No share repurchases have been made as of the filing of this report. Repurchases may impact our financial results, including fees paid to our Manager.

On April 14, 2021, we priced our underwritten public offering of 45,000,000 shares of its common stock at a public offering price of $10.10 per share. In connection with the offering, we granted the underwriters an option for a period of 30 days to purchase up to an additional 6,750,000 shares of common stock at a price of $10.10 per share. On April 16, 2021, the underwriters exercised their option, in part, to purchase an additional 6,725,000 shares of common stock. The offering closed

on April 19, 2021. To compensate the Manager for its successful efforts in raising capital for us, we granted options to the Manager relating to 5.2 million shares of New Residential's common stock at $10.10 per share. We used the net proceeds of approximately $512.0 million from the offering, along with cash on hand and other sources of liquidity, to finance the Caliber acquisition.

On May 19, 2021, we entered into a Distribution Agreement to sell shares of our common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). No share issuances were made during the three months ended September 30, 2021.

On September 14, 2021, we priced our underwritten public offering of 17,000,000 of our 7.00% fixed-rate reset series D cumulative redeemable preferred stock, par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $449.5 million. The offering closed on September 17, 2021. In connection with the offering, we granted the underwriters an option for a period of 30 days to purchase up to an additional 2,550,000 shares of preferred stock at a price of $24.2125 per share. On September 22, 2021, the underwriters exercised their option, in part, to purchase an additional 1,600,000 shares of preferred stock. To compensate the Manager for its successful efforts in raising capital for us, we granted options to the Manager relating to approximately 1.9 million shares of our common stock at $10.89 per share.

As of September 30, 2021, our outstanding options had a weighted average exercise price of $14.15. Our outstanding options as of September 30, 2021 were summarized as follows:

| | |
|---|---|
| Held by the Manager | 18,700,175 |
| Issued to the Manager and subsequently assigned to certain of the Manager's employees | 2,753,980 |
| Issued to the independent directors | 6,000 |
| Total | 21,460,155 |

*Common Dividends*

We are organized and intend to conduct our operations to qualify as a REIT for U.S. federal income tax purposes. We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our secured financing agreements and other debt payable. If our cash available for distribution is less than our taxable income, we could be required to sell assets or raise capital to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

We make distributions based on a number of factors, including an estimate of taxable earnings per common share. Dividends distributed and taxable and GAAP earnings will typically differ due to items such as fair value adjustments, differences in premium amortization and discount accretion, other differences in method of accounting, non-deductible general and administrative expenses, taxable income arising from certain modifications of debt instruments and investments held in TRSs. Our quarterly dividend per share may be substantially different than our quarterly taxable earnings and GAAP earnings per share.

We will continue to monitor market conditions and the potential impact the ongoing volatility and uncertainty may have on our business. Our board of directors will continue to evaluate the payment of dividends as market conditions evolve, and no definitive determination has been made at this time. While the terms and timing of the approval and declaration of cash dividends, if any, on shares of our capital stock is at the sole discretion of our board of directors and we cannot predict how market conditions may evolve, we intend to distribute to our stockholders an amount equal to at least 90% of our REIT taxable income determined before applying the deduction for dividends paid and by excluding net capital gains consistent with our intention to maintain our qualification as a REIT under the Code.

The table below summarize common dividends declared for the periods presented:

| Common Dividends Declared for the Period Ended | Paid/Payable | Amount Per Share |
|---|---|---|
| June 30, 2020 | July 2020 | $ 0.10 |
| September 30, 2020 | October 2020 | 0.15 |
| December 31, 2020 | January 2021 | 0.20 |
| March 31, 2021 | April 2021 | 0.20 |
| June 30, 2021 | July 2021 | 0.20 |
| September 30, 2021 | October 2021 | 0.25 |

**Cash Flow**

*Operating Activities*

Net cash flows used in operating activities decreased approximately $2.6 billion for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. Operating cash flows for the nine months ended September 30, 2021 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale of $89.7 billion, servicing fees received of $1.1 billion, net recoveries of servicer advances receivable of $303.8 million, and net interest income received of $272.7 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of $5.8 billion, originations of $84.6 billion, management fees paid to the Manager of $69.4 million, income taxes paid of $20.7 million, subservicing fees paid of $235.2 million and other outflows of approximately $1.4 billion including general and administrative costs, compensation and benefits, and loan servicing fees. The $748.8 million net proceeds on residential mortgage loans, held for sale, were primarily used to pay down debt facilities classified in financing activities below.

*Investing Activities*

Cash flows provided by (used in) investing activities were $2.8 billion for the nine months ended September 30, 2021. Investing activities consisted primarily of the acquisition of real estate securities, funding of servicer advances, the Caliber acquisition, net of proceeds from the sale of real estate securities, principal repayments from Servicer Advance Investments, MSRs, real estate securities, loans.

*Financing Activities*

Cash flows provided by (used in) financing activities were approximately $(1.6) billion during the nine months ended September 30, 2021. Financing activities consisted primarily of borrowings net of repayments under debt obligations, margin deposits net returns of margin under secured financing agreements and derivatives, equity offerings, capital contributions net of distributions from noncontrolling interests in the equity of consolidated subsidiaries, and payment of dividends.

**INTEREST RATE, CREDIT AND SPREAD RISK**

We are subject to interest rate, credit and spread risk with respect to our investments. These risks are further described in “Quantitative and Qualitative Disclosures About Market Risk.”

**OFF-BALANCE SHEET ARRANGEMENTS**

We have material off-balance sheet arrangements related to our non-consolidated securitizations of residential mortgage loans treated as sales in which we retained certain interests. We believe that these off-balance sheet structures presented the most efficient and least expensive form of financing for these assets at the time they were entered and represented the most common market-accepted method for financing such assets. Our exposure to credit losses related to these non-recourse, off-balance sheet financings is limited to $1.0 billion. As of September 30, 2021, there was $11.4 billion in total outstanding unpaid principal balance of residential mortgage loans underlying such securitization trusts that represent off-balance sheet financings.

We did not have any other off-balance sheet arrangements as of September 30, 2021. We did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes, other than the entities described above. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment and do not intend to provide additional funding to any such entities.

**CONTRACTUAL OBLIGATIONS**

Our contractual obligations as of September 30, 2021 included all of the material contractual obligations referred to in our annual report on Form 10-K for the year ended December 31, 2020, excluding debt that was repaid as described in "—Liquidity and Capital Resources—Debt Obligations."

In addition, we executed the following material contractual obligations during the nine months ended September 30, 2021:

- *Derivatives* – as described in Note 10 to our Consolidated Financial Statements, we have altered the composition of our economic hedges during the period.
- *Debt obligations* – as described in Note 11 to our Consolidated Financial Statements, we borrowed additional amounts.

See Notes 15 and 18 to our Consolidated Financial Statements included in this report for information regarding commitments and material contracts entered into subsequent to September 30, 2021, if any. As described in Note 15, we have committed to purchase certain future servicer advances. The actual amount of future advances is subject to significant uncertainty. However, we currently expect that net recoveries of servicer advances will exceed net fundings for the foreseeable future. This expectation is based on judgments, estimates and assumptions, all of which are subject to significant uncertainty. In addition, the Consumer Loan Companies have invested in loans with an aggregate of $250.1 million of unfunded and available revolving credit privileges as of September 30, 2021. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at management's discretion.

**INFLATION**

Virtually all of our assets and liabilities are financial in nature. As a result, interest rates and other factors affect our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors primarily based our taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation. See "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices, equity prices and other market-based risks. The primary market risks that we are exposed to are interest rate risk, mortgage basis spread risk, prepayment rate risk and credit risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and derivative positions (other than TBAs) are for non-trading purposes only. For a further discussion of how market risk may affect our financial position or results of operations, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies."

**Interest Rate Risk**

Changes in interest rates, including changes in expected interest rates or "yield curves," affect our investments in various ways, the most significant of which are discussed below.

*Fair Value Impact*

Changes in the level of interest rates also affect the yields required by the marketplace on interest rate instruments. Increasing interest rates would decrease the value of the fixed rate assets we hold at the time because higher required yields result in lower prices on existing fixed rate assets in order to adjust their yield upward to meet the market.

Changes in unrealized gains or losses resulting from changes in market interest rates do not directly affect our cash flows, or our ability to pay a dividend, to the extent the related assets are expected to be held and continue to perform as expected, as their fair value is not relevant to their underlying cash flows. Changes in unrealized gains or losses would impact our ability to realize gains on existing investments if they were sold. Furthermore, with respect to changes in unrealized gains or losses on investments which are carried at fair value, changes in unrealized gains or losses would impact our net book value and, in certain cases, our net income.

Changes in interest rates can also have ancillary impacts on our investments. Generally, in a declining interest rate environment, residential mortgage loan prepayment rates increase which in turn would cause the value of MSRs, mortgage servicing rights financing receivables, Excess MSRs and the rights to the basic fee components of MSRs to decrease, because the duration of the cash flows we are entitled to receive becomes shortened, and the value of loans and Non-Agency RMBS to increase, because we generally acquired these investments at a discount whose recovery would be accelerated. With respect to a significant portion of our MSRs and Excess MSRs, we have recapture agreements, as described in Notes 4 and 5 to our Consolidated Financial Statements. These recapture agreements help to protect these investments from the impact of increasing prepayment rates. In addition, to the extent that the loans underlying our MSRs, MSR financing receivables, Excess MSRs and the rights to the basic fee components of MSRs are well-seasoned with credit-impaired borrowers who may have limited refinancing options, we believe the impact of interest rates on prepayments would be reduced. Conversely, in an increasing interest rate environment, prepayment rates decrease which in turn would cause the value of MSRs, MSR financing receivables, Excess MSRs and the rights to the basic fee components of MSRs to increase and the value of loans and Non-Agency RMBS to decrease. To the extent we do not hedge against changes in interest rates, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, our investments as interest rates change. However, rising interest rates could result from more robust market conditions, which could reduce the credit risk associated with our investments. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed below under "—Prepayment Rate Exposure."

Changes in the value of our assets could affect our ability to borrow and access capital. Also, if the value of our assets subject to short-term financing were to decline, it could cause us to fund margin, or repay debt, and affect our ability to refinance such assets upon the maturity of the related financings, adversely impacting our rate of return on such investments.

We are subject to margin calls on our secured financing agreements. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that are subject to margin calls, or mandatory repayment, based on the value of such instruments. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls, or required repayments, resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates but there can be no assurance that our cash reserves will be sufficient.

In addition, changes in interest rates may impact our ability to exercise our call rights and to realize or maximize potential profits from them. A significant portion of the residential mortgage loans underlying our call rights bear fixed rates and may decline in value during a period of rising market interest rates. Furthermore, rising rates could cause prepayment rates on these loans to decline, which would delay our ability to exercise our call rights. These impacts could be at least partially offset by potential declines in the value of Non-Agency RMBS related to the call rights, which could then be acquired more cheaply, and in credit spreads, which could offset the impact of rising market interest rates on the value of fixed rate loans to some degree. Conversely, declining interest rates could increase the value of our call rights by increasing the value of the underlying loans.

We believe our consumer loan investments generally have limited interest rate sensitivity given that our portfolio is mostly composed of very seasoned loans with credit-impaired borrowers who are paying fixed rates, who we believe are relatively unlikely to change their prepayment patterns based on changes in interest rates.

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control.

LIBOR and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform, and it appears likely that LIBOR will be phased out or the methodology for determining LIBOR will be modified by 2021. We currently have agreements that are indexed to LIBOR and are monitoring related reform proposals and evaluating the related risks; however, it is not possible to predict the effects of any of these developments, and any future initiatives to regulate, reform or change the manner of administration of LIBOR could result in adverse consequences to the rate of interest payable and receivable on, market value of and market liquidity for LIBOR-based financial instruments. See Part I, Item 1A, Risk Factors-Risks Related to Our Business-Changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.

The table below provides comparative estimated changes in our book value based on a parallel shift in the yield curve (assuming an unchanged mortgage basis) including changes in our book value resulting from potential related changes in discount rates.

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Interest rate change (bps)** | **Estimated Change in Fair Value (in millions)** | |
| +50bps | +325.0 | +191.0 |
| +25bps | +181.3 | +98.0 |
| -25bps | -181.3 | -98.0 |
| -50bps | -370.0 | -199.0 |

**Mortgage Basis Spread Risk**

Mortgage basis measures the spread between the yield on current coupon mortgage backed securities and benchmark rates including treasuries and swaps. The level of mortgage basis is driven by demand and supply of mortgage backed instruments relative to other rate-sensitive assets. Changes in the mortgage basis have an impact on prepayment rates driven by the ability of borrowers underlying our portfolio to refinance. A lower mortgage basis would imply a lower mortgage rate which would increase prepayment speeds due to higher refinance activity and, therefore, lower fair value of our mortgage portfolio. The mortgage basis is also correlated with other spread products such as corporate credit, and in the crisis of the last decade it was at a generational wide not seen before or since. The table below provides comparative estimated changes in our book value based on changes in mortgage basis.

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Mortgage basis change (bps)** | **Estimated Change in Fair Value (in millions)** | |
| +20bps | +109.6 | -10.6 |
| +10bps | +54.8 | -5.3 |
| -10bps | -54.8 | +5.3 |
| -20bps | -109.6 | +10.6 |

**Prepayment Rate Exposure**

Prepayment rates significantly affect the value of MSRs, MSR financing receivables, Excess MSRs, the basic fee component of MSRs (which we own as part of our Servicer Advance Investments), Non-Agency RMBS and loans, including consumer loans. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. The price we pay to acquire certain investments will be based on, among other things, our projection of the cash flows from the related pool of loans. Our expectation of prepayment rates is a significant assumption underlying those cash flow projections. If the fair value of MSRs, MSR financing receivables, Excess MSRs or the basic fee component of MSRs decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment rates could materially reduce the ultimate cash flows we receive from MSRs, MSR financing receivables, Excess MSRs or our right to the basic fee component of MSRs, and we could ultimately receive substantially less than what we paid for such assets. Conversely, a significant decrease in prepayment rates with respect to our loans or RMBS could delay our expected cash flows and reduce the yield on these investments.

We seek to reduce our exposure to prepayment through the structuring of our investments. For example, in our MSR and Excess MSR investments, we seek to enter into "recapture agreements" whereby our MSR or Excess MSR is retained if the applicable servicer or subservicer originates a new loan the proceeds of which are used to repay a loan underlying an MSR or Excess MSR in our portfolio. We seek to enter into such recapture agreements in order to protect our returns in the event of a rise in voluntary prepayment rates.

Please refer to the table in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies—Excess MSRs" for an analysis of the sensitivity of these investments to changes in certain market factors.

**Credit Risk**

We are subject to varying degrees of credit risk in connection with our assets. Credit risk refers to the ability of each individual borrower underlying our MSRs, MSR financing receivables, Excess MSRs, Servicer Advance Investments, securities and loans to make required interest and principal payments on the scheduled due dates. If delinquencies increase, then the amount of servicer advances we are required to make will also increase, as would our financing cost thereof. We may also invest in loans and Non-Agency RMBS which represent "first loss" pieces; in other words, they do not benefit from credit support although we believe they predominantly benefit from underlying collateral value in excess of their carrying amounts. We do not expect to encounter credit risk in our Agency RMBS, and we do anticipate credit risk related to Non-Agency RMBS, residential mortgage loans and consumer loans.

We seek to reduce credit risk through prudent asset selection, actively monitoring our asset portfolio and the underlying credit quality of our holdings and, where appropriate and achievable, repositioning our investments to upgrade their credit quality. Our pre-acquisition due diligence and processes for monitoring performance include the evaluation of, among other things, credit and risk ratings, principal subordination, prepayment rates, delinquency and default rates, and vintage of collateral.

For our MSRs, MSR financing receivables, and Excess MSRs on Agency collateral and our Agency RMBS, delinquency and default rates have an effect similar to prepayment rates. Our Excess MSRs on Non-Agency portfolios are not directly affected by delinquency rates because the servicer continues to advance principal and interest until a default occurs on the applicable loan, so delinquencies decrease prepayments therefore having a positive impact on fair value, while increased defaults have an effect similar to increased prepayments. For our Non-Agency RMBS and loans, higher default rates can lead to greater loss of principal. For our call rights, higher delinquencies and defaults could reduce the value of the underlying loans, therefore reducing or eliminating the related potential profit.

Market factors that could influence the degree of the impact of credit risk on our investments include (i) unemployment and the general economy, which impact borrowers' ability to make payments on their loans, (ii) home prices, which impact the value of collateral underlying residential mortgage loans, (iii) the availability of credit, which impacts borrowers' ability to refinance, and (iv) other factors, all of which are beyond our control.

**Liquidity Risk**

The assets that comprise our asset portfolio are generally not publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions.

**Investment Specific Sensitivity Analyses**

*MSRs and MSR Financing Receivables*

The following table summarizes the estimated change in fair value of our interests in the Agency MSRs, including MSR financing receivables, owned as of September 30, 2021 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

| | | | | |
|---|---|---|---|---|
| Fair value at September 30, 2021 | $ 4,273,376 | | | |
| Discount rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 4,549,380 | $ 4,405,878 | $ 4,148,782 | $ 4,034,277 |
| Change in estimated fair value: | | | | |
| Amount | $ 276,004 | $ 132,502 | $ (124,594) | $ (239,099) |
| % | 6.5 % | 3.1 % | (2.9)% | (5.6)% |
| Prepayment rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 4,608,041 | $ 4,431,962 | $ 4,129,639 | $ 3,998,479 |
| Change in estimated fair value: | | | | |
| Amount | $ 334,665 | $ 158,586 | $ (143,737) | $ (274,897) |
| % | 7.8 % | 3.7 % | (3.4)% | (6.4)% |
| Delinquency rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 4,304,238 | $ 4,288,687 | $ 4,257,915 | $ 4,242,519 |
| Change in estimated fair value: | | | | |
| Amount | $ 30,862 | $ 15,311 | $ (15,461) | $ (30,857) |
| % | 0.7 % | 0.4 % | (0.4)% | (0.7)% |
| Recapture rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 4,210,267 | $ 4,241,826 | $ 4,304,942 | $ 4,336,503 |
| Change in estimated fair value: | | | | |
| Amount | $ (63,109) | $ (31,550) | $ 31,566 | $ 63,127 |
| % | (1.5)% | (0.7)% | 0.7 % | 1.5 % |

The following table summarizes the estimated change in fair value of our interests in the Non-Agency MSRs, including MSR financing receivables, owned as of September 30, 2021 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

| | | | | |
|---|---|---|---|---|
| Fair value at September 30, 2021 | $ 966,051 | | | |
| Discount rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,052,619 | $ 1,007,460 | $ 927,840 | $ 893,085 |
| Change in estimated fair value: | | | | |
| Amount | $ 86,568 | $ 41,409 | $ (38,211) | $ (72,966) |
| % | 9.0 % | 4.3 % | (4.0)% | (7.6)% |
| Prepayment rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,008,502 | $ 985,978 | $ 948,245 | $ 933,439 |
| Change in estimated fair value: | | | | |
| Amount | $ 42,451 | $ 19,927 | $ (17,806) | $ (32,612) |
| % | 4.4 % | 2.1 % | (1.8)% | (3.4)% |
| Delinquency rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,006,594 | $ 980,117 | $ 926,963 | $ 900,017 |
| Change in estimated fair value: | | | | |
| Amount | $ 40,543 | $ 14,066 | $ (39,088) | $ (66,034) |
| % | 4.2 % | 1.5 % | (4.0)% | (6.8)% |
| Recapture rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 954,384 | $ 960,206 | $ 971,849 | $ 977,671 |
| Change in estimated fair value: | | | | |
| Amount | $ (11,667) | $ (5,845) | $ 5,798 | $ 11,620 |
| % | (1.2)% | (0.6)% | 0.6 % | 1.2 % |

The following table summarizes the estimated change in fair value of our interests in the Ginnie Mae MSRs, owned as of September 30, 2021 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

| | | | | |
|---|---|---|---|---|
| Fair value at September 30, 2021 | $ 1,325,840 | | | |
| Discount rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,416,834 | $ 1,369,545 | $ 1,284,869 | $ 1,247,160 |
| Change in estimated fair value: | | | | |
| Amount | $ 90,994 | $ 43,705 | $ (40,971) | $ (78,680) |
| % | 6.9 % | 3.3 % | (3.1)% | (5.9)% |
| Prepayment rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,464,554 | $ 1,391,515 | $ 1,266,308 | $ 1,211,909 |
| Change in estimated fair value: | | | | |
| Amount | $ 138,714 | $ 65,675 | $ (59,532) | $ (113,931) |
| % | 10.5 % | 5.0 % | (4.5)% | (8.6)% |
| Delinquency rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,364,560 | $ 1,345,034 | $ 1,306,427 | $ 1,287,168 |
| Change in estimated fair value: | | | | |
| Amount | $ 38,720 | $ 19,194 | $ (19,413) | $ (38,672) |
| % | 2.9 % | 1.4 % | (1.5)% | (2.9)% |
| Recapture rate shift in % | -20% | -10% | 10% | 20% |
| Estimated fair value | $ 1,295,151 | $ 1,310,496 | $ 1,341,187 | $ 1,356,532 |
| Change in estimated fair value: | | | | |
| Amount | $ (30,689) | $ (15,344) | $ 15,347 | $ 30,692 |
| % | (2.3)% | (1.2)% | 1.2 % | 2.3 % |

Each of the preceding sensitivity analyses is hypothetical and should be used with caution. In particular, the results are calculated by stressing a particular economic assumption independent of changes in any other assumption; in practice, changes in one factor may result in changes in another, which might counteract or amplify the sensitivities. Also, changes in the fair value based on a 10% variation in an assumption generally may not be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

### Changes in Internal Control Over Financial Reporting

On August 23, 2021, we completed the Caliber acquisition. Management is in the process of reviewing the operations of Caliber, and implementing our internal control structure over the operations of the recently acquired entity; however, we will elect to exclude Caliber when conducting our 2021 annual evaluation of the effectiveness of internal controls over financial reporting, as permitted by applicable regulations.

Except for the preceding changes, there have not been any other changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are 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 our business, financial position or results of operations.

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.

### ITEM 1A. RISK FACTORS

Investing in our stock involves a high degree of risk. You should carefully read and consider the following risk factors and all other information contained in this report. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, financial condition or results of operations could be materially and adversely affected. The risk factors summarized below are categorized as follows: (i) Risks Related to Our Business, (ii) Risks Related to Our Manager, (iii) Risks Related to the Financial Markets, (iv) Risks Related to Our Taxation as a REIT, (v) Risks Related to Our Stock and (vi) Risks Related to the Caliber Acquisition. However, these categories do overlap and should not be considered exclusive.

*Risks Related to Our Business*

**The COVID-19 pandemic has impacted, and could further adversely impact or disrupt, our business, financial condition and results of operations, as well as the U.S. and global economy and financial markets. Continued disruptions could create widespread mortgage loan performance and business continuity and viability issues.**

The COVID-19 pandemic has led to severe disruptions in the market and the global, U.S. and regional economies that may continue for a prolonged duration and trigger a recession or a period of economic slowdown. In response, various governmental bodies and private enterprises have implemented numerous measures to contain the outbreak, including vaccine mandates, travel bans, quarantines and other restrictions. These measures, among others, have slowed economic activities, and have led to significant and unprecedented volatility in the financial markets, including the markets in which we compete. The mortgage industry also has been negatively impacted.

In particular, our ability to operate successfully could be adversely impacted due to, but not limited to, the following:

- The pandemic could adversely impact the continued service and availability of skilled personnel, including our executive officers and other members of our management team, employees at our origination and servicing businesses and the servicers and subservicers that we engage, which we refer to as our "Servicing Partners," and other third-party vendors. To the extent our management or other personnel, including those of our Manager, are impacted in significant numbers by the pandemic and are not available to conduct work, our business and operating results may be negatively impacted.

- Volatility in the residential credit market has caused and may continue to cause the market value of loans and securities we own subject to financing to decline, and our financing counterparties may make margin calls. Significant margin calls could have a material adverse effect on our results of operations, financial condition, business, liquidity and ability to make distributions to our stockholders, and could cause the value of our securities to decline.

- Significant and widespread decreases in the fair values of our assets could cause us to breach the financial covenants under our borrowing facilities or other agreements related to liquidity, net worth, leverage or other financial metrics. Such covenants, if breached, may require us to immediately repay all outstanding amounts borrowed, if any, under these facilities, could cause these facilities to become unavailable for future financing, and could trigger cross-defaults under other debt agreements. In any such scenario, we could engage in discussions with our financing counterparties with regard to such covenants; however, we cannot predict whether our financing counterparties would negotiate terms or agreements in respect of these financial covenants, the timing of any such negotiations or agreements or the terms thereof. A continued reduction in our cash flows could impact our ability to continue paying dividends to our stockholders at expected levels or at all.

- Certain actions taken by U.S. or other governmental authorities, including the Federal Reserve, that are intended to ameliorate the macroeconomic effects of COVID-19 may harm our business. Decreases in short-term interest rates may have a negative impact on our results, as we have certain assets and liabilities which are sensitive to changes in interest rates. Since March 2020, the Federal Reserve has maintained interest rates close to zero in response to COVID-19 pandemic concerns, and the continuation of such low interest rates may negatively affect our results of operations. In addition, a continuing decline in interest rates may result in higher refinancing activity and therefore increase the rate of prepayment on loans underlying our assets, which could have a material adverse effect on our result of operations.

- We could face difficulty accessing debt and equity capital on attractive terms, or at all. In addition, a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may adversely affect the valuation of financial assets and liabilities or cause us to reduce the volume of loans we originate and/or service, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

- A rise in unemployment levels in the U.S. and other effects of COVID-19 may cause borrowers to experience difficulties in meeting their payment obligations under the mortgage loans, or to seek forbearance on payments, which may result in significant decreases in cash flows. An increase in delinquencies or defaults would have an adverse impact on the value of our RMBS and MSR assets, as well as increase the cost to service our MSR assets. Furthermore, increased interest rates will reduce the amount of prepayments which could result in an increase in our servicer advance obligations for which we may need to obtain additional liquidity either through raising additional financing or selling additional assets. In addition, any significant decrease in economic activity or resulting decline in the housing market could have an adverse effect on our investments in mortgage loans, Agency RMBS, Non-Agency RMBS and other real estate assets.

- A decrease in the value of our qualifying REIT assets and other market developments resulting from COVID-19 may adversely affect our ability to continue to qualify as a REIT. Although we expect to be able to continue to satisfy the requirements for qualification as a REIT, no assurances can be given that we will be able to do so, or that doing so will not adversely affect our business plan.

- U.S. and other governmental authorities, including FHFA, HUD, the CFPB and the Federal Reserve, have taken certain actions that are intended to ameliorate the macroeconomic effects of the pandemic, and the potential impact of such actions on our business remains uncertain. For example, on March 27, 2020, the CARES Act was enacted to provide financial assistance to individuals and businesses affected by the COVID-19 pandemic. The CARES Act also provides certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing and loan forgiveness/forbearance. The CARES Act, among other things, provides any homeowner with a federally-backed mortgage who is experiencing financial hardship the option of up to six months of forbearance on their mortgage payments, with a potential to extend that forbearance up to an additional twelve months. In addition, in February 2021 the federal government announced an additional extension of three to six months depending on loan type. As a result of the CARES Act forbearance requirements, we expect to experience continue elevated delinquencies in our servicing portfolio that may require us to finance substantial amounts of advances of principal and interest payments to the investors holding those loans, as well as advances of property taxes, insurance premiums and other expenses. During the forbearance period, no additional fees, penalties or interest can accrue on the homeowner's account. The CARES Act also established a temporary moratorium on foreclosures and the CFPB established requirements to be able to proceed with a foreclosure. Additionally, the CARES Act, and later the Centers for Disease Control and Prevention ("CDC"), imposed a nationwide temporary federal moratorium on residential evictions for nonpayment of rent. Unprecedented numbers of forbearances were requested as a result of the CARES Act and various executive orders and legislation in different states requiring servicers to administer forbearances. Extensive use by the public of the relief provided by the CARES Act, the CDC, the CFPB and other governmental authorities can have a negative impact on our financial results. However, none of the programs or legislation currently offer any liquidity initiatives to support servicers' advancing obligations, other than the Pass-Through Assistance Program offered by Ginnie Mae. We may not be eligible for any such relief and there is no assurance that any of these relief programs or initiatives will be effective, sufficient or otherwise have a positive impact on our business. During 2020, elevated prepayment activity was sufficient to cover principal and interest payment advances required under the CARES Act, however, in the future elevated prepayment activity may be insufficient to cover required principal and interest advances. The effects of the CARES Act forbearance requirements could reduce our servicing fee income and increase our servicing expenses due to the increased number of delinquent loans, significant levels of forbearance that have been granted and continue to grant, as well as the resolution of loans that may ultimately default as the result of the ongoing COVID-19 pandemic. Future servicing advances will be driven

by the number of borrower delinquencies, including those resulting from payment forbearance; the amount of time borrowers remain delinquent; and the level of successful resolution of delinquent payments, all of which will be impacted by the pace at which the economy recovers from the ongoing COVID-19 pandemic.

- To the extent we elect or are required to make temporary or lasting changes involving the status, practices and procedures of our operating businesses, including with respect to loan origination and servicing activities, we may strain our relationships with business partners, customers and counterparties, breach actual or perceived obligations to them, and be subject to litigation and claims from such partners, customers and counterparties, any of which could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

The extent of the pandemic's effect on our operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic such as resurgence of COVID-19 cases in certain geographies, the related economic impacts, as well as the successful distribution and acceptance of vaccines for COVID-19, all of which remain uncertain and difficult to predict. The duration and ultimate impact of the COVID-19 pandemic and response thereto remains uncertain, and we are not able to estimate the ultimate effect of these and other unforeseen factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material. A prolonged impact of COVID-19 could also heighten many of the other risks described in this report.

**We may not be able to successfully operate our business strategy or generate sufficient revenue to make or sustain distributions to our stockholders.**

We cannot assure you that we will be able to successfully operate our business or implement our operating policies and strategies. There can be no assurance that we will be able to generate sufficient returns to pay our operating expenses, satisfy our debt obligations and make satisfactory distributions to our stockholders, or any distributions at all. Our results of operations and our ability to make or sustain distributions to our stockholders depend on several factors, including the availability of opportunities to acquire attractive assets, the level and volatility of interest rates, the performance of our origination and servicing businesses, the availability of adequate short- and long-term financing, the ongoing impact of COVID-19 on our business, and conditions in the real estate market, the financial markets and economic conditions.

**The value of our investments is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results.**

When we make investments, we base the price we pay and, in some cases, the rate of amortization of those investments on, among other things, our projection of the cash flows from the related pool of loans. We generally record such investments on our balance sheet at fair value, and we measure their fair value on a recurring basis. Our projections of the cash flow from our investments, and the determination of the fair value thereof, are based on assumptions about various factors, including, but not limited to:

- rates of prepayment and repayment of the underlying loans;
- potential fluctuations in prevailing interest rates and credit spreads;
- rates of delinquencies and defaults, and related loss severities;
- costs of engaging a subservicer to service MSRs;
- market discount rates;
- in the case of MSRs and Excess MSRs, recapture rates; and
- in the case of Servicer Advance Investments and servicer advances receivable, the amount and timing of servicer advances and recoveries.

Our assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of these investments could produce materially different fair values for such investments, which could have a material adverse effect on our consolidated financial position and results of operations. The ultimate realization of the value of our investments may be materially different than the fair values of such investments as reflected in our Consolidated Financial Statements as of any particular date.

We refer to our MSRs, MSR financing receivables, Excess MSRs, and the basic fee portion of the related MSRs included in our Servicer Advance Investments, collectively, as our interests in MSRs.

With respect to our investments in interests in MSRs, residential mortgage loans and consumer loans, and a portion of our RMBS, when the related loans are prepaid as a result of a refinancing or otherwise, the related cash flows payable to us will either, in the case of interest-only RMBS, and/or interests in MSRs, cease (unless, in the case of our interests in MSRs, the

loans are recaptured upon a refinancing), or we will cease to receive interest income on such investments, as applicable. Borrowers under residential mortgage loans and consumer loans are generally permitted to prepay their loans at any time without penalty. Our expectation of prepayment rates is a significant assumption underlying our cash flow projections. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. A significant increase in prepayment rates could materially reduce the ultimate cash flows and/or interest income, as applicable, we receive from our investments, and we could ultimately receive substantially less than what we paid for such assets, decreasing the fair value of our investments. If the fair value of our investment portfolio decreases, we would generally be required to record a non-cash charge, which would have a negative impact on our financial results. Consequently, the price we pay to acquire our investments may prove to be too high if there is a significant increase in prepayment rates.

The values of our investments are highly sensitive to changes in interest rates. Historically, the value of MSRs, which underpin the value of our investments, including interests in MSRs, has increased when interest rates rise and decreased when interest rates decline due to the effect of changes in interest rates on prepayment rates. The significant dislocation in the financial markets due to COVID-19 has caused, among other things, a sharp decrease in interest rates. Prepayment rates could increase as a result of a general economic recovery or other factors, which would reduce the value of our interests in MSRs.

Moreover, delinquency rates have a significant impact on the value of our investments. When the UPB of mortgage loans cease to be a part of the aggregate UPB of the serviced loan pool (for example, when delinquent loans are foreclosed on or repurchased, or otherwise sold, from a securitized pool), the related cash flows payable to us, as the holder of an interest in the related MSR, cease. Depending on how long the pandemic continues to disrupt the economy and employment, our servicing business could experience our cost-to-service increase as we deal with higher delinquencies and foreclosures. However, we have not seen a deterioration in 30-day or 60-day delinquencies at this time. An increase in delinquencies will generally result in lower revenue because typically we will only collect on our interests in MSRs from the Agencies or mortgage owners for performing loans. An increase in delinquencies with respect to the loans underlying our servicer advances could also result in a higher advance balance and the need to obtain additional financing, which we may not be able to do on favorable terms or at all. Additionally, in the case of residential mortgage loans, consumer loans and RMBS that we own, an increase in foreclosures could result in an acceleration of repayments, resulting in a decrease in interest income. Alternatively, increases in delinquencies and defaults could also adversely affect our investments in RMBS, residential mortgage loans and/or consumer loans if and to the extent that losses are suffered on residential mortgage loans, consumer loans or, in the case of RMBS, the residential mortgage loans underlying such RMBS. Accordingly, if delinquencies are significantly greater than expected, the estimated fair value of these investments could be diminished. As a result, we could suffer a loss, which would have a negative impact on our financial results.

We are party to several "recapture agreements" whereby our MSR or Excess MSR is retained if the applicable Servicing Partner originates a new loan the proceeds of which are used to repay a loan underlying an MSR or Excess MSR in our portfolio. We believe that such agreements will mitigate the impact on our returns in the event of a rise in voluntary prepayment rates, with respect to investments where we have such agreements. There are no assurances, however, that counterparties will enter into such arrangements with us in connection with any future investment in MSRs or Excess MSRs. We are not party to any such arrangements with respect to any of our investments other than MSRs and Excess MSRs.

If the applicable Servicing Partner does not meet anticipated recapture targets, the servicing cash flow on a given pool could be significantly lower than projected, which could have a material adverse effect on the value of our MSRs or Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for our current recapture agreements is stated in the table in Note 12 to our Consolidated Financial Statements.

**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.**

We are generally required to make servicer advances related to the pools of loans for which we are the named servicer. In addition, we have agreed (in the case of Mr. Cooper, together with certain third-party investors) to purchase from certain of the servicers and subservicers that we engage, which we refer to as our "Servicing Partners," all servicer advances related to certain loan pools, as a result of which we are entitled to amounts representing repayment for such advances. During any period in which a borrower is not making payments, a servicer is generally required under the applicable servicing agreement to advance its own funds to cover the principal and interest remittances due to investors in the loans, pay property taxes and insurance premiums to third parties, and to make payments for legal expenses and other protective advances. The servicer also advances funds to maintain, repair and market real estate properties on behalf of investors in the loans.

Repayment of servicer advances and payment of deferred servicing fees are generally made from late payments and other collections and recoveries on the related residential mortgage loan (including liquidation, insurance and condemnation proceeds) or, if the related servicing agreement provides for a "general collections backstop," from collections on other residential mortgage loans to which such servicing agreement relates. The rate and timing of payments on servicer advances and deferred servicing fees are unpredictable for several reasons, including the following:

- payments on the servicer advances and the deferred servicing fees depend on the source of repayment, and whether and when the related servicer receives such payment (certain servicer advances are reimbursable only out of late payments and other collections and recoveries on the related residential mortgage loan, while others are also reimbursable out of principal and interest collections with respect to all residential mortgage loans serviced under the related servicing agreement, and as a consequence, the timing of such reimbursement is highly uncertain);
- the length of time necessary to obtain liquidation proceeds may be affected by conditions in the real estate market or the financial markets generally, the availability of financing for the acquisition of the real estate and other factors, including, but not limited to, government intervention;
- the length of time necessary to effect a foreclosure may be affected by variations in the laws of the particular jurisdiction in which the related mortgaged property is located, including whether or not foreclosure requires judicial action;
- the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of servicer advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and
- the ability of the related servicer to sell delinquent residential mortgage loans to third parties prior to a sale of the underlying real estate, resulting in the early reimbursement of outstanding unreimbursed servicer advances in respect of such residential mortgage loans.

As home values change, the servicer may have to reconsider certain of the assumptions underlying its decisions to make advances. In certain situations, its contractual obligations may require the servicer to make certain advances for which it may not be reimbursed. In addition, when a residential mortgage loan defaults or becomes delinquent, the repayment of the advance may be delayed until the residential mortgage loan is repaid or refinanced, or a liquidation occurs. To the extent that one of our Servicing Partners fails to recover the servicer advances in which we have invested, or takes longer than we expect to recover such advances, the value of our investment could be adversely affected and we could fail to achieve our expected return and suffer losses.

Servicing agreements related to residential mortgage securitization transactions generally require a residential mortgage servicer to make servicer advances in respect of serviced residential mortgage loans unless the servicer determines in good faith that the servicer advance would not be ultimately recoverable from the proceeds of the related residential mortgage loan, mortgaged property or mortgagor. In many cases, if the servicer determines that a servicer advance previously made would not be recoverable from these sources, the servicer is entitled to withdraw funds from the related custodial account in respect of payments on the related pool of serviced mortgages to reimburse the related servicer advance. This is what is often referred to as a "general collections backstop." The timing of when a servicer may utilize a general collections backstop can vary (some contracts require actual liquidation of the related loan first, while others do not), and contracts vary in terms of the types of servicer advances for which reimbursement from a general collections backstop is available. Accordingly, a servicer may not ultimately be reimbursed if both (i) the payments from related loan, property or mortgagor payments are insufficient for reimbursement, and (ii) a general collections backstop is not available or is insufficient. Also, if a servicer improperly makes a servicer advance, it would not be entitled to reimbursement. While we do not expect recovery rates to vary materially during the term of our investments, there can be no assurance regarding future recovery rates related to our portfolio.

**We rely heavily on our Servicing Partners to achieve our investment objective and have no direct ability to influence their performance.**

The value of substantially all of our investments is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer or subservicer, as applicable. The duties and obligations of mortgage servicers are defined through contractual agreements, generally referred to as Servicing Guides in the case of GSEs, the MBS Guide in the case of Ginnie Mae or pooling agreements, securitization servicing agreements, pooling and servicing agreements or other similar agreements (collectively, "PSAs") in the case of Non-Agency RMBS (collectively, the "Servicing Guidelines"). The duties of the subservicers we engage to service the loans underlying our MSRs are contained in subservicing agreements with our subservicers. The duties of a subservicer under a subservicing agreement may not be identical to the obligations of the servicer under Servicing Guidelines. Our interests in MSRs are subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or the required bondholders in the case of Non-Agency RMBS). Under the Agency Servicing Guidelines, the servicer may be terminated by the applicable Agency for any reason,

"with" or "without" cause, for all or any portion of the loans being serviced for such Agency. In the event mortgage owners (or bondholders) terminate the servicer (regardless of whether such servicer is a subsidiary of New Residential or one of its subservicers), the related interests in MSRs would under most circumstances lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the servicer's right to service the related mortgage loans will be extinguished and our interests in related MSRs will likely lose all of their value. Any recovery in such circumstances, in the case of Non-Agency RMBS, will be highly conditioned and may require, among other things, a new servicer willing to pay for the right to service the applicable residential mortgage loans while assuming responsibility for the origination and prior servicing of the residential mortgage loans. In addition, in the case of Agency MSRs, any payment received from a successor servicer will be applied first to pay the applicable Agency for all of its claims and costs, including claims and costs against the servicer that do not relate to the residential mortgage loans for which we own interests in the MSRs. A termination could also result in an event of default under our related financings. It is expected that any termination of a servicer by mortgage owners (or bondholders) would take effect across all mortgages of such mortgage owners (or bondholders) and would not be limited to a particular vintage or other subset of mortgages. Therefore, it is possible that all investments with a given servicer would lose all their value in the event mortgage owners (or bondholders) terminate such servicer. See "—We have significant counterparty concentration risk in certain of our Servicing Partners, and are subject to other counterparty concentration and default risks." As a result, we could be materially and adversely affected if one of our Servicing Partners is unable to adequately carry out its duties as a result of:

- its failure to comply with applicable laws and regulations;
- its failure to comply with contractual and financing obligations and covenants;
- a downgrade in, or failure to maintain, any of its servicer ratings;
- its failure to maintain sufficient liquidity or access to sources of liquidity;
- its failure to perform its loss mitigation obligations;
- its failure to perform adequately in its external audits;
- a failure in or poor performance of its operational systems or infrastructure;
- regulatory or legal scrutiny or regulatory actions regarding any aspect of a servicer's operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines;
- an Agency's or a whole-loan owner's transfer of servicing to another party; or
- any other reason.

In the ordinary course of business, our Servicing Partners are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions which could adversely affect their reputation and their liquidity, financial position and results of operations. Mortgage servicers, including certain of our Servicing Partners, have experienced heightened regulatory scrutiny and enforcement actions, and our Servicing Partners could be adversely affected by the market's perception that they could experience, or continue to experience, regulatory issues. See "—Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us."

Loss mitigation techniques are intended to reduce the probability that borrowers will default on their loans and to minimize losses when defaults occur, and they may include the modification of mortgage loan rates, principal balances and maturities. If any of our Servicing Partners fail to adequately perform their loss mitigation obligations, we could be required to make or purchase, as applicable, servicer advances in excess of those that we might otherwise have had to make or purchase, and the time period for collecting servicer advances may extend. Any increase in servicer advances or material increase in the time to resolution of a defaulted loan could result in increased capital requirements and financing costs for us and our co-investors and could adversely affect our liquidity and net income. In the event that one of our servicers from which we are obligated to purchase servicer advances is required by the applicable Servicing Guidelines to make advances in excess of amounts that we or, in the case of Mr. Cooper, the co-investors, are willing or able to fund, such servicer may not be able to fund these advance requests, which could result in a termination event under the applicable Servicing Guidelines, an event of default under our advance facilities and a breach of our purchase agreement with such servicer. As a result, we could experience a partial or total loss of the value of our Servicer Advance Investments.

MSRs and servicer advances are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions. If the Servicing Partner actually or allegedly failed to comply with applicable laws, rules or regulations, it could be terminated as the servicer, and could lead to civil and criminal liability, loss of licensing, damage to our reputation and litigation, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, servicer advances that are improperly made may not be eligible for financing under our facilities and may not be reimbursable by the related securitization trust or other owner of the residential mortgage loan, which could cause us to suffer losses.

Favorable servicer ratings from third-party rating agencies, such as S&P Global Ratings ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), are important to the conduct of a mortgage servicer's loan servicing business, and a downgrade in a Servicing Partner's servicer ratings could have an adverse effect on the value of our interests in MSRs and result in an event of default under our financings. Downgrades in a Servicing Partner's servicer ratings could adversely affect our ability to finance our assets and maintain their status as an approved servicer by Fannie Mae and Freddie Mac. Downgrades in servicer ratings could also lead to the early termination of existing advance facilities and affect the terms and availability of financing that a Servicing Partner or we may seek in the future. A Servicing Partner's failure to maintain favorable or specified ratings may cause their termination as a servicer and may impair their ability to consummate future servicing transactions, which could result in an event of default under our financing for servicer advances and have an adverse effect on the value of our investments because we will rely heavily on Servicing Partners to achieve our investment objectives and have no direct ability to influence their performance.

For additional information about the ways in which we may be affected by mortgage servicers, see "—The value of our interests in MSRs, servicer advances, residential mortgage loans and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process."

**A number of lawsuits, including class-actions, have been filed against mortgage servicers alleging improper servicing in connection with residential Non-Agency mortgage securitizations. Investors in, and counterparties to, such securitizations may commence legal action against us and responding to such claims, and any related losses, could negatively impact our business.**

A number of lawsuits, including class actions, have been filed against mortgage servicers alleging improper servicing in connection with residential Non-Agency mortgage securitizations. Investors in, and counterparties to, such securitizations may commence legal action against us and responding to such claims, and any related losses, could negatively impact our business. The number of counterparties on behalf of which we service loans significantly increases as the size of our Non-Agency MSR portfolio increases and we may become subject to claims and legal proceedings, including purported class-actions, in the ordinary course of our business, challenging whether our loan servicing practices and other aspects of our business comply with applicable laws, agreements and regulatory requirements. We are unable to predict whether any such claims will be made, the ultimate outcome of any such claims, the possible loss, if any, associated with the resolution of such claims or the potential impact any such claims may have on us or our business and operations. Regardless of the merit of any such claims or lawsuits, defending any claims or lawsuits may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses, and management time may be diverted from other aspects of our business, in connection therewith. Further, if our efforts to defend any such claims or lawsuits are not successful, our business could be materially and adversely affected. As a result of investor and other counterparty claims, we could also suffer reputational damage and trustees, lenders and other counterparties could cease wanting to do business with us.

**Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us.**

Regulatory actions or legal proceedings against certain of our Servicing Partners could increase our financing costs or operating expenses, reduce our revenues or otherwise materially adversely affect our business, financial condition, results of operations and liquidity. Such Servicing Partners may be subject to additional federal and state regulatory matters in the future that could materially and adversely affect the value of our investments to the extent we rely on them to achieve our investment objectives because we have no direct ability to influence their performance. Certain of our Servicing Partners have disclosed certain matters in their periodic reports filed with the SEC, and there can be no assurance that such events will not have a material adverse effect on them. We are currently evaluating the impact of such events and cannot assure you what impact these events may have or what actions we may take under our agreements with the servicer. In addition, any of our Servicing Partners could be removed as servicer by the related loan owner or certain other transaction counterparties, which could have a material adverse effect on our interests in the loans and MSRs serviced by such Servicing Partner.

In addition, certain of our Servicing Partners have been and continue to be subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, such Servicing Partners may receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities, including whether certain of their residential loan servicing and origination practices, bankruptcy practices and other aspects of their business comply with applicable laws and regulatory requirements. Such Servicing Partners cannot provide any assurance as to the outcome of any of

the aforementioned actions, proceedings or inquiries, or that such outcomes will not have a material adverse effect on their reputation, business, prospects, results of operations, liquidity or financial condition.

**Failure to successfully modify, resell or refinance early buyout loans or defaults of the early buyout loans beyond expected levels may adversely affect our business, financial condition, liquidity and results of operations.**

The ongoing COVID-19 pandemic has significantly increased the number of Ginnie Mae loans that are seriously delinquent in our Ginnie Mae MSR portfolioAs a mortgage servicer, we have an early buyout repurchase option ("EBOs") for loans at least three months delinquent in our Ginnie Mae MSR portfolio. As of September 30, 2021, New Residential holds approximately $1.8 billion in residential mortgage loans subject to repurchase on its Consolidated Balance Sheets. Purchasing delinquent Ginnie Mae loans provides us with an alternative to our mortgage servicing obligation of advancing principal and interest at the coupon rate of the related Ginnie Mae security. While our EBO program reduces the cost of servicing the Ginnie Mae loans, it may also accelerate loss recognition when the loans are repurchased because we are required to write off accumulated non-reimbursable interest advances and other costs. In addition, after purchasing the delinquent Ginnie Mae loans, we expect to resecuritize many of the delinquent loans into another Ginnie Mae guaranteed security upon the delinquent loans becoming current either through the borrower's reperformance or through the completion of a loan modification; however, there is no guarantee that any delinquent loan will reperform or be modified. The ongoing COVID-19 pandemic as well as changing government regulations, including Ginnie Mae's 2020 regulations requiring reperforming loan borrowers to make six months of timely payments in certain circumstances before a loan can be repooled into another Ginnie Mae guaranteed security, has made estimating the loan amounts expected to be modified, resold or refinanced more difficult. Failure to successfully modify, resell or refinance our repurchased Ginnie Mae loans or if a significant portion of the repurchased Ginnie Mae loans default may adversely affect our business, financial condition, liquidity and results of operations.

**Completion of certain pending transactions related to MSRs (the "MSR Transactions") is subject to various closing conditions, involves significant costs, and we cannot assure you if, when or the terms on which such transactions will close. Failure to complete the pending MSR Transactions could adversely affect our future business and results of operations.**

We have entered into an agreement for Ocwen to transfer its remaining interests in $110.0 billion of UPB of Non-Agency MSRs (the "Ocwen Subject MSRs") to our subsidiaries, New Residential Mortgage, LLC ("NRM") and Newrez LLC ("Newrez"). We currently hold certain interests in the Ocwen Subject MSRs (including all servicer advances) pursuant to existing agreements with Ocwen. The transfer of Ocwen's interests in the Ocwen Subject MSRs is subject to numerous consents of third parties and certain actions by rating agencies. While certain of the Ocwen Subject MSRs have previously transferred to our subsidiaries, there is no assurance that we will be able to obtain such consents in order to transfer Ocwen's interests in the Ocwen Subject MSRs to our subsidiaries. We have spent considerable time and resources, and incurred substantial costs, in connection with the negotiation of such transaction and we will incur such costs even if the Ocwen Subject MSRs cannot be transferred to our subsidiaries. MSRs representing approximately $66.7 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 (Note 5 to our Consolidated Financial Statements).

We may be unable to become the named servicer in respect of certain Non-Agency MSRs. If we are unable to become the named servicer in respect of any of the Ocwen Subject MSRs in accordance with the Ocwen Transaction, Ocwen has the right, in certain circumstances, to purchase from us our interests in the related MSRs. In such a situation, we will be required to sell Ocwen those assets (and will cease to receive income on those investments) and/or may be required to refinance certain indebtedness on terms that are not favorable to us.

**Our ability to acquire MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all, or may be subject to conditions, representations and warranties and indemnities.**

Our ability to acquire MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all, or may be conditioned upon our satisfaction of significant conditions which could require material expenditures and the provision of significant representations, warranties and indemnities. Such third parties may include the Agencies and the Federal Housing Finance Agency ("FHFA") with respect to agency MSRs, and securitization trustees, master servicers, depositors, rating agencies and insurers, among others, with respect to Non-Agency MSRs. The process of obtaining any such approvals required for a servicing transfer, especially with respect to Non-Agency MSRs, may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses in connection with such transactions. Further, the parties from whom approval is necessary may require that we provide significant representations and warranties and broad indemnities as a condition to their consent, which such representations and warranties and indemnities, if given, may expose us to material risks in addition to those arising under the related servicing agreements. Consenting parties

may also charge a material consent fee and may require that we reimburse them for the legal expenses they incur in connection with their approval of the servicing transfer, which such expenses may include costs relating to substantial contract due diligence and may be significant. No assurance can be given that we will be able to successfully obtain the consents required to acquire the MSRs that we have agreed to purchase.

**We have significant counterparty concentration risk in certain of our Servicing Partners and are subject to other counterparty concentration and default risks.**

We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with a few counterparties. Any loss suffered by us as a result of a counterparty defaulting, refusing to conduct business with us or imposing more onerous terms on us would also negatively affect our business, results of operations, cash flows and financial condition.

Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 4, 5, and 6 of our Consolidated Financial Statements, certain of our Servicing Partners service and/or subservice a substantial portion of our interests in MSRs. If any of these Servicing Partners is the named servicer of the related MSR and is terminated, its servicing performance deteriorates, or in the event that any of them files for bankruptcy, our expected returns on these investments could be severely impacted. In addition, a large portion of the loans underlying our Non-Agency RMBS are serviced by certain of our Servicing Partners. We closely monitor our Servicing Partners' mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as their compliance with applicable regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with these Servicing Partners that enable us to monitor aspects of their financial and operating performance and credit quality, which we periodically evaluate and discuss with their management. However, we have no direct ability to influence our Servicing Partners' performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of any such Servicing Partners' servicing agreement or a severe deterioration of any of our Servicing Partners' servicing performance on our portfolio of interests in MSRs.

Furthermore, certain of our Servicing Partners are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions, which could adversely affect their operations, reputation and liquidity, financial position and results of operations. See "—Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us" for more information.

None of our Servicing Partners has an obligation to offer us any future co-investment opportunity on the same terms as prior transactions, or at all, and we may not be able to find suitable counterparties from which to acquire interests in MSRs, which could impact our business strategy. See "—We rely heavily on our Servicing Partners to achieve our investment objective and have no direct ability to influence their performance."

Repayment of the outstanding amount of servicer advances (including payment with respect to deferred servicing fees) may be subject to delay, reduction or set-off in the event that the related Servicing Partner breaches any of its obligations under the Servicing Guidelines, including, without limitation, any failure of such Servicing Partner to perform its servicing and advancing functions in accordance with the terms of such Servicing Guidelines. If any applicable Servicing Partner is terminated or resigns as servicer and the applicable successor servicer does not purchase all outstanding servicer advances at the time of transfer, collection of the servicer advances will be dependent on the performance of such successor servicer and, if applicable, reliance on such successor servicer's compliance with the "first-in, first-out" or "FIFO" provisions of the Servicing Guidelines. In addition, such successor servicers may not agree to purchase the outstanding advances on the same terms as our current purchase arrangements and may require, as a condition of their purchase, modification to such FIFO provisions, which could further delay our repayment and adversely affect the returns from our investment.

We are subject to substantial other operational risks associated with our Servicing Partners in connection with the financing of servicer advances. In our current financing facilities for servicer advances, the failure of our Servicing Partner to satisfy various covenants and tests can result in an amortization event and/or an event of default. We have no direct ability to control our Servicing Partners' compliance with those covenants and tests. Failure of our Servicing Partners to satisfy any such covenants or tests could result in a partial or total loss on our investment.

In addition, our Servicing Partners are party to our servicer advance financing agreements, with respect to those advances where they service or subservice the loans underlying the related MSRs. Our ability to obtain financing for these assets is dependent on our Servicing Partners' agreement to be a party to the related financing agreements. If our Servicing Partners do not agree to be a party to these financing agreements for any reason, we may not be able to obtain financing on favorable terms or at all. Our ability to obtain financing on such assets is dependent on our Servicing Partners' ability to satisfy various tests under such

financing arrangements. Breaches and other events with respect to our Servicing Partners (which may include, without limitation, failure of a Servicing Partner to satisfy certain financial tests) could cause certain or all of the relevant servicer advance financing to become due and payable prior to maturity.

We are dependent on our Servicing Partners as the servicer or subservicer of the residential mortgage loans with respect to which we hold interests in MSRs, and their servicing practices may impact the value of certain of our assets. We may be adversely impacted:

- By regulatory actions taken against our Servicing Partners;
- By a default by one of our Servicing Partners under their debt agreements;
- By downgrades in our Servicing Partners' servicer ratings;
- If our Servicing Partners fail to ensure their servicer advances comply with the terms of their Pooling and Servicing Agreements ("PSAs");
- If our Servicing Partners were terminated as servicer under certain PSAs;
- If our Servicing Partners become subject to a bankruptcy proceeding; or
- If our Servicing Partners fail to meet their obligations or are deemed to be in default under the indenture governing notes issued under any servicer advance facility with respect to which such Servicing Partner is the servicer.

Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 4, 5, and 6 of our Consolidated Financial Statements, certain of our Servicing Partners service and/or subservice a substantial portion of our interests in MSRs. In addition, Mr. Cooper is currently the servicer for a significant portion of our loans, and the loans underlying our RMBS. If the servicing performance of one of our subservicers deteriorates, if one of our subservicers files for bankruptcy or if one of our subservicers is otherwise unwilling or unable to continue to subservice MSRs for us, our expected returns on these investments would be severely impacted. In addition, if a subservicer becomes subject to a regulatory consent order or similar enforcement proceeding, that regulatory action could adversely affect us in several ways. For example, the regulatory action could result in delays of transferring servicing from an interim subservicer to our designated successor subservicer or cause the subservicer's performance to degrade. Any such development would negatively affect our expected returns on these investments, and such effect could be materially adverse to our business and results of operations. We closely monitor each subservicer's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with applicable regulations and GSE servicing guidelines. We have various information, access and inspection rights in our respective agreements with our subservicers that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with each subservicer's respective management. However, we have no direct ability to influence each subservicer's performance, and our diligence cannot prevent, and may not even help us anticipate, a severe deterioration of each subservicer's respective servicing performance on our MSR portfolio.

In addition, a material portion of the consumer loans in which we have invested are serviced by OneMain. If OneMain is terminated as the servicer of some or all of these portfolios, or in the event that it files for bankruptcy or is otherwise unable to continue to service such loans, our expected returns on these investments could be severely impacted.

Moreover, we are party to repurchase agreements with a limited number of counterparties. If any of our counterparties elected not to renew our repurchase agreements, we may not be able to find a replacement counterparty, which would have a material adverse effect on our financial condition.

Our risk-management processes may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Although we will monitor our credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate, such as a pandemic like COVID-19. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

In the event of a counterparty default, particularly a default by a major investment bank or Servicing Partner, we could incur material losses rapidly, and the resulting market impact of a major counterparty default could seriously harm our business, results of operations, cash flows and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

**A bankruptcy of any of our Servicing Partners could materially and adversely affect us.**

If any of our Servicing Partners becomes subject to a bankruptcy proceeding, we could be materially and adversely affected, and you could suffer losses, as discussed below.

*A sale of MSRs or interests in MSRs and servicer advances or other assets, including loans, could be re-characterized as a pledge of such assets in a bankruptcy proceeding.*

We believe that a mortgage servicer's transfer to us of MSRs or interests in MSRs and servicer advances or any other asset transferred pursuant to a related purchase agreement, including loans, constitutes a sale of such assets, in which case such assets would not be part of such servicer's bankruptcy estate. The servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or any other party in interest, however, might assert in a bankruptcy proceeding MSRs or interests in MSRs and servicer advances or any other assets transferred to us pursuant to the related purchase agreement were not sold to us but were instead pledged to us as security for such servicer's obligation to repay amounts paid by us to the servicer pursuant to the related purchase agreement. We generally create and perfect security interests with respect to the MSRs that we acquire, though we do not do so in all instances. If such assertion were successful, all or part of the MSRs or interests in MSRs and servicer advances or any other asset transferred to us pursuant to the related purchase agreement would constitute property of the bankruptcy estate of such servicer, and our rights against the servicer could be those of a secured creditor with a lien on such present and future assets. Under such circumstances, cash proceeds generated from our collateral would constitute "cash collateral" under the provisions of the U.S. bankruptcy laws. Under U.S. bankruptcy laws, the servicer could not use our cash collateral without either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under the U.S. bankruptcy laws. In addition, under such circumstances, an issue could arise as to whether certain of these assets generated after the commencement of the bankruptcy proceeding would constitute after-acquired property excluded from our entitlement pursuant to the U.S. bankruptcy laws.

*If such a recharacterization occurs, the validity or priority of our security interest in the MSRs or interests in MSRs and servicer advances or other assets could be challenged in a bankruptcy proceeding of such servicer.*

If the purchases pursuant to the related purchase agreement are recharacterized as secured financings as set forth above, we nevertheless created and perfected security interests with respect to the MSRs or interests in MSRs and servicer advances and other assets that we may have purchased from such servicer by including a pledge of collateral in the related purchase agreement and filing financing statements in appropriate jurisdictions. Nonetheless, to the extent we have created and perfected a security interest, our security interests may be challenged and ruled unenforceable, ineffective or subordinated by a bankruptcy court, and the amount of our claims may be disputed so as not to include all MSRs or interests in MSRs and servicer advances to be collected. If this were to occur, or if we have not created a security interest, then the servicer's obligations to us with respect to purchased MSRs or interests in MSRs and servicer advances or other assets would be deemed unsecured obligations, payable from unencumbered assets to be shared among all of such servicer's unsecured creditors. In addition, even if the security interests are found to be valid and enforceable, if a bankruptcy court determines that the value of the collateral is less than such servicer's underlying obligations to us, the difference between such value and the total amount of such obligations will be deemed an unsecured "deficiency" claim and the same result will occur with respect to such unsecured claim. In addition, even if the security interest is found to be valid and enforceable, such servicer would have the right to use the proceeds of our collateral subject to either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under U.S. bankruptcy laws. Such servicer also would have the ability to confirm a chapter 11 plan over our objections if the plan complied with the "cramdown" requirements under U.S. bankruptcy laws.

*Payments made by a servicer to us could be voided by a court under federal or state preference laws.*

If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, and our security interest (if any) is declared unenforceable, ineffective or subordinated, payments previously made by a servicer to us pursuant to the related purchase agreement may be recoverable on behalf of the bankruptcy estate as preferential transfers. Among other reasons, a payment could constitute a preferential transfer if a court were to find that the payment was a transfer of an interest of property of such servicer that:

- Was made to or for the benefit of a creditor;
- Was for or on account of an antecedent debt owed by such servicer before that transfer was made;
- Was made while such servicer was insolvent (a company is presumed to have been insolvent on and during the 90 days preceding the date the company's bankruptcy petition was filed);
- Was made on or within 90 days (or if we are determined to be a statutory insider, on or within one year) before such servicer's bankruptcy filing;

- Permitted us to receive more than we would have received in a Chapter 7 liquidation case of such servicer under U.S. bankruptcy laws; and
- Was a payment as to which none of the statutory defenses to a preference action apply.

If the court were to determine that any payments were avoidable as preferential transfers, we would be required to return such payments to such servicer's bankruptcy estate and would have an unsecured claim against such servicer with respect to such returned amounts.

*Payments made to us by such servicer, or obligations incurred by it, could be voided by a court under federal or state fraudulent conveyance laws.*

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or another party in interest could also claim that such servicer's transfer to us of MSRs or interests in MSRs and servicer advances or other assets or such servicer's agreement to incur obligations to us under the related purchase agreement was a fraudulent conveyance. Under U.S. bankruptcy laws and similar state insolvency laws, transfers made or obligations incurred could be voided if, among other reasons, such servicer, at the time it made such transfers or incurred such obligations: (a) received less than reasonably equivalent value or fair consideration for such transfer or incurrence and (b) either (i) was insolvent at the time of, or was rendered insolvent by reason of, such transfer or incurrence; (ii) was engaged in, or was about to engage in, a business or transaction for which the assets remaining with such servicer were an unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature. If any transfer or incurrence is determined to be a fraudulent conveyance, our Servicing Partner, as applicable (as debtor-in-possession in the bankruptcy proceeding), or a bankruptcy trustee on such Servicing Partner's behalf would be entitled to recover such transfer or to avoid the obligation previously incurred.

*Any purchase agreement pursuant to which we purchase interests in MSRs, servicer advances or other assets, including loans, or any subservicing agreement between us and a subservicer on our behalf could be rejected in a bankruptcy proceeding of one of our Servicing Partners or counterparties.*

A mortgage servicer (as debtor-in-possession in the bankruptcy proceeding) or a bankruptcy trustee appointed in such servicer's or counterparty's bankruptcy proceeding could seek to reject the related purchase agreement or subservicing agreement with a counterparty and thereby terminate such servicer's or counterparty's obligation to service the MSRs or interests in MSRs and servicer advances or any other asset transferred pursuant to such purchase agreement, and terminate our right to acquire additional assets under such purchase agreement and our right to require such servicer to use commercially reasonable efforts to transfer servicing. If the bankruptcy court approved the rejection, we would have a claim against such servicer or counterparty for any damages from the rejection, and the resulting transfer of our interests in MSRs or servicing of the MSRs relating to our Excess MSRs to another subservicer may result in significant cost and may negatively impact the value of our interests in MSRs.

*A bankruptcy court could stay a transfer of servicing to another servicer.*

Our ability to terminate a subservicer or to require a mortgage servicer to use commercially reasonable efforts to transfer servicing rights to a new servicer would be subject to the automatic stay in such servicer's bankruptcy proceeding. To enforce this right, we would have to seek relief from the bankruptcy court to lift such stay, and there is no assurance that the bankruptcy court would grant this relief.

*Any Subservicing Agreement could be rejected in a bankruptcy proceeding.*

If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, such Servicing Partner (as debtor-in-possession in the bankruptcy proceeding) or the bankruptcy trustee could reject its subservicing agreement with us and terminate such Servicing Partner's obligation to service the MSRs, servicer advances or loans in which we have an investment. Any claim we have for damages arising from the rejection of a subservicing agreement would be treated as a general unsecured claim for purposes of distributions from such Servicing Partner's bankruptcy estate.

*Our Servicing Partners could discontinue servicing.*

If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code, such Servicing Partner could be terminated as servicer (with bankruptcy court approval) or could discontinue servicing, in which case there is no assurance that we would be able to continue receiving payments and transfers in respect of

the interests in MSRs, servicer advances and other assets purchased under the related purchase agreement or subserviced under the related subservicing agreement. Even if we were able to obtain the servicing rights or terminate the related subservicer, we may need to engage an alternate subservicer (which may not be readily available on acceptable terms or at all) or negotiate a new subservicing agreement with such servicer, which presumably would be on less favorable terms to us. Any engagement of an alternate subservicer by us would require the approval of the related RMBS trustees or the Agencies, as applicable.

*An automatic stay under the United States Bankruptcy Code may prevent the ongoing receipt of servicing fees or other amounts due.*

Even if we are successful in arguing that we own the interests in MSRs, servicer advances and other assets, including loans, purchased under the related purchase agreement, we may need to seek relief in the bankruptcy court to obtain turnover and payment of amounts relating to such assets, and there may be difficulty in recovering payments in respect of such assets that may have been commingled with other funds of such servicer.

*A bankruptcy of any of our Servicing Partners may default our MSR, Excess MSR and servicer advance financing facilities and negatively impact our ability to continue to purchase interests in MSRs.*

If any of our Servicing Partners were to file for bankruptcy or become the subject of a bankruptcy proceeding, it could result in an event of default under certain of our financing facilities that would require the immediate paydown of such facilities. In this scenario, we may not be able to comply with our obligations to purchase interests in MSRs and servicer advances under the related purchase agreements. Notwithstanding this inability to purchase, the related seller may try to force us to continue making such purchases. If it is determined that we are in breach of our obligations under our purchase agreements, any claims that we may have against such related seller may be subject to offset against claims such seller may have against us by reason of this breach.

**Certain of our subsidiaries originate and service residential mortgage loans, which subject us to various operational risks that could have a negative impact on our financial results.**

As a result of our previously disclosed acquisitions of Shellpoint Partners LLC and assets from the bankruptcy estate of Ditech, among others, certain subsidiaries of New Residential perform various mortgage and real estate related services, and have origination and servicing operations, which entail borrower-facing activities and employing personnel. Prior to such acquisitions, neither we nor any of our subsidiaries have previously originated or serviced loans directly, and owning entities that perform these and other operations could expose us to risks similar to those of our Servicing Partners, as well as various other risks, including, but not limited to those pertaining to:

- risks related to compliance with applicable laws, regulations and other requirements;
- significant increases in delinquencies for the loans;
- compliance with the terms of related servicing agreements;
- financing related servicer advances and the origination business;
- expenses related to servicing high risk loans;
- unrecovered or delayed recovery of servicing advances;
- a general risk in foreclosure rates, which may ultimately reduce the number of mortgages that we service (also see-“The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.”);
- maintaining the size of the related servicing portfolio and the volume of the origination business;
- compliance with FHA underwriting guidelines; and
- termination of government mortgage refinancing programs.

Any of the foregoing risks, among others, could have a material adverse effect on our business, financial condition, results of operations and liquidity.

**Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, and our subsidiaries' business results may be significantly impacted by the existing and future laws and regulations to which they are subject. If our subsidiaries performing mortgage lending and servicing activities fail to operate in compliance with both existing and future statutory,**

**regulatory and other requirements, our business, financial condition, liquidity and/or results of operations could be materially and adversely affected.**

Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, the Federal Trade Commission, HUD, VA, the SEC and various state agencies that license, audit, investigate and conduct examinations of such subsidiaries' mortgage servicing, origination, debt collection, and other activities. In the current regulatory environment, the policies, laws, rules and regulations applicable to our subsidiaries' mortgage origination and servicing businesses have been rapidly evolving. Federal, state or local governmental authorities may continue to enact laws, rules or regulations that will result in changes in our and our subsidiaries' business practices and may materially increase the costs of compliance. We are unable to predict whether any such changes will adversely affect our business.

We and our subsidiaries must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our subsidiaries' businesses, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and such statutes mandate certain disclosures and notices to borrowers. These requirements can and will change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

In addition, the GSEs, Ginnie Mae and other business counterparties subject our subsidiaries' mortgage origination and servicing businesses to periodic examinations, reviews and audits, and we routinely conduct our own internal examinations, reviews and audits. These various examinations, reviews and audits of our subsidiaries' businesses and related activities may reveal deficiencies in such subsidiaries' compliance with our policies and other requirements to which they are subject. While we strive to investigate and remediate such deficiencies, there can be no assurance that our internal investigations will reveal any deficiencies or that any remedial measures that we implement, which could involve material expense, will ensure compliance with applicable policies, laws, regulations and other requirements or be deemed sufficient by the GSEs, Ginnie Mae, federal and local governmental authorities or other interested parties.

We and our subsidiaries devote substantial resources to regulatory compliance and regulatory inquiries, and we incur, and expect to continue to incur, significant costs in connection therewith. Our business, financial condition, liquidity and/or results of operations could be materially and adversely affected by the substantial resources we devote to, and the significant compliance costs we incur in connection with, regulatory compliance and regulatory inquiries, including any fines, penalties, restitution or similar payments we may be required to make in connection with resolving such matters.

The actual or alleged failure of our mortgage origination and servicing subsidiaries to comply with applicable federal, state and local laws and regulations and GSE, Ginnie Mae and other business counterparty requirements, or to implement and adhere to adequate remedial measures designed to address any identified compliance deficiencies, could lead to:

- the loss or suspension of licenses and approvals necessary to operate our or our subsidiaries' business;
- limitations, restrictions or complete bans on our or our subsidiaries' business or various segments of our business;
- our or our subsidiaries' disqualification from participation in governmental programs, including GSE, Ginnie Mae, and VA programs;
- breaches of covenants and representations under our servicing, debt, or other agreements;
- negative publicity and damage to our reputation;
- governmental investigations and enforcement actions;
- administrative fines and financial penalties;
- litigation, including class action lawsuits;
- civil and criminal liability;
- termination of our servicing and subservicing agreements or other contracts;
- demands for us to repurchase loans;
- loss of personnel who are targeted by prosecutions, investigations, enforcement actions or litigation;
- a significant increase in compliance costs;
- a significant increase in the resources we and our subsidiaries devote to regulatory compliance and regulatory inquiries;
- an inability to access new, or a default under or other loss of current, liquidity and funding sources necessary to operate our business;

- restrictions on our or our subsidiaries' business activities;
- impairment of assets; and
- an inability to execute on our business strategy.

Any of these outcomes could materially and adversely affect our reputation, business, financial condition, prospects, liquidity and/or results of operations.

We cannot guarantee that any such scrutiny and investigations will not materially adversely affect us. Additionally, in recent years, the general trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential mortgage lenders and servicers. The CFPB continues to take an active role in supervising the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been increasingly active in supervising non-bank mortgage lenders and servicers such as Newrez and Caliber, and certain regulators have communicated recommendations, expectations or demands with respect to areas such as corporate governance, safety and soundness, risk and compliance management, and cybersecurity, in addition to their focus on traditional licensing and examination matters.

Following the 2018 Congressional elections, a level of heightened uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd-Frank Act and CFPB. We cannot predict the specific legislative or executive actions that may result or what actions federal or state regulators might take in response to potential changes to the Dodd-Frank Act or to the federal regulatory environment generally. Such actions could impact the mortgage industry generally or us specifically, could impact our relationships with other regulators, and could adversely impact our business.

The CFPB and certain state regulators have increasingly focused on the use, and adequacy, of technology in the mortgage servicing industry. For example, in 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB's mortgage servicing requirements. The New York Department of Financial Services ("NY DFS") also issued Cybersecurity Requirements for Financial Services Companies, effective in 2017, which requires banks, insurance companies, and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State's financial services industry. In addition, the CCPA, effective in January 2020, requires businesses that maintain personal information of California residents, including certain mortgage lenders and servicers, to notify certain consumers when collecting their data, respond to consumer requests relating to the uses of their data, verify the identities of consumers who make requests, disclose details regarding transactions involving their data, and maintain records of consumer' requests relating to their data, among various other obligations, and to create procedures designed to comply with CCPA requirements. The impact of the CCPA and its implementing regulations on our mortgage origination and servicing businesses remains uncertain, and may result in an increase in legal and compliance costs.

New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues. Accordingly, any of the foregoing could materially and adversely affect our business and our financial condition, liquidity and results of operations.

**A failure to maintain minimum servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations.**

S&P, Moody's and Fitch rates Newrez as a residential loan servicer, and a downgrade, or failure to maintain, any of our servicer ratings could:

- adversely affect Newrez's ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac;
- adversely affect Newrez's and/or New Residential's ability to finance servicing advance receivables and certain other assets;
- lead to the early termination of existing advance facilities and affect the terms and availability of advance facilities that we may seek in the future;
- cause Newrez's termination as servicer in our servicing agreements that require Newrez to maintain specified servicer ratings; and
- further impair Newrez's ability to consummate future servicing transactions.

Any of the above could adversely affect our business, financial condition and results of operations.

**Our interests in MSRs may involve complex or novel structures.**

Interests in MSRs may entail new types of transactions and may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known to buyers and sellers. In the case of interests in MSRs on Agency pools, Agencies may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in, or our financing of, interests in MSRs on Agency pools. Agency conditions, including capital requirements, may diminish or eliminate the investment potential of interests in MSRs on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from interests in MSRs on Agency pools.

It is possible that an Agency's views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. An Agency's evolving posture toward an acquisition or disposition structure through which we invest in or dispose of interests in MSRs on Agency pools may cause such Agency to impose new conditions on our existing interests in MSRs on Agency pools, including the owner's ability to hold such interests in MSRs on Agency pools directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and may diminish or eliminate the investment potential of the interests in MSRs on Agency pools that are already owned by us. Moreover, obtaining such consent may require us or our co-investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to risks to which we have not previously been exposed and that could negatively affect our returns from our investments.

**Our ability to finance the MSRs and servicer advance receivables acquired in the MSR Transactions may depend on the related Servicing Partner's cooperation with our financing sources and compliance with certain covenants.**

We have in the past and intend to continue to finance some or all of the MSRs or servicer advance receivables acquired in the MSR Transactions, and as a result, we will be subject to substantial operational risks associated with the related Servicing Partners. In our current financing facilities for interests in MSRs and servicer advance receivables, the failure of the related Servicing Partner to satisfy various covenants and tests can result in an amortization event and/or an event of default. Our financing sources may require us to include similar provisions in any financing we obtain relating to the MSRs and servicer advances acquired in the MSR Transactions. If we decide to finance such assets, we will not have the direct ability to control any party's compliance with any such covenants and tests and the failure of any party to satisfy any such covenants or tests could result in a partial or total loss on our investment. Some financing sources may be unwilling to finance any assets acquired in the MSR Transactions.

Although we have upsized certain of our advance facilities, if we are not successful in upsizing our facilities in the future, we will need to explore other sources of liquidity and are if we are unable to obtain additional liquidity, we may have to take additional actions, including selling assets and reducing our originations to generate liquidity to support our servicer advance obligations.

In addition, any financing for the MSRs and servicer advances acquired in the MSR Transactions may be subject to regulatory approval and the agreement of the relevant Servicing Partner to be party to such financing agreements. If we cannot get regulatory approval or these parties do not agree to be a party to such financing agreements, we may not be able to obtain financing on favorable terms or at all.

**Mortgage servicing is heavily regulated at the U.S. federal, state and local levels, and each transfer of MSRs to our subservicer of such MSRs may not be approved by the requisite regulators.**

Mortgage servicers must comply with U.S. federal, state and local laws and regulations. These laws and regulations cover topics such as licensing; allowable fees and loan terms; permissible servicing and debt collection practices; limitations on forced-placed insurance; special consumer protections in connection with default and foreclosure; and protection of confidential, nonpublic consumer information. The volume of new or modified laws and regulations has increased in recent years, and states and individual cities and counties continue to enact laws that either restrict or impose additional obligations in connection with certain loan origination, acquisition and servicing activities in those cities and counties. The laws and regulations are complex and vary greatly among the states and localities, and in some cases, these laws are in conflict with each other or with U.S. federal law. In connection with the MSR Transactions, there is no assurance that each transfer of MSRs to our selected subservicer will be approved by the requisite regulators. If regulatory approval for each such transfer is not obtained, we may incur additional costs and expenses in connection with the approval of another replacement subservicer.

**We do not have legal title to the MSRs underlying our Excess MSRs or certain of our Servicer Advance Investments.**

We do not have legal title to the MSRs underlying our Excess MSRs or certain of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire Servicer Advance Investments or MSR financing receivables from Ocwen, SLS and Mr. Cooper, and are subject to increased risks as a result of the related servicer continuing to own the mortgage servicing rights. The validity or priority of our interest in the underlying mortgage servicing could be challenged in a bankruptcy proceeding of the servicer, and the related purchase agreement could be rejected in such proceeding. Any of the foregoing events might have a material adverse effect on our business, financial condition, results of operations and liquidity. As part of the Ocwen Transaction, we and Ocwen have agreed to cooperate to obtain any third party consents required to transfer Ocwen's remaining interest in the Ocwen Subject MSRs to us. As noted above, however, there is no assurance that we will be successful in obtaining those consents.

**Many of our investments may be illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them.**

Many of our investments are illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

Interests in MSRs are highly illiquid and may be subject to numerous restrictions on transfers, including without limitation the receipt of third-party consents. For example, the Servicing Guidelines of a mortgage owner may require that holders of Excess MSRs obtain the mortgage owner's prior approval of any change of direct ownership of such Excess MSRs. Such approval may be withheld for any reason or no reason in the discretion of the mortgage owner. Moreover, we have not received and do not expect to receive any assurances from any GSEs that their conditions for the sale by us of any interests in MSRs will not change. Therefore, the potential costs, issues or restrictions associated with receiving such GSEs' consent for any such dispositions by us cannot be determined with any certainty. Additionally, interests in MSRs may entail complex transaction structures and the risks associated with the transactions and structures are not fully known to buyers or sellers. As a result of the foregoing, we may be unable to locate a buyer at the time we wish to sell interests in MSRs. There is some risk that we will be required to dispose of interests in MSRs either through an in-kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co-investor in the interests in MSRs, which may be an affiliate. Accordingly, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of interests in MSRs. We may not benefit from the full term of the assets and for the aforementioned reasons may not receive any benefits from the disposition, if any, of such assets.

In addition, some of our real estate and other securities may not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. There are also no established trading markets for a majority of our intended investments. Moreover, certain of our investments, including our investments in consumer loans and certain of our interests in MSRs, are made indirectly through a vehicle that owns the underlying assets. Our ability to sell our interest may be contractually limited or prohibited. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited.

Our real estate and other securities have historically been valued based primarily on third-party quotations, which are subject to significant variability based on the liquidity and price transparency created by market trading activity. A disruption in these trading markets, including due to COVID-19, could reduce the trading for many real estate and other securities, resulting in less transparent prices for those securities, which would make selling such assets more difficult. Moreover, a decline in market demand for the types of assets that we hold would make it more difficult to sell our assets. If we are required to liquidate all or a portion of our illiquid investments quickly, we may realize significantly less than the amount at which we have previously valued these investments.

**Market conditions could negatively impact our business, results of operations, cash flows and financial condition.**

The market in which we operate is affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things:

- the uncertainty and economic impact of the COVID-19 pandemic, including liquidity, impact on the value of assets and availability of financing;
- interest rates and credit spreads;
- the availability of credit, including the price, terms and conditions under which it can be obtained;
- the quality, pricing and availability of suitable investments;
- the ability to obtain accurate market-based valuations;
- volatility associated with asset valuations and margin calls;
- the ability of securities dealers to make markets in relevant securities and loans;
- loan values relative to the value of the underlying real estate assets;
- default rates on the loans underlying our investments and the amount of the related losses, and credit losses with respect to our investments;
- prepayment and repayment rates, delinquency rates and legislative/regulatory changes with respect to our investments, and the timing and amount of servicer advances;
- the availability and cost of quality Servicing Partners, and advance, recovery and recapture rates;
- competition;
- the actual and perceived state of the real estate markets, bond markets, market for dividend-paying stocks and public capital markets generally;
- unemployment rates; and
- the attractiveness of other types of investments relative to investments in real estate or REITs generally.

Changes in these factors are difficult to predict, and a change in one factor can affect other factors. For example, the full extent of the impact and effects of COVID-19 will depend on future developments, including, among other factors, the duration and spread of the outbreak, along with related travel advisories, quarantines and restrictions, the recovery time of the disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions and uncertainty with respect to the duration of the global economic slowdown. Further, at various points in time, increased default rates in the subprime mortgage market played a role in causing credit spreads to widen, reducing availability of credit on favorable terms, reducing liquidity and price transparency of real estate related assets, resulting in difficulty in obtaining accurate mark-to-market valuations, and causing a negative perception of the state of the real estate markets and of REITs generally. Market conditions could be volatile or could deteriorate as a result of a variety of factors beyond our control with adverse effects to our financial condition.

**The geographic distribution of the loans underlying, and collateral securing, certain of our investments subjects us to geographic real estate market risks, which could adversely affect the performance of our investments, our results of operations and financial condition.**

The geographic distribution of the loans underlying, and collateral securing, our investments, including our interests in MSRs, servicer advances, and loans, exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased energy costs; unemployment; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, hurricanes, earthquakes or other natural disasters; and changes in interest rates.

As of September 30, 2021, 24.7% and 18.4% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides. 7.5% and 8.5% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in Florida, which are particularly susceptible to natural disasters such as hurricanes and floods. In addition, certain states continued to report increasing rates of COVID-19 infections. As a result of this concentration, we may be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio. To the extent any of the foregoing risks arise in states and regions where we hold significant investments, the performance of our investments, our results of operations, cash flows and financial condition could suffer a material adverse effect.

**The value of our interests in MSRs, servicer advances, residential mortgage loans and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.**

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so-called "robo signing"), inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Justice Department and HUD, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in early February 2012 with five of the nation's largest banks, pursuant to which the banks agreed to pay more than $25.0 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors from pursuing additional actions against the banks and servicers in the future.

Under the terms of the agreements governing our Servicer Advance Investments and MSRs, we (in certain cases, together with third-party co-investors) are required to make or purchase from certain of our Servicing Partners, servicer advances on certain loan pools. While a residential mortgage loan is in foreclosure, servicers are generally required to continue to advance delinquent principal and interest and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. Servicer advances are generally recovered when the delinquency is resolved.

Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances we or our Servicing Partners are required to make and we are required to purchase, lengthen the time it takes for us to be repaid for such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities contain provisions that modify the advance rates for, and limit the eligibility of, servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that we need to fund with our own capital. Such increases in foreclosure timelines could increase our need for capital to fund servicer advances (which do not bear interest), which would increase our interest expense, reduce the value of our investment and potentially reduce the cash that we have available to pay our operating expenses or to pay dividends.

Even in states where servicers have not suspended foreclosure proceedings or have lifted (or will soon lift) any such delayed foreclosures, servicers, including our Servicing Partners, have faced, and may continue to face, increased delays and costs in the foreclosure process. For example, the current legislative and regulatory climate could lead borrowers to contest foreclosures that they would not otherwise have contested under ordinary circumstances, and servicers may incur increased litigation costs if the validity of a foreclosure action is challenged by a borrower. In general, regulatory developments with respect to foreclosure practices could result in increases in the amount of servicer advances and the length of time to recover servicer advances, fines or increases in operating expenses, and decreases in the advance rate and availability of financing for servicer advances. This would lead to increased borrowings, reduced cash and higher interest expense which could negatively impact our liquidity and profitability. Although the terms of our Servicer Advance Investments contain adjustment mechanisms that would reduce the amount of performance fees payable to the related Servicing Partner if servicer advances exceed pre-determined amounts, those fee reductions may not be sufficient to cover the expenses resulting from longer foreclosure timelines.

The integrity of the servicing and foreclosure processes is critical to the value of the residential mortgage loans in which we invest and of the portfolios of loans underlying our interests in MSRs and RMBS, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and result in losses on, these investments. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the RMBS, thereby reducing the amount of funds available for distribution to investors.

In addition, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts, rather than absorbing the default losses. This may reduce the amount of credit support available for senior classes of RMBS that we may own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the $25.0 billion settlement is a "credit" to the banks and servicers for principal write-downs or reductions they may make to certain mortgages underlying RMBS. There remains uncertainty as to how these principal

reductions will work and what effect they will have on the value of related RMBS. As a result, there can be no assurance that any such principal reductions will not adversely affect the value of our interests in MSRs and RMBS.

While we believe that the sellers and servicers would be in violation of the applicable Servicing Guidelines to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our results of operations, cash flows and financial condition.

**A failure by any or all of the members of Buyer to make capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.**

New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the "Buyer") have agreed to purchase all future arising servicer advances from Mr. Cooper under certain residential mortgage servicing agreements. Buyer relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future servicer advances. A failure by any or all of the members to make such capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

**The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.**

The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers' abilities to repay their loans, including, among other things, changes in the borrower's employment status, changes in national, regional or local economic conditions, changes in interest rates or the availability of credit on favorable terms, changes in regional or local real estate values, changes in regional or local rental rates and changes in real estate taxes. The impact of the COVID-19 crisis may impair borrowers' ability to repay their loans, particularly if the impact were to be sustained.

Our mortgage backed securities are securities backed by mortgage loans. Many of the RMBS in which we invest are backed by collateral pools of subprime residential mortgage loans. "Subprime" mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Subprime mortgage loans may experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. To the extent losses are realized on the loans underlying the securities in which we invest, we may not recover the amount invested in, or, in extreme cases, any of our investment in such securities.

Residential mortgage loans, including manufactured housing loans and subprime mortgage loans are secured by single-family residential property and are also subject to risks of delinquency and foreclosure, and risks of loss. A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing loans, non-performing loans or REO assets where the borrower has failed to make timely payments of principal and/or interest. As part of the residential mortgage loan portfolios we purchase, we also may acquire performing loans that are or subsequently become sub-performing or non-performing, meaning the borrowers fail to timely pay some or all of the required payments of principal and/or interest. Under current market conditions, it is likely that some of these loans will have current loan-to-value ratios in excess of 100%, meaning the amount owed on the loan exceeds the value of the underlying real estate.

In the event of default under a residential mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued but unpaid interest of the loan. Even though we typically pay less than the amount owed on these loans to acquire them, if actual results differ from our assumptions in determining the price we paid to acquire such loans, we may incur significant losses. In addition, we may acquire REO assets directly, which involves the same risks. Any loss we incur may be significant and could materially and adversely affect us.

**Our investments in real estate and other securities are subject to changes in credit spreads as well as available market liquidity, which could adversely affect our ability to realize gains on the sale of such investments.**

Real estate and other securities are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark. The significant dislocation in the financial markets due to COVID-19 has caused, among other things, credit spread widening.

Fixed rate securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities are valued based on a market credit spread over LIBOR and are affected similarly by changes in LIBOR spreads. As of September 30, 2021, 29.5% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 70.5% consisted of fixed rate securities, and 100.0% of our Agency RMBS portfolio consisted of fixed rate securities, based on the amortized cost basis of all securities (including the amortized cost basis of interest-only and residual classes). Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities, resulting in the use of a higher, or "wider," spread over the benchmark rate to value such securities. Under such conditions, the value of our real estate and other securities portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or "tighten," the value of our real estate and other securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolios may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. Widening credit spreads could cause the net unrealized gains on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and result in net losses.

**Prepayment rates on our residential mortgage loans and those underlying our real estate and other securities may adversely affect our profitability.**

In general, residential mortgage loans may be prepaid at any time without penalty. Prepayments result when homeowners/mortgagors satisfy (i.e., pay off) the mortgage upon selling or refinancing their mortgaged property. When we acquire a particular loan or security, we anticipate that the loan or underlying residential mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such investments. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our assets may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on our assets may reduce the expected yield on such assets because we will not be able to accrete the related discount as quickly as originally anticipated.

Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic, political and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, such as during the COVID-19 pandemic, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of our loans and real estate and other securities may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates.

We may purchase assets that have a higher or lower coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we would then pay a premium over par value to acquire these securities. In accordance with GAAP, we would amortize the premiums over the life of the related assets. If the mortgage loans securing these assets prepay at a more rapid rate than anticipated, we would have to amortize our premiums on an accelerated basis which may adversely affect our profitability. As compensation for a lower coupon rate, we would then pay a discount to par value to acquire these assets. In accordance with GAAP, we would accrete any discounts over the life of the related assets. If the mortgage loans securing these assets prepay at a slower rate than anticipated, we would have to accrete our discounts on an extended basis which may adversely affect our profitability. Defaults on the mortgage loans underlying Agency RMBS typically have the same effect as prepayments because of the underlying Agency guarantee.

Prepayments, which are the primary feature of mortgage backed securities that distinguish them from other types of bonds, are difficult to predict and can vary significantly over time. As the holder of the security, on a monthly basis, we receive a payment equal to a portion of our investment principal in a particular security as the underlying mortgages are prepaid. In general, on the date each month that principal prepayments are announced (i.e., factor day), the value of our real estate related security pledged as collateral under our repurchase agreements is reduced by the amount of the prepaid principal and, as a result, our lenders will

typically initiate a margin call requiring the pledge of additional collateral or cash, in an amount equal to such prepaid principal, in order to re-establish the required ratio of borrowing to collateral value under such repurchase agreements. Accordingly, with respect to our Agency RMBS, the announcement on factor day of principal prepayments is in advance of our receipt of the related scheduled payment, thereby creating a short-term receivable for us in the amount of any such principal prepayments. However, under our repurchase agreements, we may receive a margin call relating to the related reduction in value of our Agency RMBS and, prior to receipt of this short-term receivable, be required to post additional collateral or cash in the amount of the principal prepayment on or about factor day, which would reduce our liquidity during the period in which the short-term receivable is outstanding. As a result, in order to meet any such margin calls, we could be forced to sell assets in order to maintain liquidity. Forced sales under adverse market conditions may result in lower sales prices than ordinary market sales made in the normal course of business. If our real estate and other securities were liquidated at prices below our amortized cost (i.e., the cost basis) of such assets, we would incur losses, which could adversely affect our earnings. In addition, in order to continue to earn a return on this prepaid principal, we must reinvest it in additional real estate and other securities or other assets; however, if interest rates decline, we may earn a lower return on our new investments as compared to the real estate and other securities that prepay.

Prepayments may have a negative impact on our financial results, the effects of which depend on, among other things, the timing and amount of the prepayment delay on our Agency RMBS, the amount of unamortized premium or discount on our loans and real estate and other securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities.

**Our investments in residential mortgage loans, REO and RMBS may be subject to significant impairment charges, which would adversely affect our results of operations.**

We are required to periodically evaluate our investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders.

**The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.**

The agreements governing our indebtedness, including, but not limited to, the indenture governing our 2025 Senior Notes, contain covenants that place restrictions on us and our subsidiaries. The indenture governing our 2025 Senior Notes restricts among other things, our and certain of our subsidiaries' ability to:

- incur certain additional debt;
- make certain investments or acquisitions;
- create certain liens on our or our subsidiaries' assets;
- sell assets; and
- merge, consolidate or transfer all or substantially all of our assets.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. A breach of any of these covenants could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable.

**The lenders under our financing agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity.**

We finance a meaningful portion of our investments with repurchase agreements and other short-term financing arrangements. Under the terms of repurchase agreements, we will sell an asset to the lending counterparty for a specified price and concurrently agree to repurchase the same asset from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement—which can be as short as 30 days—the counterparty will make funds available to us and hold the asset as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we will be required to repurchase the asset for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying

interest to the counterparty in return for extending financing to us. If we want to continue to finance the asset with a repurchase agreement, we ask the counterparty to extend—or "roll"—the repurchase agreement for another term.

Our counterparties are not required to roll our repurchase agreements or other financing agreements upon the expiration of their stated terms, which subjects us to a number of risks. Counterparties electing to roll our financing agreements may charge higher spread and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a financing agreement counterparty elects not to extend our financing, we would be required to pay the counterparty in full on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. If we were unable to pay the repurchase price for any asset financed with a repurchase agreement, the counterparty has the right to sell the asset being held as collateral and require us to compensate it for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). Moreover, our financing agreement obligations are currently with a limited number of counterparties. If any of our counterparties elected not to roll our financing agreements, we may not be able to find a replacement counterparty in a timely manner. Finally, some of our financing agreements contain covenants and our failure to comply with such covenants could result in a loss of our investment.

**The financing sources under our servicer advance financing facilities may elect not to extend financing to us or may have or take positions adverse to us, which could quickly and seriously impair our liquidity.**

We finance a meaningful portion of our Servicer Advance Investments and servicer advance receivables with structured financing arrangements. These arrangements are commonly of a short-term nature. These arrangements are generally accomplished by having the named servicer, if the named servicer is a subsidiary of the Company, or the purchaser of such Servicer Advance Investments (which is a subsidiary of the Company) transfer our right to repayment for certain servicer advances that we have as servicer under the relevant Servicing Guidelines or that we have acquired from one of our Servicing Partners, as applicable, to one of our wholly owned bankruptcy remote subsidiaries (a "Depositor"). We are generally required to continue to transfer to the related Depositor all of our rights to repayment for any particular pool of servicer advances as they arise (and, if applicable, are transferred from one of our Servicing Partners) until the related financing arrangement is paid in full and is terminated. The related Depositor then transfers such rights to an "Issuer." The Issuer then issues limited recourse notes to the financing sources backed by such rights to repayment.

The outstanding balance of servicer advance receivables securing these arrangements is not likely to be repaid on or before the maturity date of such financing arrangements. Accordingly, we rely heavily on our financing sources to extend or refinance the terms of such financing arrangements. Our financing sources are not required to extend the arrangements upon the expiration of their stated terms, which subjects us to a number of risks. Financing sources electing to extend may charge higher interest rates and impose more onerous terms upon us, including without limitation, lowering the amount of financing that can be extended against any particular pool of servicer advances.

If a financing source is unable or unwilling to extend financing, including, but not limited to, due to legal or regulatory matters applicable to us or our Servicing Partners, the related Issuer will be required to repay the outstanding balance of the financing on the related maturity date. Additionally, there may be substantial increases in the interest rates under a financing arrangement if the related notes are not repaid, extended or refinanced prior to the expected repayment dated, which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the servicer advances pledged as collateral.

Currently, certain of the notes issued under our structured servicer advance financing arrangements accrue interest at a floating rate of interest. Servicer advance receivables are non-interest bearing assets. Accordingly, if there is an increase in prevailing interest rates and/or our financing sources increase the interest rate "margins" or "spreads," the amount of financing that we could obtain against any particular pool of servicer advances may decrease substantially and/or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements.

Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured servicer advance financing arrangements are currently with a limited number of counterparties. If any of our sources are unable to or elected not to extend or refinance such arrangements, we may not be able to find a replacement counterparty in a timely manner.

Many of our servicer advance financing arrangements are provided by financial institutions with whom we have substantial relationships. Some of our servicer advance financing arrangements entail the issuance of term notes to capital markets investors with whom we have little or no relationships or the identities of which we may not be aware and, therefore, we have

no ability to control or monitor the identity of the holders of such term notes. Holders of such term notes may have or may take positions - for example, "short" positions in our stock or the stock of our servicers - that could be benefited by adverse events with respect to us or our Servicing Partners. If any holders of term notes allege or assert noncompliance by us or the related Servicing Partner under our servicer advance financing arrangements in order to realize such benefits, we or our Servicing Partners, or our ability to maintain servicer advance financing on favorable terms, could be materially and adversely affected.

**We may not be able to finance our investments on attractive terms or at all, and financing for interests in MSRs or servicer advance receivables may be particularly difficult to obtain.**

The ability to finance investments with securitizations or other long-term non-recourse financing not subject to margin requirements has been challenging as a result of market conditions. These conditions may result in having to use less efficient forms of financing for any new investments, or the refinancing of current investments, which will likely require a larger portion of our cash flows to be put toward making the investment and thereby reduce the amount of cash available for distribution to our stockholders and funds available for operations and investments, and which will also likely require us to assume higher levels of risk when financing our investments. In addition, there is a limited market for financing of interests in MSRs, and it is possible that one will not develop for a variety of reasons, such as the challenges with perfecting security interests in the underlying collateral.

Certain of our advance facilities may mature in the short term, and there can be no assurance that we will be able to renew these facilities on favorable terms or at all. Moreover, an increase in delinquencies with respect to the loans underlying our servicer advance receivables could result in the need for additional financing, which may not be available to us on favorable terms or at all. If we are not able to obtain adequate financing to purchase servicer advance receivables from our Servicing Partners or fund servicer advances under our MSRs in accordance with the applicable Servicing Guidelines, we or any such Servicing Partner, as applicable, could default on its obligation to fund such advances, which could result in its termination of us or any applicable Servicing Partner, as applicable, as servicer under the applicable Servicing Guidelines, and a partial or total loss of our interests in MSRs and servicer advances, as applicable.

**The non-recourse long-term financing structures we use expose us to risks, which could result in losses to us.**

We use structured finance and other non-recourse long-term financing for our investments to the extent available and appropriate. In such structures, our financing sources typically have only a claim against the assets included in the securitizations rather than a general claim against us as an entity. Prior to any such financing, we would seek to finance our investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short-term facilities or would not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would generally intend to retain a portion of the interests issued under such securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

**The final Basel FRTB Ruling, which raised capital charges for bank holders of ABS, CMBS and Non-Agency RMBS beginning in 2019, could adversely impact available trading liquidity and access to financing.**

In January 2006, the Basel Committee on Banking Supervision released a finalized framework for calculating minimum capital requirements for market risk, which became effective in January 2019. In the final proposal, capital requirements would overall be meaningfully higher than current requirements, but are less punitive than the previous December 2014 proposal. However, each country's specific regulator may codify the rules differently. Under the framework, capital charges on a bond are calculated based on three components: default, market and residual risk. Implementation of the final proposal could impose meaningfully higher capital charges on dealers compared with current requirements, and could reduce liquidity in the securitized products market.

**Risks associated with our investment in the consumer loan sector could have a material adverse effect on our business and financial results.**

Our portfolio includes an investment in the consumer loan sector. Although many of the risks applicable to consumer loans are also applicable to residential mortgage loans, and thus the type of risks that we have experience managing, there are nevertheless substantial risks and uncertainties associated with engaging in a different category of investment.

The ability of borrowers to repay the consumer loans we invest in may be adversely affected by numerous personal factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including an economic downturn, high energy costs or acts of God or terrorism, may also affect the financial stability of borrowers and impair their ability or willingness to repay the consumer loans in our investment portfolio. Furthermore, our returns on our consumer loan investments are dependent on the interest we receive exceeding any losses we may incur from defaults or delinquencies. The relatively higher interest rates paid by consumer loan borrowers could lead to increased delinquencies and defaults, or could lead to financially stronger borrowers prepaying their loans, thereby reducing the interest we receive from them, while financially weaker borrowers become delinquent or default, either of which would reduce the return on our investment or could cause losses.

In the event of any default under a loan in the consumer loan portfolio in which we have invested, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral securing the loan, if any, and the principal and accrued interest of the loan. In addition, our investments in consumer loans may entail greater risk than our investments in residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. Further, repossessing personal property securing a consumer loan can present additional challenges, including locating the collateral and taking possession of it. In addition, borrowers under consumer loans may have lower credit scores. There can be no guarantee that we will not suffer unexpected losses on our investments as a result of the factors set out above, which could have a negative impact on our financial results.

In addition, a portion of our investment in consumer loans is secured by second and third liens on real estate. When we hold the second or third lien, another creditor or creditors, as applicable, holds the first and/or second, as applicable, lien on the real estate that is the subject of the security. In these situations our second or third lien is subordinate in right of payment to the first and/or second, as applicable, holder's right to receive payment. Moreover, as the servicer of the loans underlying our consumer loan portfolio is not able to track the default status of a senior lien loan in instances where we do not hold the related first mortgage, the value of the second or third lien loans in our portfolio may be lower than our estimates indicate.

Finally, one of our consumer loan investments is held through LoanCo, in which we hold a minority, non-controlling interest. We do not control LoanCo and, as a result, LoanCo may make decisions, or take risks, that we would otherwise not make, and LoanCo may not have access to the same management and financing expertise that we have. Failure to successfully manage these risks could have a material adverse effect on our business and financial results.

**The consumer loan investment sector is subject to various initiatives on the part of advocacy groups and extensive regulation and supervision under federal, state and local laws, ordinances and regulations, which could have a negative impact on our financial results.**

In recent years consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on the types of short-term consumer loans in which we have invested. Such consumer advocacy groups and media reports generally focus on the annual percentage rate to a consumer for this type of loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories.

The fees charged on the consumer loans in the portfolio in which we have invested may be perceived as controversial by those who do not focus on the credit risk and high transaction costs typically associated with this type of investment. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for the consumer loan products in which we have invested could significantly decrease. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, we could become subject to more restrictive laws and regulations in the area.

In addition, we are, or may become, subject to federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the CFPB with broad authority to regulate and examine financial institutions), which may, amongst other things, limit the amount of interest or fees allowed to be charged on the consumer loans we invest in, or the number of consumer loans that customers may receive or have outstanding. The operation

of existing or future laws, ordinances and regulations could interfere with the focus of our investments which could have a negative impact on our financial results.

**Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans and/or MSRs, and we may not be able to obtain and/or maintain such licenses.**

Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans and/or MSRs. In the event that any licensing requirement is applicable to us, and we do not hold such licenses, there can be no assurance that we will obtain such licenses or, if obtained, that we will be able to maintain them. Our failure to obtain or maintain such licenses could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. With respect to mortgage loans, in lieu of obtaining such licenses, we may contribute our acquired residential mortgage loans to one or more wholly owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements. We have formed one or more subsidiaries to apply for certain state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state-licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing. In addition, even if we obtain necessary licenses, we may not be able to maintain them. Any of these circumstances could limit our ability to invest in residential mortgage loans or MSRs in the future and have a material adverse effect on us.

**Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution.**

We leverage certain of our assets through a variety of borrowings. Our investment guidelines do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets.

**A significant portion of our investments are not match funded, which may increase the risks associated with these investments.**

When available, a match funding strategy mitigates the risk of not being able to refinance an investment on favorable terms or at all. However, our Manager may elect for us to bear a level of refinancing risk on a short-term or longer-term basis, as in the case of investments financed with repurchase agreements, when, based on its analysis, our Manager determines that bearing such risk is advisable or unavoidable. In addition, we may be unable, as a result of conditions in the credit markets, to match fund our investments. For example, non-recourse term financing not subject to margin requirements has been more difficult to obtain, which impairs our ability to match fund our investments. Moreover, we may not be able to enter into interest rate swaps. A decision not to, or the inability to, match fund certain investments exposes us to additional risks.

Furthermore, we anticipate that, in most cases, for any period during which our floating rate assets are not match funded with respect to maturity, the income from such assets may respond more slowly to interest rate fluctuations than the cost of our borrowings. Because of this dynamic, interest income from such investments may rise more slowly than the related interest expense, with a consequent decrease in our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us from these investments.

Accordingly, to the extent our investments are not match funded with respect to maturities and interest rates, we are exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms, or at all, or may have to liquidate assets at a loss.

**Interest rate fluctuations and shifts in the yield curve may cause losses.**

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Our primary interest rate exposures relate to our interests in MSRs, RMBS, loans, derivatives and any floating rate debt obligations that we may incur. Changes in interest rates, including changes in expected interest rates or “yield curves,” affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire real estate and other securities and loans at attractive prices, the value of our real estate and other securities, loans and derivatives and our ability to realize gains from the sale of such assets. We may wish to use hedging transactions to protect certain positions from interest rate fluctuations, but we

may not be able to do so as a result of market conditions, REIT rules or other reasons. In such event, interest rate fluctuations could adversely affect our financial condition, cash flows and results of operations.

Since March 2020, the Federal Reserve has maintained interest rates close to zero in response to COVID-19 pandemic concerns. In the event of a significant rising interest rate environment and/or economic downturn, however, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our financing strategy is dependent on our ability to place the debt we use to finance our investments at rates that provide a positive net spread. If spreads for such liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future financings will be severely restricted.

Interest rate changes may also impact our net book value as most of our investments are marked to market each quarter. Debt obligations are not marked to market. Generally, as interest rates increase, the value of our fixed rate securities decreases, which will decrease the book value of our equity.

Furthermore, shifts in the U.S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our investments and therefore their value. For example, increasing interest rates would reduce the value of the fixed rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed rate assets in order to adjust the yield upward to meet the market, and vice versa. This would have similar effects on our real estate and other securities and loan portfolio and our financial position and operations to a change in interest rates generally.

**Changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.**

LIBOR and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. In particular, regulators and law enforcement agencies in the U.K. and elsewhere conducted criminal and civil investigations into whether the banks that contributed information to the British Bankers' Association ("BBA") in connection with the daily calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. LIBOR is calculated by reference to a market for interbank lending that continues to shrink, as it is based on increasingly fewer actual transactions. This increases the subjectivity of the LIBOR calculation process and increases the risk of manipulation. Actions by the regulators or law enforcement agencies, as well as ICE Benchmark Administration (the current administrator of LIBOR), may result in changes to the manner in which LIBOR is determined or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. In addition, on March 5, 2021, the ICE Benchmark Administration confirmed its intention to cease publication of (i) one week and two month USD LIBOR settings after December 31, 2021 and (ii) the remaining USD LIBOR settings after June 30, 2023.

It is likely that, over time, U.S. Dollar LIBOR will be replaced by the Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. However, the manner and timing of this shift is currently unknown. SOFR is an overnight rate instead of a term rate, making SOFR an inexact replacement for LIBOR. There is currently no established process to create robust, forward-looking, SOFR term rates. Market participants are still considering how various types of financial instruments and securitization vehicles should react to a discontinuation of LIBOR. It is possible that not all of our assets and liabilities will transition away from LIBOR at the same time, and it is possible that not all of our assets and liabilities will transition to the same alternative reference rate, in each case increasing the difficulty of hedging. Switching existing financial instruments and hedging transactions from LIBOR to SOFR requires calculations of a spread. Industry organizations are attempting to structure the spread calculation in a manner that minimizes the possibility of value transfer between counterparties, borrowers, and lenders by virtue of the transition, but there is no assurance that the calculated spread will be fair and accurate or that all asset types and all types of securitization vehicles will use the same spread. We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. The process of transition involves operational risks. It is also possible that no transition will occur for many financial instruments, meaning that those instruments would continue to be subject to the weaknesses of the LIBOR calculation process. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the

market for or value of any securities on which the interest or dividend is determined by reference to LIBOR, loans, derivatives and other financial obligations or on our overall financial condition or results of operations. More generally, any of the above changes or any other consequential changes to LIBOR or any other "benchmark" as a result of international, national or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any securities based on or linked to a "benchmark."

**Any hedging transactions that we enter into may limit our gains or result in losses.**

We may use, when feasible and appropriate, derivatives to hedge a portion of our interest rate exposure, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to stockholders and that such losses may exceed the amount invested in such instruments. We have adopted a general policy with respect to the use of derivatives, which generally allows us to use derivatives where appropriate, but does not set forth specific policies and procedures or require that we hedge any specific amount of risk. From time to time, we may use derivative instruments, including forwards, futures, swaps and options, in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

There are limits to the ability of any hedging strategy to protect us completely against interest rate risks. When rates change, we expect the gain or loss on derivatives to be offset by a related but inverse change in the value of any items that we hedge. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, our hedging strategy may limit our flexibility by causing us to refrain from taking certain actions that would be potentially profitable but would cause adverse consequences under the terms of our hedging arrangements. The REIT provisions of the Internal Revenue Code limit our ability to hedge. In managing our hedge instruments, we consider the effect of the expected hedging income on the REIT qualification tests that limit the amount of gross income that a REIT may receive from hedging. We need to carefully monitor, and may have to limit, our hedging strategy to assure that we do not realize hedging income, or hold hedges having a value, in excess of the amounts that would cause us to fail the REIT gross income and asset tests. See "—Risks Related to Our Taxation as a REIT—Complying with the REIT requirements may limit our ability to hedge effectively."

Accounting for derivatives under GAAP is complicated. Any failure by us to account for our derivatives properly in accordance with GAAP in our financial statements could adversely affect us. In addition, under applicable accounting standards, we may be required to treat some of our investments as derivatives, which could adversely affect our results of operations.

**Cybersecurity incidents and technology disruptions or failures could damage our business operations and reputation, increase our costs and subject us to potential liability.**

As our reliance on rapidly changing technology has increased, so have the risks that threaten the confidentiality, integrity or availability of our information systems, both internal and those provided to us by third-party service providers (including, but not limited to, our Servicing Partners). Cybersecurity incidents may involve gaining authorized or unauthorized access to our information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Disruptions and failures of our systems or those of our third-party vendors could result from these incidents or be caused by fire, power outages, natural disasters and other similar events and may interrupt or delay our ability to provide services to our customers, expose us to remedial costs and reputational damage, and otherwise adversely affect our operations. During the COVID-19 pandemic, a portion of our staff have worked remotely, which has caused us to rely heavily on virtual communication and may increase our exposure to cybersecurity risks.

Despite our efforts to ensure the integrity of our systems, there can be no assurance that any such cyber incidents will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods and sources of breaches change frequently or may not be immediately detected.

In addition, we are subject to various privacy and data protection laws and regulations, and any changes to laws or regulations, including new restrictions or requirements applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information. For example, the New York State Department of Financial Services requires certain financial services companies, such as NRM and Newrez, to establish a detailed cybersecurity program and

comply with other requirements, and the CCPA creates new compliance regulations on businesses that collect information from California residents.

Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

**We depend on counterparties and vendors to provide certain services, which subjects us to various risks.**

We have a number of counterparties and vendors, who provide us with financial, technology and other services that support our businesses. If our current counterparties and vendors were to stop providing services to us on acceptable terms, we may be unable to procure alternative services from other counterparties or vendors in a timely and efficient manner and on similarly acceptable terms, or at all. With respect to vendors engaged to perform certain servicing activities, we are required to assess their compliance with various regulations and establish procedures to provide reasonable assurance that the vendor's activities comply in all material respects with such regulations. In the event that a vendor's activities are not in compliance, it could negatively impact our relationships with our regulators, as well as our business and operations. Accordingly, we may incur significant costs to resolve any such disruptions in service which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

**We are subject to risks related to securitization of any loans originated and/or serviced by our subsidiaries.**

The securitization of any loans that we originate and/or service subject us to various risks that may increase our compliance costs and adversely impact our financial results, including:

- compliance with the terms of the agreements governing the securitized pools of loans, including any indemnification and repurchase provisions;
- reliance on programs administered by, the GSEs and Ginnie Mae that facilitate the issuance of mortgage-backed securities in the secondary market and the effect of any changes or modifications thereto (see-"GSE initiatives and other actions, including changes to the minimum servicing amount for GSE loans, could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against" and -"The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business"); and
- federal and state legislation in securitizations, such as the risk retention requirements under the Dodd-Frank Act, could result in higher costs of certain lending operations and impose on us additional compliance requirements to meet servicing and origination criteria for securitized mortgage loans.

**We have engaged and may in the future engage in a number of acquisitions and we may be unable to successfully integrate the acquired assets and assumed liabilities in connection with such acquisitions.**

As part of our business strategy, we regularly evaluate acquisitions of what we believe are complementary assets, including, but not limited to, our acquisition of Caliber Home Loans Inc. and agreement to acquire Genesis Capital LLC. Identifying and achieving the anticipated benefits of such acquisitions is subject to a number of uncertainties, including, without limitation, whether we are able to acquire the assets, within our parameters, integrate the acquired assets and manage the assumed liabilities efficiently. It is possible that the integration process could take longer than anticipated and could result in additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices and policies, any of which could adversely affect our ability to achieve the anticipated benefits of such acquisitions. There may be increased risk due to integrating the assets into our financial reporting and internal control systems. Difficulties in adding the assets into our business could also result in the loss of contract counterparties or other persons with whom we conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or such counterparties conduct business. We could also be adversely affected by any issues attributable to the related seller's operations that arise or are based on events or actions that occurred prior to the closing of such acquisitions. Completion of the integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized in their entirety or at all or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and cash flows. Due to the costs of engaging in a number of acquisitions, we may also have difficulty completing more acquisitions in the future.

**Maintenance of our 1940 Act exclusion imposes limits on our operations.**

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly owned and majority owned subsidiaries, the securities issued by our subsidiaries that are excluded from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, unless another exclusion from the definition of "investment company" is available to us. For purposes of the foregoing, we currently treat our interest in our SLS Servicer Advance Investment and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. The 40% test under Section 3(a)(1)(C) of the 1940 Act limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business.

If the value of securities issued by our subsidiaries that are excluded from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act (e.g., the value of our interests in the taxable REIT subsidiaries that hold Servicer Advance Investments and are not excluded from the definition of "investment company" by Section 3(c)(5)(A), (B) or (C) of the 1940 Act increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company under the 1940 Act, either of which could have an adverse effect on us and the market price of our securities. As discussed above, for purposes of the foregoing, we generally treat our interests in our SLS Servicer Advance Investment and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Failure to maintain an exclusion would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, and we might be required to terminate our Management Agreement and any other agreements with affiliates, which could have a material adverse effect on our ability to operate our business and pay distributions. If we were required to register us as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitute more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act. The Section 3(c)(5)(C) exclusion is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries' assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries' assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify some of our subsidiaries' assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying

real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs for which we do not own the related servicing rights as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. If we are required to re-classify any of our subsidiaries' assets, including those subsidiaries holding whole pool Non-Agency RMBS and/or Excess MSRs, such subsidiaries may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the 1940 Act, and in turn, we may not satisfy the requirements to avoid falling within the definition of an "investment company" provided by Section 3(a)(1)(C). To the extent that the SEC staff publishes new or different guidance or disagrees with our analysis with respect to any assets of our subsidiaries we have determined to be qualifying real estate assets or real estate-related assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In August 2011, the SEC issued a concept release soliciting public comments on a wide range of issues relating to companies engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act. Therefore, there can be no assurance that the laws and regulations governing the 1940 Act status of REITs, or guidance from the SEC or its staff regarding the Section 3(c)(5)(C) exclusion, will not change in a manner that adversely affects our operations. If we or our subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions. In addition, if we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

**Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.**

If the market value or income potential of qualifying assets for purposes of our qualification as a REIT or our exclusion from registration as an investment company under the 1940 Act declines as a result of increased interest rates, changes in prepayment rates or other factors, or the market value or income from non-qualifying assets increases, we may need to increase our investments in qualifying assets and/or liquidate our non-qualifying assets to maintain our REIT qualification or our exclusion from registration under the 1940 Act. If the change in market values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets we may own. We may have to make investment decisions that we otherwise would not make absent the intent to maintain our qualification as a REIT and exclusion from registration under the 1940 Act.

**We are subject to significant competition, and we may not compete successfully.**

We are subject to significant competition in seeking investments. We compete with other companies, including other REITs, insurance companies and other investors, including funds and companies affiliated with our Manager. Some of our competitors have greater resources than we possess or have greater access to capital or various types of financing structures than are available to us, and we may not be able to compete successfully for investments or provide attractive investment returns relative to our competitors. These competitors may be willing to accept lower returns on their investments and, as a result, our profit margins could be adversely affected. Furthermore, competition for investments that are suitable for us, including, but not limited to, interests in MSRs, may lead to decreased availability, higher market prices and decreased returns available from such investments, which may further limit our ability to generate our desired returns. We cannot assure you that other companies will not be formed that compete with us for investments or otherwise pursue investment strategies similar to ours or that we will be able to compete successfully against any such companies.

**Our business could suffer if we fail to attract and retain highly skilled personnel.**

Our future success will depend on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of the Company, in particular skilled managers, loan officers, underwriters, loan servicers, debt default specialists and other personnel specialized in finance, risk and compliance. Trained and experienced personnel are in high demand and may be

in short supply in some areas. We may not be able to attract, develop and maintain an adequate skilled workforce necessary to operate our businesses and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to attract and retain such personnel, we may not be able to take advantage of acquisitions and other growth opportunities that may be presented to us and this could have a material adverse effect on our business, financial condition, liquidity and results of operations.

**The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market.**

There is not anticipated to be an active market for most of the assets in which we will invest. In the absence of market comparisons, we will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price assets may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset as carried on our books.

**Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.**

The SEC, the Financial Accounting Standards Board (the "FASB") and other regulatory bodies that establish the accounting rules applicable to us may, in the future, propose changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition, directly or through their impact on our Servicing Partners or counterparties.

**A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations.**

We believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values, as was the case in 2008. The COVID-19 pandemic has had and could continue to have an adverse impact on economic and market conditions and could result in a prolonged period of economic slowdown. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on our loans or the loans underlying our securities, interests in MSRs and servicer advances, if the real estate economy weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our investments in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders.

**Compliance with changing regulation of corporate governance and public disclosure has and will continue to result in increased compliance costs and pose challenges for our management team.**

Certain aspects of the Dodd-Frank Act remain subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us and, more generally, the financial services and mortgage industries. Additionally, we cannot predict whether there will be additional proposed laws or new reforms under the current Administration that would affect us, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such

changes may affect us. However, the costs of complying with any additional laws or regulations could have a material effect on our financial condition and results of operations.

**There may be difficulties with integrating the loans underlying MSR acquisitions involving servicing transfers into the successor servicer's servicing platform, which could have a material adverse effect on our results of operations, financial condition and liquidity.**

In connection with certain MSR acquisitions, servicing is transferred from the seller to a subservicer appointed by us. The ability to integrate and service the assets acquired will depend in large part on the success of our subservicer's integration of expanded servicing capabilities with its current operations. We may fail to realize some or all of the anticipated benefits of these transactions if the integration process takes longer, or is more costly, than expected. Potential difficulties we may encounter during the integration process with the assets acquired in MSR acquisitions involving servicing transfers include, but are not limited to, the following:

- the integration of the portfolio into our applicable subservicer's information technology platforms and servicing systems;
- the quality of servicing during any interim servicing period after we purchase the portfolio but before our applicable subservicer assumes servicing obligations from the seller or its agents;
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns;
- incomplete or inaccurate files and records;
- the retention of existing customers;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the occurrence of unanticipated expenses; and
- potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition.

Our failure to meet the challenges involved in successfully integrating the assets acquired in MSR acquisitions involving servicing transfers with our current business could impair our operations. For example, it is possible that the data our applicable subservicer acquires upon assuming the direct servicing obligations for the loans may not transfer from the seller's platform to its systems properly. This may result in data being lost, key information not being locatable on our applicable subservicer's systems, or the complete failure of the transfer. If our employees are unable to access customer information easily, or is unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and our subservicer may not be able to enforce its right to collect in some cases. Similarly, collections could be affected by any changes to our applicable subservicer's collections practices, the restructuring of any key servicing functions, transfer of files and other changes that occur as a result of the transfer of servicing obligations from the seller to our subservicer.

**We could be materially and adversely affected by past events, conditions or actions with respect to HLSS or Ocwen.**

HLSS acquired assets and assumed liabilities could be adversely affected as a result of events or conditions that occurred or existed before the closing of the HLSS Acquisition. Adverse changes in the assets or liabilities we have acquired or assumed, respectively, as part of the HLSS Acquisition, could occur or arise as a result of actions by HLSS or Ocwen, legal or regulatory developments, including the emergence or unfavorable resolution of pre-acquisition loss contingencies, deteriorating general business, market, industry or economic conditions, and other factors both within and beyond the control of HLSS or Ocwen. We are subject to a variety of risks as a result of our dependence on Servicing Partners, including, without limitation, the potential loss of all of the value of our Excess MSRs in the event that the servicer of the underlying loans is terminated by the mortgage loan owner or RMBS bondholders. A significant decline in the value of HLSS assets or a significant increase in HLSS liabilities we have acquired could adversely affect our future business, financial condition, cash flows and results of operations. HLSS is subject to a number of other risks and uncertainties, including regulatory investigations and legal proceedings against HLSS, and others with whom HLSS conducted business. Moreover, any insurance proceeds received with respect to such matters may be inadequate to cover the associated losses. Adverse developments at Ocwen, including liquidity issues, ratings downgrades, defaults under debt agreements, servicer rating downgrades, failure to comply with the terms of PSAs, termination under PSAs, Ocwen bankruptcy proceedings and additional regulatory issues and settlements, including those described above, could have a material adverse effect on us. See "—We rely heavily on our Servicing Partners to achieve our investment objective and have no direct ability to influence their performance."

**Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under certain of our financing facilities by the credit agency providing the ratings.**

Certain of our financing facilities are rated by one rating agency and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes backed by servicer advances, MSRs,

Excess MSRs and our other investments at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, or amend or modify other financing facilities which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability.

A downgrade of certain of the notes issued under our financing facilities could cause such notes to become due and payable prior to their expected repayment date/maturity date, which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

**Regulatory scrutiny regarding foreclosure processes could lengthen foreclosure timelines, which could increase advances and materially and adversely affect our business, financial condition, results of operations and liquidity.**

When a residential mortgage loan is in foreclosure, the servicer is generally required to continue to advance delinquent principal and interest to the securitization trust and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. These servicer advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances, lengthen the time it takes for reimbursement of such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities generally contain provisions that limit the eligibility of servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that need to be funded from the related servicer's own capital. Such increases in foreclosure timelines could increase the need for capital to fund servicer advances, which would increase our interest expense, delay the collection of interest income or servicing revenue until the foreclosure has been resolved and, therefore, reduce the cash that we have available to pay our operating expenses or to pay dividends. For more information, see "—We could be materially and adversely affected by past events, conditions or actions with respect to HLSS or Ocwen" above.

**Certain of our Servicing Partners have triggered termination events or events of default under some PSAs underlying the MSRs with respect to which we are entitled to the basic fee component or Excess MSRs.**

In certain of these circumstances, the related Servicing Partner may be terminated without any right to compensation for its loss, other than the right to be reimbursed for any outstanding servicer advances as the related loans are brought current, modified, liquidated or charged off. So long as we are in compliance with our obligations under our servicing agreements and purchase agreements, if we or one of our Servicing Partners is terminated as servicer, we may have the right to receive an indemnification payment from the applicable Servicing Partner, even if such termination related to servicer termination events or events of default existing at the time of any transaction with such Servicing Partner. If one of our Servicing Partners is terminated as servicer under a PSA, we will lose any investment related to such Servicing Partner's MSRs. If we or such Servicing Partner is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such Servicing Partner, or if such Servicing Partner is unable to make any resulting indemnification payments to us, if any such payment is due and payable, it may have a material adverse effect on our financial condition, results of operations, ability to make distributions, liquidity and financing arrangements, including our servicer advance financing facilities, and may make it more difficult for us to acquire additional interests in MSRs in the future.

**Representations and warranties made by us in our collateralized borrowings and loan sale agreements may subject us to liability.**

Our financing facilities require us to make certain representations and warranties regarding the assets that collateralize the borrowings. Although we perform due diligence on the assets that we acquire, certain representations and warranties that we make in respect of such assets may ultimately be determined to be inaccurate. In addition, our loan sale agreements require us to make representations and warranties to the purchaser regarding the loans that were sold. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans' compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien.

In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us or the contractual expiration thereof. A breach of a representation or warranty could adversely affect our results of operations and liquidity.

**Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.**

Certain servicing contracts permit more than one party to exercise a cleanup call—meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which these servicers acquired MSRs) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Finally, many of our call rights are not currently exercisable and may not become exercisable for a period of years. As a result, our ability to realize the benefits from these rights will depend on a number of factors at the time they become exercisable many of which are outside our control, including interest rates, conditions in the capital markets and conditions in the residential mortgage market.

**The exercise of cleanup calls could negatively impact our interests in MSRs.**

The exercise of cleanup call rights results in the termination of the MSRs on the loans held within the related securitization trusts. To the extent we own interests in MSRs with respect to loans held within securitization trusts where cleanup call rights are exercised, whether they are exercised by us or a third party, the value of our interests in those MSRs will likely be reduced to zero and we could incur losses and reduced cash flows from any such interests.

**New Residential's subsidiaries, NRM, Newrez and Caliber are or may become subject to significant state and federal regulations.**

Subsidiaries of New Residential, NRM, Newrez and Caliber, have obtained applicable qualifications, licenses and approvals to own Non-Agency and certain Agency MSRs in the United States and certain other jurisdictions. As a result of NRM, Newrez and Caliber's current and expected approvals, NRM, Newrez and Caliber are subject to extensive and comprehensive regulation under federal, state and local laws in the United States. These laws and regulations do, and may in the future, significantly affect the way that NRM, Newrez and Caliber do business, and subject NRM, Newrez, Caliber and New Residential to additional costs and regulatory obligations, which could impact our financial results.

NRM, Newrez and Caliber's business may become subject to increasing regulatory oversight and scrutiny in the future, which may lead to regulatory investigations or enforcement actions, including both formal and informal inquiries, from various state and federal agencies as part of those agencies' supervision of mortgage servicing and origination business activities. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect NRM, Newrez, Caliber and our financial results or result in serious reputational harm. In addition, a number of participants in the mortgage servicing industry have been the subject of purported class action lawsuits and regulatory actions by state or federal regulators, and other industry participants have been the subject of actions by state Attorneys General.

**Failure of New Residential's subsidiaries, NRM, Newrez and Caliber, to obtain or maintain certain licenses and approvals required for NRM, Newrez and Caliber to purchase and own MSRs could prevent us from purchasing or owning MSRs, which could limit our potential business activities.**

State and federal laws require a business to hold certain state licenses prior to acquiring MSRs. NRM, Newrez and Caliber are currently licensed or otherwise eligible to hold MSRs in each applicable state. As a licensees in such states, NRM, Newrez or Caliber may become subject to administrative actions in those states for failing to satisfy ongoing license requirements or for other state law violations, the consequences of which could include fines or suspensions or revocations of NRM, Newrez or Caliber licenses by applicable state regulatory authorities, which could in turn result in NRM, Newrez or Caliber becoming ineligible to hold MSRs in the related jurisdictions. We could be delayed or prohibited from conducting certain business activities if we do not maintain necessary licenses in certain jurisdictions. We cannot assure you that we will be able to maintain all of the required state licenses.

Additionally, NRM, Newrez and Caliber have received approval from FHA to hold MSRs associated with FHA-insured mortgage loans, from Fannie Mae to hold MSRs associated with loans owned by Fannie Mae, and from Freddie Mac to hold MSRs associated with loans owned by Freddie Mac. As approved Fannie Mae Servicers, Freddie Mac Servicers and FHA Lenders, NRM, Newrez and Caliber are required to conduct aspects of their respective operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. Should NRM, Newrez or Caliber fail to maintain FHA, Fannie Mae or Freddie Mac approval, NRM, Newrez or Caliber may be unable to purchase or hold MSRs associated with FHA-insured, Fannie Mae and/or Freddie Mac loans, which could limit our potential business activities.

In addition, Newrez and Caliber are approved issuers of mortgage-backed securities guaranteed by Ginnie Mae and service the mortgage loans related to such securities ("Ginnie Mae Issuer"). As approved Ginnie Mae Issuers, Newrez and Caliber are required to conduct aspects of their operations in accordance with applicable policies and guidelines published by Ginnie Mae in order to maintain their approvals. Should Newrez or Caliber fail to maintain Ginnie Mae approval, we may be unable to purchase or hold MSRs associated with Ginnie Mae loans, which could limit our potential business activities.

NRM, Newrez and Caliber are currently subject to various, and may become subject to additional, information reporting and other regulatory requirements, and there is no assurance that we will be able to satisfy those requirements or other ongoing requirements applicable to mortgage loan servicers under applicable federal and state laws and regulations. Any failure by NRM, Newrez or Caliber to comply with such state or federal regulatory requirements may expose us to administrative or enforcement actions, license or approval suspensions or revocations or other penalties that may restrict our business and investment options, any of which could adversely impact our business and financial results and damage our reputation.

**We may become subject to fines or other penalties based on the conduct of mortgage loan originators and brokers that originate residential mortgage loans related to MSRs that we acquire, and the third-party servicers we may engage to subservice the loans underlying MSRs we acquire.**

We have acquired MSRs and may in the future acquire additional MSRs from third-party mortgage loan originators, brokers or other sellers, and we therefore are or will become dependent on such third parties for the related mortgage loans' compliance with applicable law, and on third-party mortgage servicers, including our Servicing Partners, to perform the day-to-day servicing on the mortgage loans underlying any such MSRs. Mortgage loan originators and brokers are subject to strict and evolving consumer protection laws and other legal obligations with respect to the origination of residential mortgage loans. These laws and regulations include the residential mortgage servicing standards, "ability-to-repay" and "qualified mortgage" regulations promulgated by the CFPB, which became effective in 2014. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. These laws may be highly subjective and open to interpretation and, as a result, a regulator or court may determine that that there has been a violation where an originator or servicer of mortgage loans reasonably believed that the law or requirement had been satisfied. Failure or alleged failure by originators or servicers to comply with these laws and regulations could subject us to state or CFPB administrative proceedings, which could result in monetary penalties, license suspensions or revocations, or restrictions to our business, all of which could adversely impact our business and financial results and damage our reputation.

The final servicing rules promulgated by the CFPB to implement certain sections of the Dodd-Frank Act include provisions relating to, among other things, periodic billing statements and disclosures, responding to borrower inquiries and complaints, force-placed insurance, and adjustable rate mortgage interest rate adjustment notices. Further, the mortgage servicing rules require servicers to, among other things, make good faith early intervention efforts to notify delinquent borrowers of loss mitigation options, to implement specified loss mitigation procedures, and if feasible, exhaust all loss mitigation options before proceeding to foreclosure. Proposed updates to further refine these rules have been published and will likely lead to further changes in requirements applicable to servicing mortgage loans.

In addition to Newrez and Caliber, we engage third-party servicers to subservice mortgage loans relating to any MSRs we acquire. It is therefore possible that a third-party servicer's failure to comply with the new and evolving servicing protocols could adversely affect the value of the MSRs we acquire. Additionally, we may become subject to fines, penalties or civil liability based upon the conduct of any third-party servicer who services mortgage loans related to MSRs that we have acquired or will acquire in the future.

**Investments in MSRs may expose us to additional risks.**

We hold investments in MSRs. Our investments in MSRs may subject us to certain additional risks, including the following:

- We have limited experience acquiring MSRs and operating a servicer. Although ownership of MSRs and the operation of a servicer includes many of the same risks as our other target assets and business activities, including risks related to prepayments, borrower credit, defaults, interest rates, hedging, and regulatory changes, there can be no assurance that we will be able to successfully operate a servicer subsidiary and integrate MSR investments into our business operations.
- As of today, we rely on subservicers to subservice the mortgage loans underlying our MSRs on our behalf. We are generally responsible under the applicable Servicing Guidelines for any subservicer's non-compliance with any such applicable Servicing Guideline. In addition, there is a risk that our current subservicers will be unwilling or unable to continue subservicing on our behalf on terms favorable to us in the future. In such a situation, we may be unable to locate a replacement subservicer on favorable terms.
- NRM, Newrez and Caliber's existing approvals from government-related entities or federal agencies are subject to compliance with their respective servicing guidelines, minimum capital requirements, reporting requirements and other conditions that they may impose from time to time at their discretion. Failure to satisfy such guidelines or conditions could result in the unilateral termination of NRM's, Newrez or Caliber's existing approvals or pending applications by one or more entities or agencies.
- NRM, Newrez and Caliber are presently licensed, approved, or otherwise eligible to hold MSRs in all states within the United States and the District of Columbia. Such state licenses may be suspended or revoked by a state regulatory authority, and we may as a result lose the ability to own MSRs under the regulatory jurisdiction of such state regulatory authority.
- Changes in minimum servicing compensation for Agency loans could occur at any time and could negatively impact the value of the income derived from any MSRs that we hold or may acquire in the future.
- Investments in MSRs are highly illiquid and subject to numerous restrictions on transfer and, as a result, there is risk that we would be unable to locate a willing buyer or get approval to sell any MSRs in the future should we desire to do so.

Our business, results of operations, financial condition and reputation could be adversely impacted if we are not able to successfully manage these or other risks related to investing and managing MSR investments.

*Risks Related to Our Manager*

**We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the Management Agreement.**

None of our officers or other senior individuals who perform services for us (other than three part-time employees of NRM), is an employee of New Residential. Instead, these individuals are employees of our Manager. Accordingly, we are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation is partially or entirely dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations.

**There are conflicts of interest in our relationship with our Manager.**

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by the independent directors of New Residential as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates—including investment funds, private investment funds, or businesses managed by our Manager invest in real estate and other securities and loans, consumer loans and interests in MSRs and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of these other entities. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress for certain target assets. From time to time, affiliates of Fortress focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has two funds primarily focused on investing in Excess MSRs with approximately $0.7 billion in investments in aggregate. We have broad investment guidelines, and we have co-invested and may co-invest with Fortress funds or portfolio companies of private equity funds managed by our Manager (or an affiliate thereof) in a variety of

investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund.

Our Management Agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives. Our Manager intends to engage in additional real estate related management and real estate and other investment opportunities in the future, which may compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of New Residential and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we have engaged and may in the future engage (subject to our investment guidelines) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, which may include, but are not limited to, certain financing arrangements, purchases of debt, co-investments in interests in MSRs, consumer loans, and other assets that present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of earnings, including through the use of leverage, at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our equity offerings, our Manager may be incentivized to cause us to issue additional stock, which could be dilutive to existing stockholders. In addition, our Manager's management fee is not tied to our performance and may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us.

**It would be difficult and costly to terminate our Management Agreement with our Manager.**

It would be difficult and costly for us to terminate our Management Agreement with our Manager. The Management Agreement may only be terminated annually upon (i) the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of a simple majority of the outstanding shares of our common stock, that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a determination by a simple majority of our independent directors that the management fee payable to our Manager is not fair, subject to our Manager's right to prevent such a termination by accepting a mutually acceptable reduction of fees. Our Manager will be provided 60 days' prior notice of any termination and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period preceding such termination. In addition, following any termination of the Management Agreement, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their fair market value (as determined by an appraisal, taking into account, among other things, the expected future performance of the underlying investments) or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

**Our directors have approved broad investment guidelines for our Manager and do not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.**

Our Manager is authorized to follow broad investment guidelines. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our directors will periodically review our investment guidelines and our investment portfolio. However, our board does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, the directors rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by the directors, even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short or long-term basis. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions, and changes in market conditions may therefore result in changes in the investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity, results of operations or financial condition. A change in our investment strategy may also increase our exposure to interest rate, foreign currency, real estate market or credit market fluctuations and expose us to new legal and regulatory risks. In addition, a change in our investment strategy may increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations, liquidity and financial condition.

**Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.**

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our board of directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

**Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.**

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

**The ownership by our executive officers and directors of shares of common stock, options, or other equity awards of entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager may create, or may create the appearance of, conflicts of interest.**

Some of our directors, officers and other employees of our Manager hold positions with entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager and own such entities' common stock, options to purchase such entities' common stock or other equity awards. Such ownership may create, or may create the appearance of, conflicts of interest when these directors, officers and other employees are faced with decisions that could have different implications for such entities than they do for us.

*Risks Related to the Financial Markets*

**The impact of legislative and regulatory changes on our business, as well as the market and industry in which we operate, are uncertain and may adversely affect our business.**

The Dodd-Frank Act was enacted in July 2010, which affects almost every aspect of the U.S. financial services industry, including certain aspects of the markets in which we operate, and imposes new regulations on us and how we conduct our business. As we describe in more detail below, it affects our business in many ways but it is difficult at this time to know exactly how or what the cumulative impact will be.

Generally, the Dodd-Frank Act strengthens the regulatory oversight of securities and capital markets activities by the SEC and established the CFPB to enforce laws and regulations for consumer financial products and services. It requires market participants to undertake additional record-keeping activities and imposes many additional disclosure requirements for public companies.

Moreover, the Dodd-Frank Act contains a risk retention requirement for all asset-backed securities, which we issue. In October 2014, final rules were promulgated by a consortium of regulators implementing the final credit risk retention requirements of Section 941(b) of the Dodd-Frank Act. Under these "Risk Retention Rules," sponsors of both public and private securitization transactions or one of their majority owned affiliates are required to retain at least 5% of the credit risk of the assets collateralizing such securitization transactions. These regulations generally prohibit the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained interest for a specified period of time, depending on the type of asset that is securitized. Certain limited exemptions from these rules are available for certain types of assets, which may be of limited use under our current market practices. In any event, compliance with these new Risk Retention Rules has increased and will likely continue to increase the administrative and operational costs of asset securitization.

Further, the Dodd-Frank Act imposes mandatory clearing and exchange-trading requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives) in which we may engage. In addition, the Dodd-Frank Act is expected to increase the margin requirements for derivatives transactions that are not subject to mandatory clearing requirements, which may impact our activities. The Dodd-Frank Act also creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants," and subjects or may subject these regulated entities to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements that will give rise to new administrative costs.

Also, under the Dodd-Frank Act, financial regulators belonging to the Financial Stability Oversight Council are authorized to designate nonbank financial institutions and financial activities as systemically important to the economy and therefore subject to closer regulatory supervision. Such systemically important financial institutions, or "SIFIs," may be required to operate with greater safety margins, such as higher levels of capital, and may face further limitations on their activities. The determination of what constitutes a SIFI is evolving, and in time SIFIs may include large investment funds and even asset managers. There can be no assurance that we will not be deemed to be a SIFI or engage in activities later determined to be systemically important and thus subject to further regulation.

Even new requirements that are not directly applicable to us may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. For instance, if the exchange-trading and trade reporting requirements lead to reductions in the liquidity of derivative transactions we may experience higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Importantly, many key aspects of the changes imposed by the Dodd-Frank Act will continue to be established by various regulatory bodies and other groups over the next several years.

In addition, there is significant uncertainty regarding the legislative and regulatory outlook for the Dodd-Frank Act and related statutes governing financial services, which may include Dodd-Frank Act amendments, mortgage finance and housing policy in the U.S., and the future structure and responsibilities of regulatory agencies such as the CFPB and the FHFA. For example, in March 2018, the U.S. Senate approved banking reform legislation intended to ease some of the restrictions imposed by the Dodd-Frank Act. Due to this uncertainty, it is not possible for us to predict how future legislative or regulatory proposals by Congress and the current Administration will affect us or the market and industry in which we operate, and there can be no assurance that the resulting changes will not have an adverse impact on our business, results of operations, or financial condition. It is possible that such regulatory changes could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets.

**The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.**

The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. Ginnie Mae is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the U.S. Fannie Mae and Freddie Mac are GSEs, but their guarantees are not backed by the full faith and credit of the U.S. Government.

In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and the credit market disruption beginning in 2007, Congress and the U.S. Treasury undertook a series of actions to stabilize these GSEs and the financial markets, generally. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the FHFA, with enhanced regulatory authority over, among other things, the business activities of Fannie Mae and Freddie Mac and the size of their portfolio holdings. On September 7, 2008, FHFA placed Fannie Mae and Freddie Mac into federal conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae's and Freddie Mac's debt and Agency RMBS.

As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and may (1) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of the stockholders, the directors and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac; (2) collect all obligations and money due to Fannie Mae and Freddie Mac; (3) perform all functions of Fannie Mae and Freddie Mac which are consistent with the conservator's appointment; (4) preserve and conserve the assets and property of Fannie Mae and Freddie Mac; and (5) contract for assistance in fulfilling any function, activity, action or duty of the conservator.

Those efforts resulted in significant U.S. Government financial support and increased control of the GSEs.

The U.S. Federal Reserve (the "Fed") announced in November 2008 a program of large-scale purchases of Agency RMBS in an attempt to lower longer-term interest rates and contribute to an overall easing of adverse financial conditions. Subject to specified investment guidelines, the portfolios of Agency RMBS purchased through the programs established by the U.S. Treasury and the Fed may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency RMBS that we seek to acquire during the remaining term of these portfolios.

There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will be adequate for the longer-term viability of these GSEs. These uncertainties lead to questions about the availability of and trading market for, Agency RMBS. Accordingly, if these government actions are inadequate and the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency RMBS and our business, operations and financial condition could be materially and adversely affected.

Additionally, because of the financial problems faced by Fannie Mae and Freddie Mac that led to their federal conservatorships, the Administration and Congress have been examining reform of the GSEs, including the value of a federal mortgage guarantee and the appropriate role for the U.S. government in providing liquidity for residential mortgage loans. The respective chairmen of the Congressional committees of jurisdiction, as well as the Secretary of the Treasury, has each stated that GSE reform, including a possible wind down of the GSEs, is a priority. However, the final details of any plans, policies or proposals with respect to the housing GSEs are unknown at this time. Other bills have been introduced that change the GSEs' business charters and eliminate the entities or make other changes to the existing framework. We cannot predict whether or when such legislation may be enacted. If enacted, such legislation could materially and adversely affect the availability of, and trading market for, Agency RMBS and could, therefore, materially and adversely affect the value of our Agency RMBS and our business, operations and financial condition.

**Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations.**

The U.S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor's consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flow (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage backed securities and interests in MSRs. As a result, such loan modifications are negatively affecting our business, results of operations, liquidity and financial condition. In addition, certain market participants propose reducing the amount of paperwork required by a borrower to modify a loan, which could increase the likelihood of fraudulent modifications and materially harm the U.S. mortgage market and investors that have exposure to this market. Additional legislation intended to provide relief to borrowers may be enacted and could further harm our business, results of operations and financial condition.

In March 2020, the GSEs and HUD announced forbearance policies for GSE loans and government-insured loans for homeowners experiencing financial hardship associated with COVID-19. These announcements were followed by the signing of the CARES Act in March 2020. We may be obligated to make servicing advances to fund scheduled principal, interest, tax and insurance payments during forbearances when the borrower has failed to make such payments, and potentially various other amounts that may be required to preserve the assets being serviced, which could further harm our business, results of operations and financial condition.

*Risks Related to Our Taxation as a REIT*

**Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.**

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis. Monitoring and managing our REIT compliance has become challenging due to the increased size and complexity of the assets in our portfolio, a meaningful portion of which are not qualifying REIT assets. There can be no assurance that our Manager's personnel responsible for doing so will be able to successfully monitor our compliance or maintain our REIT status.

**Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.**

We intend to operate in a manner intended to qualify us as a REIT for U.S. federal income tax purposes. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. See "—Risks Related to our Business—The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market," and "—Risks Related to Our Business—Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act." Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments (such as TBAs) may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the U.S. Internal Revenue Service ("IRS") will not contend that our investments violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and market price for, our stock. See also "—Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE."

Unless entitled to relief under certain provisions of the Internal Revenue Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT. The rule against re-

electing REIT status following a loss of such status would also apply to us if Drive Shack failed to qualify as a REIT for any taxable year ended on or before December 31, 2014, and we were treated as a successor to Drive Shack for U.S. federal income tax purposes. Although Drive Shack (i) represented in the separation and distribution agreement that it entered into with us on April 26, 2013 (the "Separation and Distribution Agreement") that it has no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT and (ii) covenanted in the Separation and Distribution Agreement to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ended 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 IRS to the effect that Drive Shack's failure to maintain its REIT status will not cause us to fail to qualify as a REIT under the successor REIT rule referred to above), no assurance can be given that such representation and covenant would prevent us from failing to qualify as a REIT. Although, in the event of a breach, we may be able to seek damages from Drive Shack, there can be no assurance that such damages, if any, would appropriately compensate us. In addition, if Drive Shack were to fail to qualify as a REIT despite its reasonable best efforts, we would have no claim against Drive Shack.

**Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.**

The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline.

If we were delisted as a result of losing our REIT status and desired to relist our shares on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE's listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE's listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our shares could not trade on the NYSE.

**The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.**

We enter into financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that, for purposes of the REIT asset and income tests, we should be treated as the owner of the assets that are the subject of any such sale and repurchase agreement, notwithstanding that those agreements generally transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we might fail to qualify as a REIT.

**The failure of our Excess MSRs to qualify as real estate assets or the income from our Excess MSRs to qualify as mortgage interest could adversely affect our ability to qualify as a REIT.**

We have received from the IRS a private letter ruling substantially to the effect that our Excess MSRs represent interests in mortgages on real property and thus are qualifying "real estate assets" for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. The ruling is based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we and Drive Shack have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT.

**Dividends payable by REITs do not qualify for the reduced tax rates available for some "qualified dividends."**

Dividends payable to domestic stockholders that are individuals, trusts, and estates are generally taxed at reduced tax rates applicable to "qualified dividends." Dividends payable by REITs, however, generally are not eligible for those reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates

to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non-REIT corporate dividends, which could affect the value of our real estate assets negatively.

**REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.**

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

**We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.**

Based on IRS guidance concerning the classification of Excess MSRs, we intend to treat our Excess MSRs as ownership interests in the interest payments made on the underlying residential mortgage loans, akin to an "interest only" strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each Excess MSR is treated as a bond that was issued with original issue discount on the date we acquired such Excess MSR. In general, we will be required to accrue original issue discount based on the constant yield to maturity of each Excess MSR, and to treat such original issue discount as taxable income in accordance with the applicable U.S. federal income tax rules. The constant yield of an Excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the residential mortgage loans underlying the Excess MSR. If the residential mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize "phantom income" over the life of an Excess MSR.

Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSRs.

Under the Tax Cuts and Jobs Act ("TCJA") enacted in late 2017, we generally will be required to take certain amounts into income no later than the time such amounts are reflected on certain financial statements. The application of this rule may require the accrual of, among other categories of income, income with respect to certain debt instruments or mortgage-backed securities, such as original issue discount, earlier than would be the case under the general tax rules, although the precise application of this rule is unclear at this time.

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as "market discount" for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are "significant modifications" under the applicable U.S. Treasury regulations, the modified instrument will be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event,

we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for U.S. federal tax purposes.

Finally, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income of an appropriate character in that later year or thereafter.

In any event, if our investments generate more taxable income than cash in any given year, we may have difficulty satisfying our annual REIT distribution requirement.

**We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders.**

As a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our net taxable income, subject to certain adjustments, although there can be no assurance that our operations will generate sufficient cash to make such distributions. Moreover, our ability to make distributions may be adversely affected by the risk factors described herein. See also "—Risks Related to our Stock—We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future."

**The stock ownership limit imposed by the Internal Revenue Code for REITs and our certificate of incorporation may inhibit market activity in our stock and restrict our business combination opportunities.**

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Stockholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of capital stock. Our board may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

**Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.**

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if a REIT distributes less than 85% of its ordinary income and 95% of its capital gain net income plus any undistributed shortfall from the prior year (the "Required Distribution") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax on 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through TRSs. Such subsidiaries generally will be subject to corporate level income tax at regular rates and the payment of such taxes would reduce our return on the applicable investment. Currently, we hold significant portions of our investments and activities through TRSs, including Servicer Advance Investments, MSRs and servicing and origination activities, and we may contribute other non-qualifying investments, such as our investment in consumer loans, to a TRS in the future.

**Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to a TRS.**

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forgo otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Our ability to acquire and hold MSRs, interests in consumer loans, Servicer Advance Investments and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

**Complying with the REIT requirements may limit our ability to hedge effectively.**

The existing REIT provisions of the Internal Revenue Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions).

As a result, we may have to limit our use of certain hedging techniques or implement those hedges through TRSs. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U.S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax. See also "—Risks Related to Our Business—Any hedging transactions that we enter into may limit our gains or result in losses."

**Distributions to tax-exempt investors may be classified as unrelated business taxable income.**

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; and
- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a real estate mortgage investment conduit ("REMIC"), a portion of the distributions paid to a tax exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

**The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.**

We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of a securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be

considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

**Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income/gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT.**

We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test. For a particular taxable year, we would treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75% gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying Agency RMBS. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact-based representations and covenants made by our management regarding such TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

**The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as prohibited transactions for U.S. federal income tax purposes.**

Net income that we derive from a "prohibited transaction" is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or Excess MSRs in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held-for-sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain sales of loans or Excess MSRs at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held-for-sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% prohibited transaction tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to prevent prohibited transaction characterization.

**Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.**

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

**Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.**

The present U.S. federal income tax treatment of REITs and their shareholders may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our shares. The U.S. federal income tax rules, including those dealing with REITs, are constantly under review

by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. For example, the current Administration has indicated that it intends to modify key aspects of the Internal Revenue Code, including by increasing corporate and individual tax rates. We cannot predict the impact, if any, of these proposed changes to our business or an investment in our stock.

*Risks Related to our Stock*

**There can be no assurance that the market for our stock will provide you with adequate liquidity.**

Our common stock began trading on the NYSE in May 2013, and our preferred stock began trading on the NYSE in July 2019. There can be no assurance that an active trading market for our common and preferred stock will be sustained in the future, and the market price of our common and preferred stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- a shift in our investor base;
- our quarterly or annual earnings and cash flows, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions, dispositions or other transactions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- market performance of affiliates and other counterparties with whom we conduct business;
- the operating and stock price performance of other comparable companies;
- our failure to qualify as a REIT, maintain our exemption under the 1940 Act or satisfy the NYSE listing requirements;
- negative public perception of us, our competitors or industry;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common and preferred stock.

**Sales or issuances of shares of our common stock could adversely affect the market price of our common stock.**

Sales or issuances of substantial amounts of shares of our common stock, or the perception that such sales or issuances might occur, could adversely affect the market price of our common stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect on the market price of our common stock. We have an effective registration statement on file to sell common stock or convertible securities in public offerings.

**Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.**

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We have made investments through joint ventures, such as our investment in consumer loans, and accounting for such investments can increase the complexity of maintaining effective internal control over financial reporting. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that our internal control over financial reporting was effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm may issue an adverse opinion as to the effectiveness of our internal control over financial reporting. Matters impacting our internal control over financial reporting may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in the effectiveness of our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in our stock price and impairing our ability to raise capital.

**Your percentage ownership in us may be diluted in the future.**

Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted to our Manager, to the directors, officers and employees of our Manager who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. We have adopted a Nonqualified Stock Option and Incentive Award Plan, as amended (the "Plan"), which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisor of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We reserved 15 million shares of our common stock for issuance under the Plan. The term of the Plan expires in 2023. On the first day of each fiscal year beginning during the term of the Plan, that number will be increased by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year. In connection with any offering of our common or preferred stock, we will issue to our Manager options relating to shares of our common stock, representing 10% of the number of shares being offered. Our board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares relating to any options granted to the Manager in connection with an offering of our common stock would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

**We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock.**

We may in the future incur or issue debt or issue equity or equity-related securities. In the event of our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Our preferred stock has, and any additional preferred stock issued by us would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

**We have not established a minimum distribution payment level for our common stock, and we cannot assure you of our ability to pay distributions in the future.**

We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including our actual and anticipated results of operations, liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our REIT taxable income, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, our operating expenses and other factors our directors deem relevant.

Our board of directors approved two increases in our quarterly dividends during 2017, which has resulted in reduced cash flows and we will begin making distributions on our preferred stock issued in July 2019, beginning in November 2019, which will further reduce our cash flows. Although we have other sources of liquidity, such as sales of and repayments from our investments, potential debt financing sources and the issuance of equity securities, there can be no assurance that we will generate sufficient cash or achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future.

Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under "—Risks Related to our Taxation as a REIT—We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders"), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could

negatively and materially affect our business, results of operations, liquidity and financial condition as well as the market price of our common stock. No assurance can be given that we will make any distributions on shares of our common stock in the future.

**We may in the future choose to make distributions in our own stock, in which case you could be required to pay income taxes in excess of any cash distributions you receive.**

We may in the future make taxable distributions that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash distributions received. If a U.S. stockholder sells the stock that it receives as a distribution in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on distributions, it may put downward pressure on the market price of our common stock.

The IRS has issued guidance authorizing elective cash/stock dividends to be made by public REITs where a cap of at least 20% is placed on the amount of cash that may be paid as part of the dividend, provided that certain requirements are met. It is unclear whether and to what extent we would be able to or choose to pay taxable distributions in cash and stock. In addition, no assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

**An increase in market interest rates may have an adverse effect on the market price of our common stock.**

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease, as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our outstanding and future (variable and fixed) rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

**Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market price of our common stock.**

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- provisions regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;

- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and
- a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

**ERISA may restrict investments by plans in our common stock.**

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

*Risks Related to the Caliber Acquisition*

**Uncertainties associated with the Caliber Acquisition may cause a loss of management personnel and other key employees, and we may have difficulty attracting and motivating management personnel and other key employees, which could adversely affect our future business and operations.**

We are dependent on the experience and industry knowledge of our management personnel and other key employees to execute our business plans. Our success after the completion of the Caliber Acquisition will depend in part upon our ability to attract, motivate and retain key management personnel and other key employees. Current and prospective employees may experience uncertainty about their roles within our Company following the completion of the Caliber Acquisition, which may have an adverse effect on our ability to attract, motivate or retain management personnel and other key employees. In addition, no assurance can be given that we will be able to attract, motivate or retain management personnel and other key employees to the same extent after the completion of the Caliber Acquisition.

**We may be unable to successfully integrate the businesses and realize the anticipated benefits of the Caliber Acquisition.**

The success of the Caliber Acquisition will depend, in part, on our ability to successfully combine Caliber, which currently operates as an independent company, with our business and realize the anticipated benefits, including synergies, cost savings, innovation and operational efficiencies, from the combination. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected and the value of our common stock may be harmed. Additionally, as a result of the Caliber Acquisition, rating agencies may take negative actions with respect to our credit ratings, which may increase our financing costs, including in connection with the financing of the Caliber Acquisition. Caliber's business is subject to many of the same risks of our businesses relating to mortgage origination, loan servicing and other areas as described in this report. Following the Caliber Acquisition, our exposure to the risks involved in those businesses has increased due to the substantial increase of our operations in those areas resulting from the Caliber Acquisition.

The Caliber Acquisition involves the integration of Caliber with our existing business, which is a complex, costly and time-consuming process. The integration of Caliber into our business may result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls as a result of the devotion of management's attention to the Caliber integration;
- managing a larger Company;
- maintaining employee morale and attracting and motivating and retaining management personnel and other key employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems;

- unanticipated changes in federal or state laws or regulations; and
- unforeseen expenses or delays associated with the Caliber integration.

Many of these factors will be outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially affect our financial position, results of operations and cash flows.

**We may not have discovered undisclosed liabilities of Caliber during our due diligence process.**

In the course of the due diligence review of Caliber that we conducted prior to the execution of the SPA, we may not have discovered, or may have been unable to quantify, undisclosed liabilities of Caliber and its subsidiaries and we do not have rights of indemnification against the seller for any such liabilities. Examples of such undisclosed liabilities may include, but are not limited to, unpaid taxes or pending or threatened litigation or regulatory matters. Any such undisclosed liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows.

**Stockholder or other litigation could result in the payment of damages and/or may materially and adversely affect our business, financial condition results of operations and liquidity.**

Transactions such as the Caliber Acquisition often give rise to lawsuits by stockholders or other third parties. Stockholders may pursue litigation relating to the Caliber Acquisition. The defense or settlement of any lawsuit or claim regarding the Caliber Acquisition may materially and adversely affect our business, financial condition, results of operations and liquidity. Further, such litigation could be costly and could divert our time and attention from the operation of the business.

**Certain of Caliber's material vendors have operations in India that could be adversely affected by changes in political or economic stability or by government policies.**

Certain of Caliber's material vendors currently have operations located in India, which is subject to relatively higher political and social instability than the United States and may lack the infrastructure to withstand political unrest, natural disasters or global pandemics, including, for example, the recent resurgence in COVID-19 cases. The political or regulatory climate in the United States, or elsewhere, also could change so that it would not be lawful or practical for us to use vendors with international operations in the manner in which we currently use them. If Caliber could no longer utilize vendors operating in India or if those vendors were required to transfer some or all of their operations to another geographic area, we would incur significant transition costs as well as higher future overhead costs that could materially and adversely affect our results of operations.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

| Exhibit Number | Exhibit Description |
|---|---|
| 2.1* | Separation and Distribution Agreement, dated as of April 26, 2013, by and between New Residential Investment Corp. and Newcastle Investment Corp. (incorporated by reference to Exhibit 2.1 to Amendment No. 6 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 29, 2013) |
| 2.2* | Purchase Agreement, dated as of March 5, 2013, by and among the Sellers listed therein, HSBC Finance Corporation and SpringCastle Acquisition LLC (incorporated by reference to Exhibit 99.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed March 11, 2013) |
| 2.3* | Master Servicing Rights Purchase Agreement, dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013) |
| 2.4* | Sale Supplement (Shuttle 1), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013) |
| 2.5* | Sale Supplement (Shuttle 2), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.3 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013) |
| 2.6* | Sale Supplement (First Tennessee), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.4 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013) |
| 2.7* | Purchase Agreement, dated as of March 31, 2016, by and among SpringCastle Holdings, LLC, Springleaf Acquisition Corporation, Springleaf Finance, Inc., NRZ Consumer LLC, NRZ SC America LLC, NRZ SC Credit Limited, NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC, NRZ SC Finance V LLC, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P., and solely with respect to Section 11(a) and Section 11(g), NRZ SC America Trust 2015-1, NRZ SC Credit Trust 2015-1, NRZ SC Finance Trust 2015-1, and BTO Willow Holdings, L.P. (incorporated by reference to Exhibit 2.10 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, filed on May 4, 2016) |
| 2.8* | Securities Purchase Agreement, dated as of November 29, 2017, by and among NRM Acquisition LLC, Shellpoint Partners LLC, the Sellers party thereto and Shellpoint Services LLC, as original representative of the Seller (incorporated by reference to Exhibit 2.8 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 15, 2018) |
| 2.9* | Amendment No. 1 to the Securities Purchase Agreement, dated as of July 3, 2018, by and among NRM Acquisition LLC, Shellpoint Partners LLC, the Sellers party thereto and Shellpoint Representative LLC, as replacement representative of the Sellers (incorporated by reference to Exhibit 2.9 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018) |
| 2.10 | Asset Purchase Agreement among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company, dated June 17, 2019 (incorporated by reference to Exhibit 2.10 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019) |
| 2.11 | Amendment No. 1 to the Asset Purchase Agreement, dated as of July 9, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.11 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.12 | Amendment No. 2 to the Asset Purchase Agreement, dated as of August 30, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.12 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.13 | Amendment No. 3 to the Asset Purchase Agreement, dated as of September 4, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.13 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.14 | Amendment No. 4 to the Asset Purchase Agreement, dated as of September 5, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.14 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |

| Exhibit Number | Exhibit Description |
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| 2.15 | Amendment No. 5 to the Asset Purchase Agreement, dated as of September 6, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.15 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.16 | Amendment No. 6 to the Asset Purchase Agreement, dated as of September 9, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.16 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.17 | Amendment No. 7 to the Asset Purchase Agreement, dated as of September 17, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.17 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.18 | Amendment No. 8 to the Asset Purchase Agreement, dated as of September 30, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.18 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019) |
| 2.19 | Amendment No. 9 to the Asset Purchase Agreement, dated as of November 27, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.19 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020) |
| 2.20 | Amendment No. 10 to the Asset Purchase Agreement, dated as of December 12, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.20 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020) |
| 2.21 | Amendment No. 11 to the Asset Purchase Agreement, dated as of January 17, 2020, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.21 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020) |
| 2.22 | Amendment No. 12 to the Asset Purchase Agreement, dated as of January 24, 2020, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.22 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020) |
| 2.23 | Settlement and Release Agreement, dated as of January 27, 2020, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.23 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020) |
| 2.24* | Stock Purchase Agreement, dated April 14, 2021, by and between LSF Pickens Holdings, LLC, Caliber Home Loans, Inc., and New Residential Investment Corp. (incorporated by reference to Exhibit 2.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed April 14, 2021) |
| 3.1 | Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013) |
| 3.2 | Amended and Restated Bylaws of New Residential Investment Corp. (incorporated by reference to Exhibit 3.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013) |
| 3.3 | Certificate of Amendment to the Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 17, 2014) |
| 3.4 | Certificate of Designations of New Residential Investment Corp., designating the Company's 7.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.4 to New Residential Investment Corp.'s Form 8-A, filed July 2, 2019) |
| 3.5 | Certificate of Designations of New Residential Investment Corp., designating the Company's 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.5 to New Residential Investment Corp.'s Form 8-A, filed August 15, 2019) |
| 3.6 | Certificate of Designations of New Residential Investment Corp., designating the Company's 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.6 to New Residential Investment Corp.'s Form 8-A, filed February 14, 2020) |

| Exhibit Number | Exhibit Description |
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| 3.7 | Certificate of Designations of New Residential Investment Corp., designating the Company's 7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.7 to New Residential Investment Corp.'s Form 8-A, filed September 17, 2021) |
| 4.1 | Specimen Series A Preferred Stock Certificate (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A filed July 2, 2019) |
| 4.2 | Specimen Series B Preferred Stock Certificate of New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A, filed August 15, 2019) |
| 4.3 | Specimen Series C Preferred Stock Certificate of New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A, filed February 14, 2020) |
| 4.4 | Specimen Series D Preferred Stock Certificate of New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A, filed September 17, 2021) |
| 4.5 | Second Amended and Restated Indenture, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 7, 2018) |
| 4.6 | Omnibus Amendment to Term Note Indenture Supplements, dated as of August 17, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed August 22, 2017) |
| 4.7 | Series 2016-T2 Indenture Supplement, dated as of October 25, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 31, 2016) |
| 4.8 | Series 2016-T3 Indenture Supplement, dated as of October 25, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 31, 2016) |
| 4.9 | Series 2016-T4 Indenture Supplement, dated as of December 15, 2016, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016) |
| 4.10 | Series 2016-T5 Indenture Supplement, dated as of December 15, 2016, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016) |
| 4.11 | Series 2017-T1 Indenture Supplement, dated as of February 7, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K filed February 7, 2017) |
| 4.12 | Series 2018-VF1 Indenture Supplement, dated as of March 22, 2018, to the Amended and Restated Indenture, dated as of August 17, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed March 28, 2018) |
| 4.13 | Omnibus Amendment to Certain Agreements Relating to the NRZ Advance Receivables Trust 2015-ON1, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, Credit Suisse AG, New York Branch, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 7, 2018) |

| Exhibit Number | Exhibit Description |
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| 4.14 | Amendment No. 1 to Series 2018-VF1 Indenture Supplement, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.3 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 7, 2018) |
| 4.15 | Amendment No. 2 to Series 2018-VF1 Indenture Supplement, dated as of September 28, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.11 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q, filed May 2, 2019) |
| 4.16 | Amendment No. 3 to Series 2018-VF1 Indenture Supplement, dated as of March 11, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed March 15, 2019) |
| 4.17 | Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC, d/b/a Shellpoint Mortgage Servicing and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed July 26, 2019) |
| 4.18 | Series 2019-T1 Indenture Supplement, dated as of July 25, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Form 8-K, filed July 26, 2019) |
| 4.19 | Series 2019-T2 Indenture Supplement, dated as of August 15, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed August 16, 2019) |
| 4.20 | Series 2019-T3 Indenture Supplement, dated as of September 20, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed September 20, 2019) |
| 4.21 | Series 2019-T4 Indenture Supplement, dated as of October 15, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed October 18, 2019) |
| 4.22 | Series 2019-T5 Indenture Supplement, dated as of October 31, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed November 6, 2019) |
| 4.23 | Form of Debt Securities Indenture (including Form of Debt Security) (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Registration Statement on Form S-3, filed May 16, 2014) |
| 4.24 | Indenture, dated as of September 16, 2020, between New Residential Investment Corp. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 16, 2020) |

| Exhibit Number | Exhibit Description |
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| 4.25 | Description of Securities Registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.24 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 16, 2021) |
| 10.1 | Third Amended and Restated Management and Advisory Agreement, dated as of May 7, 2015, by and between New Residential Investment Corp. and FIG LLC (incorporated by reference to Exhibit 10.4 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015) |
| 10.2 | Form of Indemnification Agreement by and between New Residential Investment Corp. and its directors and officers (incorporated by reference to Exhibit 10.2 to Amendment No. 3 to New Residential Investment Corp.'s Registration Statement on Form 10, filed March 27, 2013) |
| 10.3 | New Residential Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of April 29, 2013 (incorporated by reference to Exhibit 10.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013) |
| 10.4 | Amended and Restated New Residential Investment Corp. Nonqualified Stock Option and Incentive Plan, adopted as of November 4, 2014 (incorporated by reference to Exhibit 10.6 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014) |
| 10.5 | Investment Guidelines (incorporated by reference to Exhibit 10.4 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013) |
| 10.6 | Excess Servicing Spread Sale and Assignment Agreement, dated as of December 8, 2011, by and between Nationstar Mortgage LLC and NIC MSR I LLC (incorporated by reference to Exhibit 10.5 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011) |
| 10.7 | Excess Spread Refinanced Loan Replacement Agreement, dated as of December 8, 2011, by and between Nationstar Mortgage LLC and NIC MSR I LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011) |
| 10.8 | Future Spread Agreement for FHLMC Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR IV LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012) |
| 10.9 | Future Spread Agreement for FNMA Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR V LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012) |
| 10.10 | Future Spread Agreement for Non-Agency Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR VI LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012) |
| 10.11 | Future Spread Agreement for GNMA Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR VII, LLC (incorporated by reference to Exhibit 10.8 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012) |
| 10.12 | Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of May 31, 2012, by and between Nationstar Mortgage LLC and NIC MSR III LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 6, 2012) |
| 10.13 | Future Spread Agreement for FHLMC Mortgage Loans, dated as of May 31, 2012, by and between Nationstar Mortgage LLC and NIC MSR III LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 6, 2012) |
| 10.14 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012) |
| 10.15 | Amended and Restated Future Spread Agreement for FNMA Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012) |
| 10.16 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.3 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012) |

| Exhibit Number | Exhibit Description |
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| 10.17 | Amended and Restated Future Spread Agreement for FHLMC Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012) |
| 10.18 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.5 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012) |
| 10.19 | Amended and Restated Future Spread Agreement for Non-Agency Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012) |
| 10.20 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR V LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012) |
| 10.21 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR IV LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012) |
| 10.22 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR VI LLC (incorporated by reference to Exhibit 10.3 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012) |
| 10.23 | Amended and Restated Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR VII LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012) |
| 10.24 | Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of December 31, 2012, by and between Nationstar Mortgage LLC and MSR VIII LLC (incorporated by reference to Exhibit 10.35 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.25 | Future Spread Agreement for GNMA Mortgage Loans, dated as of December 31, 2012, by and between Nationstar Mortgage LLC and MSR VIII LLC (incorporated by reference to Exhibit 10.36 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.26 | Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR IX LLC (incorporated by reference to Exhibit 10.37 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.27 | Future Spread Agreement for FHLMC Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR IX LLC (incorporated by reference to Exhibit 10.38 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.28 | Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR X LLC (incorporated by reference to Exhibit 10.39 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.29 | Future Spread Agreement for FNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR X LLC (incorporated by reference to Exhibit 10.40 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.30 | Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XI LLC (incorporated by reference to Exhibit 10.41 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.31 | Future Spread Agreement for GNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XI LLC (incorporated by reference to Exhibit 10.42 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.32 | Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XII LLC (incorporated by reference to Exhibit 10.43 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.33 | Future Spread Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XII LLC (incorporated by reference to Exhibit 10.44 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |

| Exhibit Number | Exhibit Description |
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| 10.34 | Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XIII LLC (incorporated by reference to Exhibit 10.45 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.35 | Future Spread Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XIII LLC (incorporated by reference to Exhibit 10.46 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012) |
| 10.36 | Interim Servicing Agreement, dated as of April 1, 2013, by and among the Interim Servicers listed therein, HSBC Finance Corporation, as Interim Servicer Representative, HSBC Bank USA, National Association, SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, Wilmington Trust, National Association, as Loan Trustee, and SpringCastle Finance LLC, as Owner Representative (incorporated by reference to Exhibit 10.35 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013) |
| 10.37 | Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC, dated as of March 31, 2016 (incorporated by reference to Exhibit 10.37 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016) |
| 10.38 | Services Agreement, dated as of April 6, 2015, by and between HLSS Advances Acquisition Corp. and Home Loan Servicing Solutions, Ltd. (incorporated by reference to Exhibit 2.4 to New Residential Investment Corp.'s Current Report on Form 8-K, filed April 10, 2015) |
| 10.39 | Receivables Sale Agreement, dated as of August 28, 2015, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC and NRZ Advance Facility Transferor 2015-ON1 LLC (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015) |
| 10.40 | Receivables Pooling Agreement, dated as of August 28, 2015, by and between NRZ Advance Facility Transferor 2015-ON1 LLC and NRZ Advance Receivables Trust 2015-ON1 (incorporated by reference to Exhibit 10.48 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015) |
| 10.41# | Master Agreement, dated as July 23, 2017, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.41 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017) |
| 10.42 | Amendment No. 1 to Master Agreement, dated as of October 12, 2017, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.42 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017) |
| 10.43# | Transfer Agreement, dated as of July 23, 2017, by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (incorporated by reference to Exhibit 10.43 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017) |
| 10.44# | Amendment No. 1 to the Transfer Agreement, dated January 18, 2018, by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (incorporated by reference to Exhibit 10.44 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018) |
| 10.45# | Subservicing Agreement, dated as of July 23, 2017, by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.44 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017) |
| 10.46# | Amendment No. 1 to Subservicing Agreement, dated as of August 17, 2018, by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.46 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018) |
| 10.47* | Amendment No. 2 to Subservicing Agreement, dated as of October 5, 2020, by and between New Residential Mortgage LLC and PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC) (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.48# | Cooperative Brokerage Agreement, dated as of August 28, 2017, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.45 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017) |

| Exhibit Number | Exhibit Description |
|---|---|
| 10.49# | First Amendment to Cooperative Brokerage Agreement, dated as of November 16, 2017, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.46 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 14, 2018) |
| 10.50# | Second Amendment to Cooperative Brokerage Agreement, dated as of January 18, 2018, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 14, 2018) |
| 10.51 | Third Amendment to Cooperative Brokerage Agreement, dated as of March 23, 2018, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.49 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018) |
| 10.52 | Fourth Amendment to Cooperative Brokerage Agreement, dated as of September 11, 2018, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.51 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018) |
| 10.53# | Letter Agreement, dated as of August 28, 2017, by and among New Residential Investment Corp., New Residential Mortgage LLC, REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and Altisource Solutions S.a.r.l. (incorporated by reference to Exhibit 10.46 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017) |
| 10.54# | New RMSR Agreement, dated as of January 18, 2018, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.51 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018) |
| 10.55# | Amendment No. 1 to New RMSR Agreement, dated as of August 17, 2018, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.54 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018) |
| 10.56* | Amendment No. 2 to New RMSR Agreement, dated as of October 5, 2020, by and among PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC), HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.56 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.57# | Subservicing Agreement, dated as of August 17, 2018, by and between New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.55 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018) |
| 10.58* | Amendment No. 1 to Subservicing Agreement, dated as of October 5, 2020, by and between Newrez, LLC (as successor-in-interest to New Penn Financial, LLC) d/b/a Shellpoint Mortgage Servicing and PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC) (incorporated by reference to Exhibit 10.58 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.59 | Call Rights Letter Agreement, dated as of March 31, 2020, between New Residential Investment Corp. and Fortress Credit Opportunities V Advisors LLC (incorporated by reference to Exhibit 10.56 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020) |
| 10.60 | Senior Secured Term Loan Facility Agreement, dated as of May 19, 2020, among New Residential Investment Corp., as Parent and the Borrower, and Certain Subsidiaries of New Residential Investment Corp., as Subsidiary Guarantors, the Lenders Party thereto and Cortland Capital Market Services LLC, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.60 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.61 | Pledge and Security Agreement, dated as of May 19, 2020, among each of the Pledgors Party thereto and Cortland Capital Market Services LLC, as Collateral Agent (incorporated by reference to Exhibit 10.61 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |

| Exhibit Number | Exhibit Description |
|---|---|
| 10.62 | Form of Common Stock Purchase Warrant No. S1, dated May 19, 2020, between New Residential Investment Corp. and Canyon Finance (Cayman) Limited or its permitted assigns (incorporated by reference to Exhibit 10.62 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.63 | Form of Common Stock Purchase Warrant No. S2, dated May 19, 2020, between New Residential Investment Corp. and Canyon Finance (Cayman) Limited or its permitted assigns (incorporated by reference to Exhibit 10.63 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.64 | Form of Common Stock Purchase Warrant No. S1, dated May 27, 2020, between New Residential Investment Corp. and CF NRS-E LLC or its permitted assigns (incorporated by reference to Exhibit 10.64 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.65 | Form of Common Stock Purchase Warrant No. S2, dated May 27, 2020, between New Residential Investment Corp. and CF NRS-E LLC or its permitted assigns (incorporated by reference to Exhibit 10.65 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 10.66 | Registration Rights Agreement, dated May 19, 2020, by and among New Residential Investment Corp. and the Investors set forth on Schedule 1 thereto (incorporated by reference to Exhibit 10.66 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020) |
| 21.1 | List of Subsidiaries of New Residential Investment Corp. |
| 23.1 | Consent of Ernst & Young LLP, independent registered public accounting firm. |
| 31.1 | Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Changes in Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

# Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

* Portions of this exhibit have been omitted.

The following second amended and restated limited liability company agreements of the Consumer Loan Companies are substantially identical in all material respects, except as to the parties thereto and the initial capital contributions required under each agreement, to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC that is filed as Exhibit 10.37 hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

- Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

NEW RESIDENTIAL INVESTMENT CORP.

By: /s/ Michael Nierenberg
Michael Nierenberg
Chief Executive Officer and President
(Principal Executive Officer)

November 4, 2021

By: /s/ Nicola Santoro, Jr.
Nicola Santoro, Jr.
Chief Financial Officer and Treasurer
(Principal Financial Officer)

November 4, 2021

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Michael Nierenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Residential Investment Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2021

/s/ Michael Nierenberg

Michael Nierenberg
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Nicola Santoro, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Residential Investment Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2021

/s/ Nicola Santoro, Jr.

Nicola Santoro, Jr.

Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION OF CEO PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of New Residential Investment Corp. (the "Company") for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Nierenberg, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 4, 2021

/s/ Michael Nierenberg
Michael Nierenberg
Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION OF CFO PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of New Residential Investment Corp. (the "Company") for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nicola Santoro, Jr., as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 4, 2021

/s/ Nicola Santoro, Jr.
Nicola Santoro, Jr.
Chief Financial Officer