New Residential Investment Corp.
Form 10-Q
May 11, 2015

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

FORM 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from ________________to________________

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

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

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

(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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

Common stock, $0.01 par value per share: 198,934,905 shares outstanding as of May 1, 2015.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- reductions in cash flows received from our investments;
- the quality and size of the investment pipeline and our ability to take advantage of investment opportunities at attractive risk-adjusted prices;
- servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our investment in servicer advances;
- our ability to deploy capital accretively and the timing of such deployment;
- our counterparty concentration and default risks in Nationstar, Springleaf and other third parties;
- a lack of liquidity surrounding our investments, which could impede our ability to vary our portfolio in an appropriate manner;
- the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our Excess MSRs, servicer advances, RMBS and consumer loan portfolios;
- the risks that default and recovery rates on our Excess MSRs, servicer advances, real estate securities, 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 Excess MSRs;
- the risk that projected recapture rates on the portfolios underlying our Excess MSRs are not achieved;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;
- the relative spreads between the yield on the assets we invest in and the cost of financing;
- changes in economic conditions generally and the real estate and bond markets specifically;
- adverse changes in the financing markets we access affecting our ability to finance our investments on attractive terms, or at all;
- changing risk assessments by lenders that potentially lead to increased margin calls, not extending our repurchase agreements or other financings in accordance with their current terms or not entering into new financings with us;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- impairments in the value of the collateral underlying our investments and the relation of any such impairments to our judgments as to whether changes in the market value of our securities or loans are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values;
- the availability and terms of capital for future investments;
- competition within the finance and real estate industries;

- the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, U.S. government programs intended to stabilize the economy, the federal conservatorship of Fannie Mae and Freddie Mac and legislation that permits modification of the terms of loans;

- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;
- our ability to maintain our exclusion from registration under the 1940 Act and the fact that maintaining such exclusion imposes limits on our operations; and
- the risks related to the Acquisition (as defined herein).

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$526,662	$417,733
Excess mortgage servicing rights, equity method investees, at fair value	225,111	330,876
Servicer advances, at fair value	3,245,457	3,270,839
Real estate securities, available-for-sale	2,324,915	2,463,163
Residential mortgage loans, held-for-investment	44,967	47,838
Residential mortgage loans, held-for-sale	500,174	1,126,439
Real estate owned	35,905	61,933
Consumer loans, equity method investees	—	—
Cash and cash equivalents	459,334	212,985
Restricted cash	28,325	29,418
Derivative assets	71	32,597
Other assets	76,701	99,869
	$7,467,622	$8,093,690
Liabilities and Equity		
Liabilities		
Repurchase agreements	$2,339,389	$3,149,090
Notes payable	2,999,418	2,913,209
Trades payable	196,000	2,678
Due to affiliates	6,465	57,424
Dividends payable	53,745	53,745
Deferred tax liability	13,414	15,114
Accrued expenses and other liabilities	44,777	52,505
	5,653,208	6,243,765
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 141,434,905 and 141,434,905 issued and outstanding at March 31, 2015 and December 31, 2014, respectively	1,414	1,414
Additional paid-in capital	1,328,587	1,328,587
Retained earnings	217,689	237,769
Accumulated other comprehensive income, net of tax	19,825	28,319
Total New Residential stockholders' equity	1,567,515	1,596,089
Noncontrolling interests in equity of consolidated subsidiaries	246,899	253,836

Total Equity	1,814,414	1,849,925
	$7,467,622	$8,093,690

See notes to condensed consolidated financial statements.

1

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

	Three Months Ended March 31,	
	2015	2014
Interest income	$84,373	$71,490
Interest expense	33,979	38,997
Net Interest Income	50,394	32,493
Impairment		
Other-than-temporary impairment (“OTTI”) on securities	1,071	328
Valuation provision on loans and real estate owned	977	164
	2,048	492
Net interest income after impairment	48,346	32,001
Other Income		
Change in fair value of investments in excess mortgage servicing rights	(1,761)	6,602
Change in fair value of investments in excess mortgage servicing rights, equity method investees	4,921	6,374
Change in fair value of investments in servicer advances	(7,669)	—
Earnings from investments in consumer loans, equity method investees	—	16,360
Gain on settlement of investments, net	14,767	4,357
Other income (loss), net	2,037	1,357
	12,295	35,050
Operating Expenses		
General and administrative expenses	8,560	1,985
Management fee to affiliate	5,126	4,486
Incentive compensation to affiliate	3,693	3,338
Loan servicing expense	4,891	90
	22,270	9,899
Income Before Income Taxes	38,371	57,152
Income tax expense (benefit)	(3,427)	287
Net Income	$41,798	$56,865
Noncontrolling Interests in Income of Consolidated Subsidiaries	$5,823	$8,093
Net Income Attributable to Common Stockholders	$35,975	$48,772
Net Income Per Share of Common Stock		
Basic	$0.25	$0.39
Diluted	$0.25	$0.38
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	141,434,905	126,604,510
Diluted	144,911,309	129,919,967

Dividends Declared per Share of Common Stock	$0.38	$0.35

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Comprehensive income (loss), net of tax		
Net income	$41,798	$56,865
Other comprehensive income (loss)		
Net unrealized gain on securities	15,132	10,878
Reclassification of net realized (gain) on securities into earnings	(23,626)	(4,164)
	(8,494)	6,714
Total comprehensive income	$33,304	$63,579
Comprehensive income attributable to noncontrolling interests	$5,823	$8,093
Comprehensive income attributable to common stockholders	$27,481	$55,486

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED March 31, 2015
(dollars in thousands, except share data)

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2014	141,434,905	$1,414	$1,328,587	$237,769	$ 28,319	$1,596,089	$ 253,836	$1,849,925
Dividends declared	—	—	—	(53,745)	—	(53,745)	—	(53,745)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(12,760)	(12,760)
Modified retrospective adjustment for the adoption of ASU No. 2014-11	—	—	—	(2,310)	—	(2,310)	—	(2,310)
Comprehensive income (loss) (net of tax)								
Net income (loss)	—	—	—	35,975	—	35,975	5,823	41,798
Net unrealized gain (loss) on securities	—	—	—	—	15,132	15,132	—	15,132
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(23,626)	(23,626)	—	(23,626)
Total comprehensive income (loss)						27,481	5,823	33,304
Equity - March 31, 2015	141,434,905	$1,414	$1,328,587	$217,689	$ 19,825	$1,567,515	$ 246,899	$1,814,414

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2015	2014
Cash Flows From Operating Activities		
Net income	$41,798	$56,865
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in fair value of investments in excess mortgage servicing rights	1,761	(6,602)
Change in fair value of investments in excess mortgage servicer rights, equity method investees	(4,921)	(6,374)
Change in fair value of investments in servicer advances	7,669	—
Earnings from consumer loan equity method investees	—	(16,360)
Change in fair value of investments in derivative assets	7,030	(1,357)
Accretion and other amortization	(61,345)	(56,650)
(Gain) / loss on settlement of investments (net)	(17,701)	(4,357)
(Gain) / loss on transfer of loans to REO	544	—
Loss on extinguishment of debt	2,934	—
(Gain) / loss on mortgage servicing rights recapture agreement	(730)	—
Other-than-temporary impairment (“OTTI”)	1,071	328
Valuation provision on loans and real estate owned	977	164
Unrealized loss on other ABS	290	—
Non-cash directors’ compensation	—	78
Deferred income tax expense	(3,007)	—
Changes in:		
Restricted cash	1,093	(1,269)
Other assets	(1,849)	5,531
Due to affiliates	(50,959)	(11,172)
Accrued expenses and other liabilities	618	1,179
Other operating cash flows:		
Interest received from excess mortgage servicing rights	12,692	13,816
Interest received from servicer advance investments	23,168	16,304
Interest received from Non-Agency RMBS	8,050	—
Distributions of earnings from excess mortgage servicing rights, equity method investees	12,226	11,940
Net cash provided by (used in) operating activities	(18,591)	2,064
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	(23,831)	(19,132)
Purchase of servicer advance investments	(1,765,294)	(2,205,070)
Purchase of Agency RMBS	(1,026,525)	(37,922)
Purchase of Non-Agency RMBS	(26,649)	(1,038,721)
Purchase of residential mortgage loans	(19,032)	—
Purchase of derivative assets	—	(71,923)
Payments for settlement of derivatives	(25,007)	—
Return of investments in excess mortgage servicing rights	17,122	8,121

Return of investments in excess mortgage servicing rights, equity method investees	202	8,893
Principal repayments from servicer advance investments	1,802,188	1,442,648
Principal repayments from Agency RMBS	46,967	75,470
Principal repayments from Non-Agency RMBS	14,952	13,890
Principal repayments from non-performing loans	—	1,900
Principal repayments from residential mortgage loans, held-for-investment	9,022	—
Proceeds from sale of residential mortgage loans	627,719	—
Proceeds from sale of Agency RMBS	1,060,569	162,897
Proceeds from sale of Non-Agency RMBS	389,719	258,449
Proceeds from settlement of derivatives	2,417	—
Proceeds from sale of real estate owned	34,930	—
Net cash provided by (used in) investing activities	1,119,469	(1,400,500)

Continued on next page.

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

	Three Months Ended March 31,	
	2015	2014
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(2,016,777)	(1,080,197)
Margin deposits under repurchase agreements and derivatives	(123,289)	(43,270)
Repayments of notes payable	(396,125)	(3,117,213)
Payment of deferred financing fees	(666)	(5,660)
Common stock dividends paid	(53,745)	(63,297)
Borrowings under repurchase agreements	1,121,121	1,618,664
Return of margin deposits under repurchase agreements and derivatives	145,378	66,899
Borrowings under notes payable	482,334	3,862,782
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	142,024
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(12,760)	(113,795)
Net cash provided by (used in) financing activities	(854,529)	1,266,937
Net Increase (Decrease) in Cash and Cash Equivalents	246,349	(131,499)
Cash and Cash Equivalents, Beginning of Period	212,985	271,994
Cash and Cash Equivalents, End of Period	$459,334	$140,495
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$32,880	$35,194
Cash paid during the period for income taxes	305	—
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$53,745	$44,312
Application of ASU No. 2014-11 non-cash activity from investing to financing	85,955	—
Purchase of Non-Agency RMBS settled after quarter end	196,000	—

See notes to condensed consolidated financial statements.

6

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

1. ORGANIZATION

New Residential Investment Corp. (together with its subsidiaries, “New Residential”) is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Newcastle Investment Corp. (“Newcastle”) was the sole stockholder of New Residential until the spin-off (Note 13), which was completed on May 15, 2013. Newcastle is listed on the New York Stock Exchange (“NYSE”) under the symbol “NCT.”

Following the spin-off, New Residential is an independent publicly traded real estate investment trust (“REIT”) primarily focused on investing in residential mortgage related assets. New Residential is listed on the NYSE under the symbol “NRZ.”

New Residential has elected and intends to qualify to be taxed as a REIT for U.S. federal income tax purposes. As such, New Residential will generally not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements. See Note 17 regarding New Residential’s taxable REIT subsidiaries.

New Residential has entered into a management agreement (the “Management Agreement”) with FIG LLC (the “Manager”), an affiliate of Fortress Investment Group LLC (“Fortress”), pursuant to which the Manager provides for a management team and other professionals who are responsible for implementing New Residential’s business strategy, subject to the supervision of New Residential’s board of directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. The Manager also manages Newcastle and investment funds that own a majority of Nationstar Mortgage LLC (“Nationstar”), a leading residential mortgage servicer, and Springleaf Holdings, Inc. (“Springleaf”), managing member of the Consumer Loan Companies (Note 9).

As of March 31, 2015, New Residential conducted its business through the following segments: (i) investments in Excess MSRs, (ii) investments in servicer advances, (iii) investments in real estate securities, (iv) investments in real estate loans, (v) investments in consumer loans and (vi) corporate.

Approximately 2.4 million shares of New Residential’s common stock were held by Fortress, through its affiliates, and its principals as of March 31, 2015. In addition, Fortress, through its affiliates, held options to purchase approximately 8.5 million shares of New Residential’s common stock as of March 31, 2015.

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential’s financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2014 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2014.

Certain prior period amounts have been reclassified to conform to the current period's presentation. In addition, New Residential completed a one-for-two reverse stock split in October 2014 (Note 13). The impact of this reverse stock split has been retroactively applied to all periods presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies will be required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 is effective for New Residential in the first quarter of 2017. Early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in ASU No. 2014-09. New Residential is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The standard changes the accounting for repurchase-to-maturity transactions and linked repurchase financing transactions to secured borrowing accounting. ASU No. 2014-11 also expands disclosure requirements related to certain transfers of financial assets that are accounted for as sales and certain transfers accounted for as secured borrowings. ASU No. 2014-11 is effective for New Residential in the first quarter of 2015. Early adoption is not permitted. Disclosures are not required for comparative periods presented before the effective date. New Residential has determined that, as of January 1, 2015, its linked transactions (Note 10) are accounted for as secured borrowings.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. The standard provides guidance on management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern by requiring management to assess an entity’s ability to continue as a going concern by incorporating and expanding on certain principles that are currently in U.S. auditing standards. ASU No. 2014-15 is effective for New Residential for the annual period ending on December 31, 2016. Early adoption is permitted. New Residential is currently evaluating the new guidance to determine the impact that it may have on its condensed consolidated financial statements.
In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The standard amends the consolidation considerations when evaluating certain limited partnerships, variable interest entities and investment funds. ASU No. 2015-02 is effective for New Residential in the first quarter of 2016. Early adoption is permitted. New Residential does not expect the adoption of this new guidance to have an impact on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest. The standard amends the balance sheet presentation requirements for debt issuance costs such that they are no longer recognized as deferred charges but are rather presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. ASU No. 2015-03 is effective for New Residential in the first quarter of 2016. Early adoption is permitted. New Residential has not yet adopted ASU No. 2015-03 but has determined that the adoption of ASU No. 2015-03 will result in an immaterial reclassification of its Deferred Financing Costs, Net (Note 2) to an offset of its Notes Payable (Note 11).

The FASB has recently issued or discussed a number of proposed standards on such topics as financial statement presentation, financial instruments and hedging. Some of the proposed changes are significant and could have a material impact on New Residential’s reporting. New Residential has not yet fully evaluated the potential impact of these proposals, but will make such an evaluation as the standards are finalized.

2. OTHER INCOME, ASSETS AND LIABILITIES

Other income, net, is comprised of the following:

	Three Months Ended March 31,	
	2015	2014
Unrealized gain (loss) on derivative instruments	$(7,030)	$1,357
Gain (loss) on transfer of loans to REO	(544)	—
Gain on consumer loans investment	10,447	—
Other income (loss)	(836)	—
	$2,037	$1,357

8

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

	Three Months Ended March 31,	
	2015	2014
Gain on sale of real estate securities, net	$24,697	$4,492
Gain (loss) on sale of residential mortgage loans, net	20,830	—
Gain (loss) on settlement of derivatives	(22,590)	(135)
Gain (loss) on liquidated residential mortgage loans, held-for-investment	400	—
Gain (loss) on sale of REO[(A)]	(5,636)	—
Other gains (losses)	(2,934)	—
	$14,767	$4,357

(A) Includes approximately $3.2 million loss on REO sold as a part of the residential mortgage loan sales described in Note 8.

Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	March 31, 2015	December 31, 2014		March 31, 2015	December 31, 2014
Margin receivable, net	$36,934	$59,021	Interest payable	$7,516	$7,857
Interest and other receivables	11,320	10,455	Accounts payable	16,068	28,059
Deferred financing costs, net[(A)]	2,817	4,446	Derivative liabilities	21,127	14,220
Principal paydown receivable	3,761	3,595	Current taxes payable	47	2,349
Receivable from government agency	9,380	9,108	Other liabilities	19	20
Call rights	3,828	3,728		$44,777	$52,505
Other assets	8,661	9,516			
	$76,701	$99,869			

(A) Deferred financing costs are net of accumulated amortization of $5.4 million and $8.8 million as of March 31, 2015 and December 31, 2014, respectively.

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

	Three Months Ended March 31,	
	2015	2014
Accretion of servicer advance interest income	$42,349	$45,716
Accretion of excess mortgage servicing rights income	15,037	13,816
Accretion of net discount on securities and loans	5,399	356
Amortization of deferred financing costs	(1,440)	(3,238)
	$61,345	$56,650

9

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSRs, (ii) investments in servicer advances, (iii) investments in real estate securities, (iv) investments in real estate loans, (v) investments in consumer loans, and (vi) corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation owed to the Manager by New Residential following the spin-off, (iii) corporate cash and related interest income, and (iv) the secured corporate loan and related interest expense during the period it was outstanding.

Summary financial data on New Residential's segments is given below, together with a reconciliation to the same data for New Residential as a whole:

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Three Months Ended March 31, 2015							
Interest income	$15,037	$42,349	$14,263	$12,724	$—	$—	$84,373
Interest expense	—	23,637	3,480	6,093	—	769	33,979
Net interest income (expense)	15,037	18,712	10,783	6,631	—	(769)	50,394
Impairment	—	—	1,071	977	—	—	2,048
Other income	3,890	(10,727)	(5,090)	13,775	10,447	—	12,295
Operating expenses	88	575	(102)	6,104	57	15,548	22,270
Income (Loss) Before Income Taxes	18,839	7,410	4,724	13,325	10,390	(16,317)	38,371
Income tax expense (benefit)	—	(3,240)	—	(187)	—	—	(3,427)
Net Income (Loss)	$18,839	$10,650	$4,724	$13,512	$10,390	$(16,317)	$41,798
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$5,823	$—	$—	$—	$—	$5,823
Net income (loss) attributable to common stockholders	$18,839	$4,827	$4,724	$13,512	$10,390	$(16,317)	$35,975

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
March 31, 2015							
Investments	$751,773	$3,245,457	$2,324,915	$581,046	$—	$—	$6,903,191
Cash and cash equivalents	267	69,180	5,288	5,895	—	378,704	459,334
Restricted cash	37	28,288	—	—	—	—	28,325
Derivative assets	—	71	—	—	—	—	71
Other assets	34	6,622	51,610	15,925	543	1,967	76,701
Total assets	$752,111	$3,349,618	$2,381,813	$602,866	$543	$380,671	$7,467,622
Debt	$—	$2,875,412	$1,928,891	$434,504	$—	$100,000	$5,338,807
Other liabilities	2,921	19,642	219,603	5,680	58	66,497	314,401
Total liabilities	2,921	2,895,054	2,148,494	440,184	58	166,497	5,653,208
Total equity	749,190	454,564	233,319	162,682	485	214,174	1,814,414
Noncontrolling interests in equity of consolidated subsidiaries	—	246,899	—	—	—	—	246,899
Total New Residential stockholders' equity	$749,190	$207,665	$233,319	$162,682	$485	$214,174	$1,567,515
Investments in equity method investees	$225,111	$—	$—	$—	$—	$—	$225,111

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Three Months Ended March 31, 2014							
Interest income	$13,816	$45,716	$11,238	$720	$—	$—	$71,490
Interest expense	1,291	31,956	4,069	198	1,483	—	38,997
Net interest income (expense)	12,525	13,760	7,169	522	(1,483)	—	32,493
Impairment	—	—	328	164	—	—	492
Other income	12,976	—	5,042	671	16,360	1	35,050
Operating expenses	65	250	60	90	23	9,411	9,899
Income (Loss) Before Income Taxes	25,436	13,510	11,823	939	14,854	(9,410)	57,152
Income tax expense (benefit)	—	287	—	—	—	—	287
Net Income (Loss)	$25,436	$13,223	$11,823	$939	$14,854	$(9,410)	$56,865
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$8,093	$—	$—	$—	$—	$8,093
Net income (loss) attributable to common stockholders	$25,436	$5,130	$11,823	$939	$14,854	$(9,410)	$48,772

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

	Servicer		
	Nationstar	SLS[(A)]	Total
Balance as of December 31, 2014	$409,076	$8,657	$417,733
Transfers from indirect ownership	98,258	—	98,258
Purchases	26,479	—	26,479
Interest income	14,856	181	15,037
Other income	730	—	730
Proceeds from repayments	(29,544)	(270)	(29,814)
Change in fair value	(1,472)	(289)	(1,761)
Balance as of March 31, 2015	$518,383	$8,279	$526,662

(A) Specialized Loan Servicing LLC ("SLS"). See Note 6 for a description of the SLS Transaction.

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

On January 16, 2015, New Residential invested approximately $23.8 million to acquire a 33.3% interest in the Excess MSR on a portfolio of Freddie Mac residential mortgage loans with an aggregate UPB of $8.4 billion. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer will perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

New Residential has entered into a "Recapture Agreement" in each of the Excess MSR investments through March 31, 2015, including those Excess MSR investments made through investments in joint ventures (Note 5). Under such Recapture Agreements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. These Recapture Agreements do not apply to New Residential's investments in servicer advances (Note 6).

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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

	March 31, 2015							December 31, 2014
	Unpaid Principal Balance ("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	Fortress-managed funds	Nationstar				
Agency								
Original and Recaptured Pools	$54,829,877	32.5%-66.7%	0.0%-33.3%	33.3%-35%	5.9	$161,109	$209,114	$188,733
Recapture Agreements	—	32.5%-66.7%	0.0%-33.3%	33.3%-35%	12.9	9,927	29,865	28,786
	54,829,877				6.3	171,036	238,979	217,519
Non-Agency(D)								
Original and Recaptured Pools	$108,742,559	33.3%-80.0%	0.0%-50.0%	0.0%-33.3%	4.9	$231,228	$270,365	$189,812
Recapture Agreements	—	33.3%-80.0%	0.0%-50.0%	0.0%-33.3%	11.8	16,638	17,318	10,402
	108,742,559				5.4	247,866	287,683	200,214
Total	$163,572,436				5.8	$418,902	$526,662	$417,733

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) The amortized cost basis of the Recapture Agreements is determined based on the relative fair values of the Recapture Agreements and related Excess MSRs at the time they were acquired.
(C) Carrying Value represents the fair value of the pools or Recapture Agreements, as applicable.
(D) Excess MSR investments in which New Residential also invested in related servicer advances, including the basic fee component of the related MSR as of March 31, 2015 (Note 6).

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

	Three Months Ended March 31,	
	2015	2014
Original and Recaptured Pools	$(1,976)	$7,088
Recapture Agreements	215	(486)
	$(1,761)	$6,602

In the first quarter of 2015, a weighted average discount rate of 9.6% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

13

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the direct investments in Excess MSRs:

	Percentage of Total Outstanding Unpaid Principal Amount as of	
State Concentration	March 31, 2015	December 31, 2014
California	33.0 %	31.5 %
Florida	9.3 %	7.7 %
New York	4.9 %	4.3 %
Maryland	3.8 %	4.0 %
Texas	3.6 %	4.2 %
New Jersey	3.5 %	3.2 %
Virginia	3.2 %	3.3 %
Illinois	3.2 %	3.2 %
Washington	3.2 %	3.6 %
Arizona	2.7 %	3.2 %
Other U.S.	29.6 %	31.8 %
	100.0 %	100.0 %

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

5. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS, EQUITY METHOD INVESTEES

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

During the first quarter of 2015, New Residential and the Fortress-managed funds restructured their investments in two of the Excess MSR joint ventures and now each directly owns its share of the underlying assets of the joint ventures.

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

	March 31, 2015	December 31, 2014
Excess MSR assets	$440,714	$653,293
Other assets	9,508	8,472
Other liabilities	—	(13)
Equity	$450,222	$661,752
New Residential’s investment	$225,111	$330,876
New Residential’s ownership	50.0 %	50.0 %

Three Months Ended March 31,

	2015	2014
Interest income	$11,701	$18,493
Other income (loss)	(1,835)	(5,705)
Expenses	(25)	(40)
Net income	$9,841	$12,748

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

New Residential's investments in equity method investees changed during the three months ended March 31, 2015 as follows:

Balance at December 31, 2014	$330,876
Contributions to equity method investees	—
Transfers to direct ownership	(98,258)
Distributions of earnings from equity method investees	(12,226)
Distributions of capital from equity method investees	(202)
Change in fair value of investments in equity method investees	4,921
Balance at March 31, 2015	$225,111

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

	March 31, 2015					
	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	$84,000,746	66.7 %	50.0 %	$289,745	$358,909	5.5
Recapture Agreements	—	66.7 %	50.0 %	62,190	81,805	11.7
Total	$84,000,746			$351,935	$440,714	6.6

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

In the first quarter of 2015, a weighted average discount rate of 9.6% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the Excess MSR investments made through equity method investees:

	Percentage of Total Outstanding Unpaid Principal Amount as of	
State Concentration	March 31, 2015	December 31, 2014
California	13.1 %	23.5 %
Florida	7.4 %	8.9 %
Texas	6.1 %	4.8 %
Georgia	5.6 %	4.1 %
New York	5.5 %	5.6 %
New Jersey	4.1 %	3.9 %
Illinois	4.0 %	3.5 %

Virginia	3.2	%	3.2	%
Maryland	3.2	%	3.3	%
Pennsylvania	3.0	%	2.3	%
Other U.S.	44.8	%	36.9	%
	100.0	%	100.0	%

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

6. INVESTMENTS IN SERVICER ADVANCES

In December 2013, New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the "Buyer") consolidated by New Residential, agreed to purchase the outstanding servicer advances on a portfolio of loans, which is a subset of the same portfolio of loans in which New Residential invests in a portion of the Excess MSRs (Notes 4 and 5), including the basic fee component of the related MSRs. As of March 31, 2015, New Residential and third-party co-investors had settled $2.9 billion of servicer advances, net of recoveries, financed with $2.7 billion of notes payables outstanding (Note 11). A taxable wholly owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 44.5% interest in the Buyer as of March 31, 2015. As of March 31, 2015, noncontrolling third-party investors, owning the remaining interest in the Buyer have funded capital commitments to the Buyer of $389.6 million and New Residential has funded capital commitments to the Buyer of $312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of March 31, 2015, the third-party co-investors and New Residential have previously funded their commitments, however the Buyer may recall $238.4 million and $188.3 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 that holds its investment in servicer advances.

The Buyer has purchased servicer advances from Nationstar, is required to purchase all future servicer advances made with respect to these pools from Nationstar, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Nationstar in consideration of Nationstar's servicing activities. The compensation paid to Nationstar as of March 31, 2015 was approximately 9.2% of the basic fee component of the related MSRs plus a performance fee that represents a portion (up to 100%) of the cash flows in excess of those required for the Buyer to obtain a specified return on its equity.

In December 2014, New Residential agreed to acquire (the "SLS Transaction") 50% of the Excess MSRs, all of the servicer advances and related basic fee portion of the MSRs (the "Advance Fee"), and a portion of the call rights related to an underlying pool of residential mortgage loans with a UPB of approximately $3.0 billion which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSRs. The aggregate purchase price was approximately $229.7 million. The par amount of the total advance commitments for the SLS Transaction was $219.2 million (with related financing of $195.5 million). As of December 31, 2014, the closed portion of the purchase of $93.8 million included $8.4 million for 50% of the Excess MSRs, $83.8 million for servicer advances and Advance Fee (of which $74.3 million was financed as of December 31, 2014), and $1.6 million to fund a portion of the call rights on 57 of the 99 underlying securitization trusts. The remaining portion of the purchase price of $135.9 million included servicer advances and Advance Fee unfunded commitments of approximately $133.8 million that were funded in January 2015 (with approximately $121.2 million of related financing) and $2.1 million to fund the remaining portion of the call rights on 57 of the 99 underlying securitization trusts. As of March 31, 2015, New Residential had settled $168.4 million of servicer advances, net of recoveries, financed with $150.1 million of notes payable outstanding (Note 11). SLS will continue to service the loans in exchange for a servicing fee of 10.75 bps and an incentive fee (the "Incentive Fee") which is based on the ratio of the outstanding servicer advances to the UPB of the underlying loans.

New Residential elected to record its investments in servicer advances, 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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

The following is a summary of the investments in servicer advances, including the right to the basic fee component of the related MSRs:

	Amortized Cost Basis	Carrying Value(A)	Weighted Average Discount Rate	Weighted Average Life (Years)(B)
March 31, 2015				
Servicer advances	$3,168,909	$3,245,457	5.4 %	3.9
As of December 31, 2014				
Servicer advances	$3,186,622	$3,270,839	5.4 %	4.0

(A) Carrying value represents the fair value of the investments in servicer advances, including the basic fee component of the related MSRs.
(B) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.

	Three Months Ended March 31, 2015	2014
Changes in Fair Value Recorded in Other Income	$(7,669)	$—

The following is additional information regarding the servicer advances and related financing:

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Carrying Value of Notes Payable	Loan-to-Value Gross	Loan-to-Value Net(A)	Cost of Funds(B) Gross	Cost of Funds(B) Net
March 31, 2015								
Servicer advances(C)	$92,159,246	$3,068,306	3.3 %	$2,875,412	91.5 %	90.6 %	2.6 %	2.2 %
December 31, 2014								
Servicer advances(C)	$96,547,773	$3,102,492	3.2 %	$2,890,230	91.4 %	90.4 %	3.0 %	2.3 %

(A) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of an interest reserve maintained by the Buyer.
(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) The following types of advances comprise the investments in servicer advances:

	March 31, 2015	December 31, 2014
Principal and interest advances	$737,845	$729,713
Escrow advances (taxes and insurance advances)	1,514,848	1,600,713
Foreclosure advances	815,613	772,066
Total	$3,068,306	$3,102,492

17

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

Interest income recognized by New Residential related to its investments in servicer advances was comprised of the following:

	Three Months Ended March 31,	
	2015	2014
Interest income, gross of amounts attributable to servicer compensation	$63,357	$67,138
Amounts attributable to base servicer compensation	(6,601)	(6,280)
Amounts attributable to incentive servicer compensation	(14,407)	(15,142)
Interest income from investments in servicer advances	$42,349	$45,716

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

	March 31, 2015	December 31, 2014
Total Advance Purchaser LLC equity	$445,041	$457,545
Others' ownership interest	55.5%	55.5%
Others' interest in equity of consolidated subsidiary	$246,899	$253,836

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

	Three Months Ended March 31,	
	2015	2014
Net Advance Purchaser LLC income	$10,496	$13,511
Others' ownership interest as a percent of total(A)	55.5%	59.9%
Others' interest in net income (loss) of consolidated subsidiaries	$5,823	$8,093

(A) As a result, New Residential owned 44.5% and 40.1% of the Buyer, on average during the three months ended March 31, 2015 and 2014, respectively.

7. INVESTMENTS IN REAL ESTATE SECURITIES

During the three months ended March 31, 2015, New Residential acquired $257.8 million face amount of Non-Agency RMBS for approximately $222.1 million and $979.8 million face amount of Agency RMBS for approximately $1.0 billion. New Residential sold Non-Agency RMBS with a face amount of approximately $441.1 million and an amortized cost basis of approximately $385.9 million for approximately $389.7 million, recording a gain on sale of approximately $3.8 million. Furthermore, New Residential sold Agency RMBS with a face amount of $1.0 billion and an amortized cost basis of approximately $1.0 billion for approximately $1.1 billion, recording a gain on sale of approximately $20.9 million.

See Note 10 for a discussion of transactions formerly accounted for as linked transactions.
The following is a summary of New Residential's real estate securities, all of which are classified as available-for-sale and are, therefore, reported at fair value with changes in fair value recorded in other comprehensive income, except for securities that are other-than-temporarily impaired and except for securities which New Residential elected to carry at fair value and record changes to valuation through the income statement.

			Gross Unrealized				Weighted Average					Dece 31, 20
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value(A)	Number of Securities	Rating(B)	Coupon	Yield	Life (Years)(C)	Principal Subordination	Carry Value

Agency RMBS(E)(F)	$1,575,759	$1,659,781	$7,510	$(2,295)	$1,664,996	102	AAA	3.11%	2.18%	5.4	N/A	$1,74
Non-Agency RMBS(G)(H)	1,820,536	647,915	14,641	(2,637)	659,919	137	BBB-	0.76%	5.74%	9.7	26.0%	723,0
Total/ Weighted Average	$3,396,295	$2,307,696	$22,151	$(4,932)	$2,324,915	239	AA-	2.45%	3.18%	6.6		$2,46

(A) Fair value, which is equal to carrying value for all securities. See Note 12 regarding the estimation of fair value.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

(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 20 bonds 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) The weighted average life is based on the timing of expected principal reduction on the assets.
(D) Percentage of the outstanding face amount of securities that is subordinate to New Residential's investments.
(E) Includes securities issued or guaranteed by U.S. Government agencies such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").
(F) The total outstanding face amount was $979.8 million for fixed rate securities and $595.9 million for floating rate securities as of March 31, 2015.
(G) The total outstanding face amount was $1.2 billion (including $927.5 million of residual and interest-only notional amount) for fixed rate securities and $654.0 million (including $101.1 million of residual and interest-only notional amount) for floating rate securities as of March 31, 2015.
(H) Includes Other ABS consisting primarily of interest-only securities which New Residential elected to carry at fair value and record changes to valuation through the income statement and representing 8.5% of the carrying value of the Non-Agency RMBS portfolio.

			Gross Unrealized			Weighted Average					
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)	Principal Subordination
Other ABS	$ 984,460	$ 56,414	$ 829	$ (1,119)	$ 56,124	8	AA+	1.98 %	8.65 %	4.0	— %

Unrealized losses that are considered other than temporary are recognized currently in earnings. During the three months ended March 31, 2015, New Residential recorded other-than-temporary impairment charges ("OTTI") of $1.1 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using management's best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes New Residential's securities in an unrealized loss position as of March 31, 2015.

		Amortized Cost Basis						Weighted Average			
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment(A)	After Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Rating(B)	Coupon	Yield	Life (Years)
Less than Twelve Months	$ 1,297,224	$ 494,733	$ (1,071)	$ 493,662	$ (3,202)	$ 490,460	70	AA-	1.37 %	2.20 %	7.2
Twelve or More Months	128,605	123,794	—	123,794	(1,730)	122,064	22	AA+	2.39 %	1.96 %	4.4

Total/Weighted Average	$1,425,829	$618,527	$(1,071)	$617,456	$(4,932)	$612,524	92	AA	1.57%	2.15%	6.7

(A) This amount represents other-than-temporary impairment recorded on securities that are in an unrealized loss position as of March 31, 2015.

(B) The weighted average rating of securities in an unrealized loss position for less than twelve months excludes the rating of 20 bonds which either have never been rated or for which rating information is no longer provided.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

	March 31, 2015			
			Unrealized Losses	
	Fair Value	Amortized Cost Basis After Impairment	Credit[(A)]	Non-Credit[(B)]
Securities New Residential intends to sell[(C)]	$—	$—	$—	$—
Securities New Residential is more likely than not to be required to sell[(D)]	—	—	—	N/A
Securities New Residential has no intent to sell and is not more likely than not to be required to sell:				
Credit impaired securities	107,612	108,440	(1,071)	(828)
Non-credit impaired securities	504,912	509,016	—	(4,104)
Total debt securities in an unrealized loss position	$612,524	$617,456	$(1,071)	$(4,932)

(A) This amount is required to be recorded as other-than-temporary impairment through earnings. In measuring the portion of credit losses, New Residential's management estimates the expected cash flow for each of the securities. This evaluation includes a review of the credit status and the performance of the collateral supporting those securities, including the credit of the issuer, key terms of the securities and the effect of local, industry and broader economic trends. Significant inputs in estimating the cash flows include management's expectations of prepayment speeds, default rates and loss severities. Credit losses are measured as the decline in the present value of the expected future cash flows discounted at the investment's effective interest rate.

(B) This amount represents unrealized losses on securities that are due to non-credit factors and recorded through other comprehensive income.

(C) A portion of securities New Residential intends to sell have a fair value equal to their amortized cost basis after impairment and, therefore, do not have unrealized losses reflected in other comprehensive income as of March 31, 2015.

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

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

	Three Months Ended March 31, 2015
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$1,127
Increases to credit losses on securities for which an OTTI was previously recognized and a portion of an OTTI was recognized in other comprehensive income	6
Additions for credit losses on securities for which an OTTI was not previously recognized	1,065

Reductions for securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—
Reduction for credit losses on securities for which no OTTI was recognized in other comprehensive income at the current measurement date	—
Reduction for securities sold during the period	(228)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$1,970

20

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

Geographic Location	March 31, 2015 Outstanding Face Amount	Percentage of Total Outstanding		December 31, 2014 Outstanding Face Amount	Percentage of Total Outstanding	
Western U.S.	$614,391	33.6	%	$779,930	41.1	%
Southeastern U.S.	479,970	26.4	%	409,755	21.6	%
Northeastern U.S.	327,308	18.0	%	344,716	18.2	%
Midwestern U.S.	160,246	8.8	%	190,480	10.0	%
Southwestern U.S.	238,127	13.1	%	170,829	9.0	%
Other(A)	494	0.1	%	440	0.1	%
	$1,820,536	100.0	%	$1,896,150	100.0	%

(A) Represents collateral for which New Residential was unable to obtain geographic information.

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments. For securities acquired during the three months ended March 31, 2015, excluding residual and interest-only securities, the face amount of these real estate securities was $36.4 million, with total expected cash flows of $45.5 million and a fair value of $21.9 million on the dates that New Residential purchased the respective securities.

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

	Outstanding Face Amount	Carrying Value
March 31, 2015	$234,289	$147,137
December 31, 2014	536,342	414,298

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

	Three Months Ended March 31, 2015	
Balance at December 31, 2014	$181,671	
Additions	23,599	
Accretion	(4,321	)
Reclassifications from (to) non-accretable difference	(3,605	)
Disposals	(100,536	)
Balance at March 31, 2015	$96,808	

See Note 18 for recent activities related to New Residential's investments in real estate securities.

8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

During the three months ended March 31, 2015, New Residential sold several portfolios of reperforming and non-performing residential mortgage loans as discussed below:

- On February 27, 2015, New Residential sold a portfolio of non-performing residential mortgage loans with a UPB of approximately $135.2 million and a carrying value of approximately $102.4 million at a price of $102.8 million and recorded a gain of $0.4 million.
- On March 19, 2015, New Residential sold a portfolio of reperforming residential mortgage loans with a UPB of approximately $176.5 million and a carrying value of approximately $142.1 million at a price of $148.6 million and recorded a gain of $6.5 million.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

- On March 26, 2015, New Residential sold a portfolio of reperforming residential mortgage loans with a UPB of approximately $6.4 million and a carrying value of approximately $5.1 million at a price of $5.3 million and recorded a gain of $0.2 million.
- On March 27, 2015, New Residential sold a portfolio of non-performing residential mortgage loans and REO with a UPB of approximately $469.6 million and a carrying value of approximately $362.0 million at a price of $373.0 million and recorded a gain of $11.0 million.

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

- Loans Held-for-Investment:
  Reverse Mortgage Loans
  Performing Loans
  Purchased Credit Impaired ("PCI") Loans
- Loans Held-for-Sale ("HFS")
- Real Estate Owned ("REO")

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

	March 31, 2015									December 31, 2014
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV")(B)	Weighted Avg. Delinquency(C)	Weighted Average FICO(D)	Carrying Value
Loan Type										
Reverse Mortgage Loans(E)(F)	$42,306	$23,294	182	10.0 %	4.0	21.4 %	109.6 %	78.2 %	N/A	$24,965
Performing Loans(G)	23,548	21,673	709	8.7 %	5.8	17.9 %	79.6 %	0.3 %	620	22,873
Total Residential Mortgage Loans, held-for-investment	$65,854	$44,967	891	9.6 %	4.7	19.4 %	98.5 %	53.0 %	620	$47,838
Performing Loans, held-for-sale(G)	$268,731	$270,407	4,832	4.9 %	7.0	27.6 %	82.1 %	— %	621	$388,485
Purchased Credit Impaired ("PCI") Loans, held-for-sale(H)	300,598	229,767	2,133	5.9 %	2.4	32.4 %	105.9 %	87.4 %	547	737,954
Residential Mortgage Loans, held-for-sale	$569,329	$500,174	6,965	5.4 %	4.5	30.1 %	94.7 %	46.2 %	582	$1,126,439

(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 are 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% interest that New Residential holds in reverse mortgage loans. The average loan balance outstanding based on total UPB is $0.3 million. 76% of these loans have reached a termination event. As a result, the borrower can no longer make draws on these loans. Each loan matures upon the occurrence of a termination event.
(F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
(G) Includes loans that are current or less than 30 days past due at acquisition where New Residential expects to collect all contractually required principal and interest payments. Presented net of unamortized premiums of $0.7 million.
(H) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments. As of March 31, 2015, New Residential has placed all of these loans on nonaccrual status.

New Residential generally considers the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as its credit quality indicators. Delinquency status is a primary credit quality indicator as loans that are more than 30 days past due provide an early warning of borrowers who may be experiencing financial difficulties. For residential mortgage loans, the current LTV ratio is an indicator of the potential loss severity in the event of default. Finally, the geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, home price changes and specific events will affect credit quality.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

	Percentage of Total Outstanding Unpaid Principal Amount as of			
State Concentration	March 31, 2015		December 31, 2014	
New York	11.2	%	12.2	%
California	9.0	%	15.0	%
Florida	7.1	%	6.3	%
New Jersey	5.5	%	7.0	%
Georgia	4.8	%	3.6	%
Texas	4.7	%	4.1	%
Pennsylvania	4.7	%	3.9	%
North Carolina	4.6	%	3.0	%
Ohio	4.4	%	3.1	%
Illinois	4.1	%	4.4	%
Other U.S.	39.9	%	37.4	%
	100.0	%	100.0	%

Reverse Mortgage Loans

In February 2013, New Residential, through a subsidiary, entered into an agreement to co-invest in a portfolio of reverse mortgage loans. New Residential acquired a 70% interest in the reverse mortgage loans. Nationstar has co-invested on a pari passu basis with New Residential in 30% of the reverse mortgage loans and is the servicer of the loans performing all servicing and advancing functions and retaining the ancillary income, servicing obligations and liabilities as the servicer.

Performing Loans

The following table provides past due information for New Residential's Performing Loans, which is an important indicator of credit quality and the establishment of the allowance for loan losses:

March 31, 2015		
Days Past Due	Delinquency Status[(A)]	
Current	86.1	%
30-59	13.9	%
60-89	—	%
90-119[(B)]	—	%
120+[(C)]	—	%
	100.0	%

(A) Represents the percentage of the total principal balance that corresponds to loans that are in each delinquency status.
(B) Includes loans 90-119 days past due and still accruing because they are generally placed on nonaccrual status at 120 days or more past due.
(C) Represents nonaccrual loans.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

	For the Three Months Ended March 31, 2015	
	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2014	$24,965	$22,873
Purchases/additional fundings	340	—
Proceeds from repayments	—	(854)
Accretion of loan discount (premium) and other amortization	1,274	(228)
Provision for loan losses	(202)	(118)
Transfer of loans to other assets	(2,720)	—
Transfer of loans to real estate owned	(363)	—
Transfer of loans to held-for-sale	—	—
Reversal of valuation provision on loans transferred to other assets	—	—
Balance at March 31, 2015	$23,294	$21,673

Activities related to the valuation provision on reverse mortgage loans and allowance for loan losses on performing loans held-for-investment were as follows:

	For the Three Months Ended March 31, 2015	
	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2014	$1,518	$1,447
Allowance for loan losses(A)	202	118
Charge-offs(B)	—	(1,371)
Reversal of valuation provision on loans transferred to other assets	—	—
Balance at March 31, 2015	$1,720	$194

(A) Based on an analysis of collective borrower performance, credit ratings of borrowers, loan-to-value ratios, estimated value of the underlying collateral, key terms of the loans and historical and anticipated trends in defaults and loss severities at a pool level.

(B) Loans, other than PCI loans, are generally charged off or charged down to the net realizable value of the collateral (i.e., fair value less costs to sell), with an offset to the allowance for loan losses, when available information confirms that loans are uncollectible.

Purchased Credit Impaired Loans

All of New Residential’s PCI loans were classified as held-for-sale at December 31, 2014 and throughout the three months ended March 31, 2015, and therefore, are not subject to the accounting in ASC 310-30.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

Loans Held-for-Sale

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

	For the Three Months Ended March 31, 2015 Loans Held-for-Sale
Balance at December 31, 2014	$1,126,439
Purchases[(A)]	—
Sales	(606,155)
Transfer of loans to real estate owned	(15,417)
Adoption of ASU 2014-11[(B)]	1,831
Proceeds from repayments	(5,682)
Valuation provision on loans[(C)]	(842)
Balance at March 31, 2015	$500,174

(A) Represents loans acquired with the intent to sell.
(B) Represents loans financed with the selling counterparty that were previously accounted for as linked transactions.
(C) Represents the fair value adjustments to loans upon transfer to held-for-sale and provision recorded on certain purchased held-for-sale loans.

Real estate owned (REO)

During the three months ended March 31, 2015, New Residential received properties in satisfaction of non-performing residential mortgage loans. As a result, New Residential has recognized REO assets totaling approximately $15.2 million during the three months ended March 31, 2015. As of March 31, 2015, New Residential had non-performing residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $204.8 million.

Linked Transactions

See Note 10 for a discussion of transactions formerly accounted for as linked transactions.

9. INVESTMENTS IN CONSUMER LOANS, EQUITY METHOD INVESTEES

In April 2013, New Residential completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. New Residential acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, Springleaf acquired 47% and an affiliate of Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. Springleaf acts as the managing member of the Consumer Loan Companies. The Consumer Loan Companies initially financed approximately 73% of the original purchase price with asset-backed notes. In September 2013, the Consumer Loan Companies issued and sold additional asset-backed notes that were subordinate to the debt issued in April 2013. The Consumer Loan Companies were formed on March 19, 2013, for the purpose of making this investment, and commenced operations upon the completion of the investment. After a servicing transition period, Springleaf became the servicer of the loans and provides all servicing and advancing functions for the portfolio.

On October 3, 2014, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization for approximately $2.6 billion. The proceeds in excess of the refinanced debt were distributed to the respective co-investors. New Residential received approximately $337.8 million, which reduced New Residential's basis in the consumer loans investment to $0.0 million and resulted in a gain of approximately $80.1 million. Subsequent to this refinancing, New Residential has discontinued recording its share of the underlying earnings of the Consumer Loan Companies until such time as their cumulative earnings exceed their cumulative distributions. During the three months ended March 31, 2015, the Consumer Loan Companies distributed $10.4 million to New Residential in excess of its basis, resulting in a corresponding gain.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

The following tables summarize the investment in the Consumer Loan Companies held by New Residential:

	March 31, 2015	December 31, 2014
Consumer loan assets (amortized cost basis)	$1,981,271	$2,088,330
Other assets	92,028	92,051
Debt	(2,282,438)	(2,411,421)
Other liabilities	(5,854)	(12,340)
Equity	$(214,993)	$(243,380)
New Residential's investment	$—	$—
New Residential's ownership	30.0 %	30.0 %

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Interest income	$121,869	$142,815
Interest expense	(23,107)	(22,195)
Provision for finance receivable losses	(19,636)	(34,156)
Other expenses, net	(15,964)	(20,452)
Change in fair value of debt	—	(16,867)
Net income	$63,162	$49,145
New Residential's equity in net income (through October 3, 2014)	$—	$16,360
New Residential's ownership	30.0 %	30.0 %

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

	Unpaid Principal Balance(A)	Interest in Consumer Loan Companies	Carrying Value(B)	Weighted Average Coupon(C)	Weighted Average Yield	Weighted Average Expected Life (Years)(D)
March 31, 2015	$2,460,743	30.0 %	$1,981,271	18.2 %	16.3 %	3.6
December 31, 2014	$2,589,748	30.0 %	$2,088,330	18.1 %	16.1 %	3.6

(A) Represents the February 28, 2015 and November 30, 2014 balances, respectively.
(B) Represents the carrying value of the consumer loans held by the Consumer Loan Companies.
(C) Substantially all of the cash flows received on the loans is required to be used to make payments on the notes described above.
(D) Weighted Average Expected Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

10. DERIVATIVES

As of March 31, 2015, New Residential's derivative instruments included economic hedges that were not designated as hedges for accounting purposes. New Residential uses economic hedges to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. New Residential's credit risk with respect to economic hedges and linked transactions is the risk of default on New Residential's investments that results from a borrower’s or counterparty’s inability or unwillingness to make contractually required payments.

As of March 31, 2015, New Residential held to-be-announced forward contract positions (“TBAs”) of $980.0 million in a short notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of set-off with the TBA counterparty. New Residential’s net short position in TBAs of $980.0 million notional was entered into as an economic hedge in order to mitigate New Residential's interest rate risk on certain residential mortgage loans and specified mortgage backed securities.

(dollars in tables in thousands, except share data)

As of March 31, 2015, New Residential held TBA positions of $980.0 million in a short notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of set-off with the TBA counterparty. As part of executing these trades, New Residential has entered into agreements with its TBA counterparties that govern the transactions for the TBA purchases or sales made, including margin maintenance, payment and transfer, events of default, settlements, and various other provisions. New Residential has fulfilled all obligations and requirements entered into under these agreements.

As a result of ASU No. 2014-11 (Note 2), New Residential has determined that, as of January 1, 2015, its linked transactions are accounted for as secured borrowings. As a result, $32.4 million carrying amount of derivatives was removed from the balance sheet and replaced with $116.8 million carrying amount of Non-Agency RMBS, $1.8 million carrying amount of Residential Mortgage Loans, Held-for-Investment, $86.0 million of Repurchase Agreements, and $0.2 million of other liabilities.

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

	Balance Sheet Location	March 31, 2015	December 31, 2014
Derivative assets			
Real Estate Securities(A)	Derivative assets	$—	$32,090
Non-Performing Loans(A)	Derivative assets	—	312
Interest Rate Caps	Derivative assets	71	195
		$71	$32,597
Derivative liabilities			
TBAs	Accrued expenses and other liabilities	$8,539	$4,985
Interest Rate Swaps	Accrued expenses and other liabilities	12,588	9,235
		$21,127	$14,220

(A) For December 31, 2014, investments purchased from, and financed by, the selling counterparty that New Residential accounted for as linked transactions are reflected as derivatives. Upon the adoption of ASU 2014-11 on January 1, 2015, these transactions are accounted for as secured borrowings.

The following table summarizes notional amounts related to derivatives:

	March 31, 2015	December 31, 2014
Non-Performing Loans(A)	$—	$2,931
Real Estate Securities(B)	—	186,694
TBAs, short position(C)	980,000	1,234,000
Interest Rate Caps(D)	210,000	210,000
Interest Rate Swaps, short position(E)	1,107,000	1,107,000

(A) For December 31, 2014, represents the UPB of the underlying loans of the non-performing loan pools within linked transactions.
(B) For December 31, 2014, represents the face amount of the real estate securities within linked transactions.
(C) Represents the notional amount of Agency RMBS, classified as derivatives.

(D) Caps LIBOR at 3.0%.
(E) Receive LIBOR and pay a fixed rate.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

	For the Three Months Ended March 31, 2015	2014
Other income (loss)		
Non-Performing Loans[(A)]	$—	$671
TBAs	(3,554)	362
Interest Rate Swaps	(3,352)	(84)
U.S.T. Short Positions	—	408
Interest Rate Caps	(124)	—
	(7,030)	1,357
Gain (loss) on settlement of investments		
Real Estate Securities[(A)]	—	—
TBAs	(16,033)	43
Interest Rate Swaps	(6,557)	(178)
	(22,590)	(135)
Total gains (losses)	$(29,620)	$1,222

(A) For December 31, 2014, investments purchased from, and financed by, the selling counterparty that New Residential accounts for as linked transactions are reflected as derivatives. Upon the adoption of ASU 2014-11 on January 1, 2015, these transactions are accounted for as secured borrowings.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

11. DEBT OBLIGATIONS

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

March 31, 2015

							Collateral			
Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value	Final Stated Maturity	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	We Av Lif (Y
Repurchase Agreements[(A)]										
Agency RMBS[(B)]	Various	$1,612,972	$1,612,972	Apr-15 to May-15	0.36%	0.1	$1,575,759	$1,659,781	$1,664,996	5.4
Non-Agency RMBS [(C)]	Various	315,919	315,919	Apr-15 to Jun-15	1.77%	0.1	1,500,816	428,696	439,579	9.0
Residential Mortgage Loans[(D)]	Various	392,521	392,521	May-15 to Aug-16	2.37%	0.8	584,085	514,109	514,109	4.6
Real Estate Owned[(E)]	Various	17,977	17,977	May-15 to Aug-16	2.82%	1.1	N/A	N/A	33,408	N/
Total Repurchase Agreements		2,339,389	2,339,389		0.91%	0.2				
Notes Payable										
Secured Corporate Loan [(F)]	Jan-15	100,000	100,000	Jul-15	3.93%	0.3	105,939,876	239,540	279,404	5.3
Servicer Advances[(G)]	Various	2,875,412	2,875,412	Dec-15 to Mar-17	2.62%	1.4	3,068,306	3,168,909	3,245,457	3.9
Residential Mortgage Loans[(H)]	Oct-14	23,604	23,604	Oct-15	3.08%	0.6	42,306	25,013	23,294	4.0
Real Estate Owned[(H)]	Oct-14	402	402	Oct-15	3.08%	0.6	N/A	N/A	397	N/
Total Notes Payable		2,999,418	2,999,418		2.66%	1.3				
Total/ Weighted Average		$5,338,807	$5,338,807		1.90%	0.8				

(A) These repurchase agreements had approximately $2.0 million of associated accrued interest payable as of March 31, 2015.

(B) The counterparties of these repurchase agreements are Mizuho ($89.6 million), Morgan Stanley ($73.3 million), Barclays ($788.7 million), Daiwa ($338.9 million) and Jefferies ($322.5 million) and were subject to customary margin call provisions. All of the Agency RMBS repurchase agreements have a fixed rate.

(C) The counterparties of these repurchase agreements are Barclays ($5.6 million), Credit Suisse ($107.3 million), Royal Bank of Canada ($10.2 million), Bank of America, N.A. ($80.1 million), Goldman Sachs ($60.9 million) and UBS ($51.8 million) and were subject to customary margin call provisions. All of the Non-Agency repurchase agreements have LIBOR-based floating interest rates.

(D) The counterparties on these repurchase agreements are Bank of America N.A. ($39.5 million maturing in August 2016), Nomura ($68.7 million maturing in May 2016), Citibank ($4.8 million maturing in May 2015) and Credit Suisse ($279.5 million maturing in November 2015). All of these repurchase agreements have LIBOR-based floating interest rates.

(E) The counterparties of these repurchase agreements are Credit Suisse ($1.2 million), Bank of America, N.A. ($2.0 million), Citibank ($0.4 million) and Nomura ($14.4 million). All of these repurchase agreements have LIBOR-based floating interest rates.

(F) The loan bears interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 3.75%. The outstanding face of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure this corporate loan.

(G) $0.7 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 rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.9% to 2.0%.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

(H) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.875%.

Certain of the debt obligations included above are obligations of New Residential's consolidated subsidiaries, which own the related collateral. In some cases, including the servicer advances, such collateral is not available to other creditors of New Residential.

New Residential has margin exposure on $2.3 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

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

	Servicer Advances	Real Estate Securities	Real Estate Loans	Other	Total
Balance at December 31, 2014[(A)]	$2,890,230	$2,246,651	$925,418	$—	$6,062,299
Repurchase Agreements					
Borrowings	—	1,089,257	31,864	—	1,121,121
Modified retrospective adjustment for the adoption of ASU No. 2014-11	—	84,649	1,306	—	85,955
Repayments	—	(1,491,666)	(525,111)	—	(2,016,777)
Notes Payable					
Borrowings	380,702	—	1,632	100,000	482,334
Repayments	(395,520)	—	(605)	—	(396,125)
Balance at March 31, 2015	$2,875,412	$1,928,891	$434,504	$100,000	$5,338,807

(A) Excludes debt related to linked transactions (Note 10).

Servicer Advances

During the first quarter of 2015, the Buyer entered into agreements to increase financing pursuant to one servicer advance facility and one of the notes, which settled in March 2015. The facility increased capacity from $500.0 million to $1.0 billion, and the note increased from $650.0 million to $800.0 million with a fixed interest rate equal to 2.50% and an expected repayment date of March 2017.

Other

During the first quarter of 2015, New Residential entered into a $100.0 million secured corporate loan with Credit Suisse First Boston Mortgage Capital LLC, an affiliate of Credit Suisse Securities (USA) LLC. The loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 3.75%. The loan agreement contains customary covenants and event of default provisions.

Maturities

New Residential's debt obligations as of March 31, 2015 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
April 1 through December 31, 2015	$150,128	$2,338,753	$2,488,881

2016	2,107,255	41,473	2,148,728
2017	701,198	—	701,198
	$2,958,581	$2,380,226	$5,338,807

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

Borrowing Capacity

The following table represents New Residential's borrowing capacity as of March 31, 2015:

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
Repurchase Agreements				
Residential Mortgage Loans	Real Estate Loans	$1,720,000	$410,498	$1,309,502
Notes Payable				
Servicer Advances[(A)]	Servicer Advances	3,300,000	2,875,412	424,588
		$5,020,000	$3,285,910	$1,734,090

(A) New Residential's unused borrowing capacity is available if New Residential has additional eligible collateral to pledge and meets other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate. New Residential pays a 0.3% fee on the unused borrowing capacity.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by a 50% equity decline over any 12-month period or a 35% decline over any 3-month period and a 4:1 indebtedness to tangible net worth provision. New Residential was in compliance with all of its debt covenants as of March 31, 2015.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and fair values of New Residential's financial assets recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of March 31, 2015 were as follows:

			Fair Value			
	Principal Balance or Notional Amount	Carrying Value	Level 1	Level 2	Level 3	Total
Assets:						
Investments in:						
Excess mortgage servicing rights, at fair value[(A)]	$163,572,436	$526,662	$—	$—	$526,662	$526,662
Excess mortgage servicing rights, equity method investees, at fair value[(A)]	84,000,746	225,111	—	—	225,111	225,111
Servicer advances	3,068,306	3,245,457	—	—	3,245,457	3,245,457
Real estate securities, available-for-sale	3,396,295	2,324,915	—	1,664,996	659,919	2,324,915
Residential mortgage loans, held-for-investment	65,854	44,967	—	—	45,900	45,900
Residential mortgage loans, held-for-	569,329	500,174	—	—	506,986	506,986

sale						
Non-hedge derivatives	210,000	71	—	71	—	71
Cash and cash equivalents	459,334	459,334	459,334	—	—	459,334
Restricted cash	28,325	28,325	28,325	—	—	28,325
		$7,355,016	$487,659	$1,665,067	$5,210,035	$7,362,761
Liabilities:						
Repurchase agreements	$2,339,389	$2,339,389	$—	$1,928,891	$410,498	$2,339,389
Notes payable	2,999,418	2,999,418	—	—	2,999,418	2,999,418
Derivative liabilities	2,087,000	21,127	—	21,127	—	21,127
		$5,359,934	$—	$1,950,018	$3,409,916	$5,359,934

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

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

	Level 3							
	Excess MSRs(A)		Excess MSRs in Equity Method Investees(A)(B)					
	Agency	Non-Agency	Agency	Non-Agency	Servicer Advances	Non-Agency RMBS	Linked Transactions	Total
Balance at December 31, 2014	$217,519	$200,214	$232,618	$98,258	$3,270,839	$723,000	$32,402	$4,774,850
Transfers(C)								
Transfers from Level 3	—	—	—	—	—	—	—	—
Transfers to Level 3	—	—	—	—	—	—	—	—
Transfers from investments in excess mortgage servicing rights, equity method investees, to investments in excess mortgage servicing rights	—	98,258	—	(98,258)	—	—	—	—
Gains (losses) included in net income								
Included in other-than-temporary impairment ("OTTI") on securities(D)	—	—	—	—	—	(1,071)	—	(1,071)
Included in change in fair value of investments in excess mortgage servicing rights(D)	(234)	(1,527)	—	—	—	—	—	(1,761)
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees(D)	—	—	4,921	—	—	—	—	4,921
Included in change in fair value of investments in servicer advances	—	—	—	—	(7,669)	—	—	(7,669)

Included in gain on settlement of investments, net	—	—	—	—	—	3,808	—	3,808
Included in other income(D)	730	—	—	—	—	—	—	730
Gains (losses) included in other comprehensive income, net of tax(E)	—	—	—	—	—	(481)	—	(481)
Interest income	6,458	8,579	—	—	42,349	8,450	—	65,836
Purchases, sales, repayments and transfers								
Purchases	26,479	—	—	—	1,765,294	222,102	—	2,013,875
Proceeds from sales	—	—	—	—	—	(389,719)	—	(389,719)
Proceeds from repayments	(11,973)	(17,841)	(12,428)	—	(1,825,356)	(23,002)	—	(1,890,600)
De-linked transactions(F)	—	—	—	—	—	116,832	(32,402)	84,430
Balance at March 31, 2015	$238,979	$287,683	$225,111	$—	$3,245,457	$659,919	$—	$4,657,149

(A) Includes the Recapture Agreement for each respective pool.

(B) Amounts represent New Residential's portion of the Excess MSRs held by the respective joint ventures in which New Residential has a 50% interest.

(C) Transfers are assumed to occur at the beginning of each respective period.

(D) The gains (losses) recorded in earnings during the period are attributable to the change in unrealized gains (losses) relating to Level 3 assets still held at the reporting dates.

(E) These gains (losses) were included in net unrealized gain (loss) on securities in the Condensed Consolidated Statements of Comprehensive Income.

(F) See Note 10 for a discussion of transactions formerly accounted for as linked transactions.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

Investments in Excess MSRs and Excess MSRs Equity Method Investees Valuation

The following table summarizes certain information regarding the weighted average inputs used in valuing the Excess MSRs owned directly and through equity method investees as of March 31, 2015:

	Significant Inputs[(A)]						
Directly Held (Note 4)	Prepayment Speed[(B)]		Delinquency[(C)]		Recapture Rate[(D)]		Excess Mortgage Servicing Amount (bps)[(E)]
Agency							
Original and Recaptured Pools	10.1	%	5.4	%	31.5	%	21
Recapture Agreement	7.9	%	5.0	%	19.9	%	21
	10.0	%	5.4	%	30.8	%	21
Non-Agency[(F)]							
Original and Recaptured Pools	12.7	%	N/A		10.2	%	14
Recapture Agreement	8.0	%	N/A		20.0	%	20
	12.5	%	N/A		10.7	%	14
Total/Weighted Average--Directly Held	11.5	%	5.4	%	18.9	%	17
Held through Equity Method Investees (Note 5)							
Agency							
Original and Recaptured Pools	13.0	%	6.5	%	33.5	%	19
Recapture Agreement	8.0	%	5.0	%	20.0	%	23
Total/Weighted Average--Held through Investees	12.1	%	6.2	%	31.1	%	19
Total/Weighted Average--All Pools	11.7	%	5.7	%	24.5	%	18

(A) Weighted by amortized cost basis of the mortgage loan portfolio.
(B) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(C) Projected percentage of mortgage loans in the pool that will miss their mortgage payments.
(D) Percentage of voluntarily prepaid loans that are expected to be refinanced by Nationstar.
(E) Weighted average total mortgage servicing amount in excess of the basic fee.
(F) 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.

As of March 31, 2015, a weighted average discount rate of 9.6% was used to value New Residential’s investments in Excess MSRs (directly and through equity method investees).

Investments in Servicer Advances Valuation

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

Significant Inputs

	Weighted Average Outstanding Servicer Advances to UPB of Underlying Residential Mortgage Loans		Prepayment Speed		Delinquency		Mortgage Servicing Amount[(A)]		Discount Rate	
March 31, 2015	2.1	%	12.5	%	14.3	%	19.4	bps	5.4	%

(A) Mortgage servicing amount excludes the amounts New Residential pays Nationstar and SLS as a monthly servicing fee.

33

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

Real Estate Securities Valuation

As of March 31, 2015, New Residential's securities valuation methodology and results are further detailed as follows:

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Fair Value Multiple Quotes(A)	Fair Value Single Quote(B)	Fair Value Total	Level
Agency RMBS	$1,575,759	$1,659,781	$1,664,996	$—	$1,664,996	2
Non-Agency RMBS(C)	1,820,536	647,915	650,746	9,173	659,919	3
Total	$3,396,295	$2,307,696	$2,315,742	$9,173	$2,324,915	

(A) Management generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold New Residential the security) for Non-Agency RMBS. Management selected one of the quotes received as being most representative of the fair value and did 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 management believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases there is a wide disparity between the quotes New Residential receives. Management 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, management selects one of the quotes which is believed to more accurately reflect fair value. New Residential never adjusts quotes received. 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.

(B) Management was unable to obtain quotations from more than one source on these securities. The one source was the seller (the party that sold New Residential the security).

(C) Includes New Residential's investments in interest-only notes for which the fair value option for financial instruments was elected.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

At March 31, 2015 and December 31, 2014, assets measured at fair value on a nonrecurring basis were $213.1 million and $666.6 million, respectively. The $213.1 million represents residential mortgage loans held-for-sale and the $666.6 million includes approximately $610.1 million of residential mortgage loans held-for-sale and $56.5 million of REO. The fair value of New Residential's mortgage loans held-for-sale are estimated based on a discounted cash flow model analysis using internal pricing models and categorized within Level 3 of the fair value hierarchy. The following table summarizes the inputs used in valuing these residential mortgage loans as of March 31, 2015:

March 31, 2015	Fair Value	Discount Rate	Weighted Average Life (Years) (A)	Prepayment Rate	CDR(B)	Loss Severity(C)
PCI Loans	$213,058	5.5 %	2.4	3.0 %	N/A	50.0 %

(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 are generally 10%. As of March 31, 2015, New Residential's REO did not show evidence of impairment and continued to be measured at cost.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

The total change in the recorded value of assets for which a fair value adjustment was included in the Consolidated Statements of Income for the period ended March 31, 2015 was a reduction of approximately $0.8 million for residential mortgage loans held-for-sale.

Residential Mortgage Loans for Which Fair Value is Only Disclosed

The fair value of New Residential's residential mortgage loans are estimated based on a discounted cash flow model analysis using internal pricing models and are categorized within Level 3 of the fair value hierarchy.

The following table summarizes the inputs used in valuing residential mortgage loans as of March 31, 2015:

	Carrying Value	Fair Value	Valuation Provision/ (Reversal) In Current Year	Discount Rate	Weighted Average Life (Years)(A)	Prepayment Rate	CDR(B)	Loss Severity(C)
Reverse Mortgage Loans(D)	$23,294	$23,294	$202	10.0 %	4.0	N/A	N/A	6.3 %
Performing Loans	292,080	296,970	N/A	4.9 %	6.9	6.0 %	2.1 %	46.1 %
PCI Loans	16,709	19,564	N/A	5.5 %	2.4	3.0 %	N/A	50.0 %
Total/Weighted Average	$332,083	$339,828	$202	5.3 %	6.4			43.5 %

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.
(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.
(D) Carrying value and fair value represent a 70% interest New Residential holds in the reverse mortgage loans.

Derivative Valuation

New Residential enters into economic hedges including interest rate swaps and TBAs, which are categorized as Level 2 in the valuation hierarchy. Management generally values such derivatives using quotations, similarly to the method of valuation used for New Residential's other assets that are categorized as Level 2.

Liabilities for Which Fair Value is Only Disclosed

Repurchase agreements and notes payable are not measured at fair value. They are generally considered to be Level 2 and Level 3 in the valuation hierarchy, respectively, with significant valuation variables including the amount and timing of expected cash flows, interest rates and collateral funding spreads.

Short-term repurchase agreements and short-term notes payable have an estimated fair value equal to their carrying value due to their short duration and generally floating interest rates. Longer-term notes payable are valued based on internal models utilizing both observable and unobservable inputs. As of March 31, 2015, these longer-term notes have an estimated fair value of $2,875.4 million and a carrying value of $2,875.4 million.

13. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

New Residential's Board of Directors authorized a one-for-two reverse stock split on August 5, 2014, subject to stockholder approval. In a special meeting on October 15, 2014, New Residential's stockholders approved the reverse split. On October 17, 2014, New Residential effected the one-for-two reverse stock split of its common stock. As a result of the reverse stock split, every two shares of New Residential's common stock were converted into one share of common stock, reducing the number of issued and outstanding shares of New Residential's common stock from approximately 282.8 million to approximately 141.4 million. The impact of this reverse stock split has been retroactively applied to all periods presented.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

On December 18, 2014, New Residential's board of directors declared a fourth quarter 2014 dividend of $0.38 per common share or $53.7 million, which was paid on January 30, 2015 to stockholders of record as of December 30, 2014.

On March 16, 2015, New Residential's board of directors declared a first quarter 2015 dividend of $0.38 per common share or $53.7 million, which was paid on April 30, 2015 to stockholders of record as of March 26, 2015.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, and its principals at March 31, 2015.

Option Plan

As of March 31, 2015, New Residential's outstanding options were summarized as follows:

	Issued Prior to 2011	Issued in 2011-2014	Total
Held by the Manager	343,440	8,173,847	8,517,287
Issued to the Manager and subsequently transferred to certain of the Manager's employees	90,560	1,959,247	2,049,807
Issued to the independent directors	1,000	4,000	5,000
Total	435,000	10,137,094	10,572,094

The following table summarizes New Residential's outstanding options as of March 31, 2015. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended March 31, 2015 was $15.03 per share.

Recipient	Date of Grant/ Exercise(A)	Number of Options	Options Exercisable as of March 31, 2015	Weighted Average Exercise Price(B)	Intrinsic Value as of March 31, 2015 (millions)
Directors	Various	6,000	5,000	$17.54	$—
Manager(C)	2003 - 2007	1,226,555	434,000	31.36	—
Manager(C)	Mar-11	838,417	547,583	6.58	4.6
Manager(C)	Sep-11	1,269,917	849,916	4.98	8.5
Manager(C)	Apr-12	948,750	920,983	6.82	7.6
Manager(C)	May-12	1,150,000	1,117,333	7.34	8.6
Manager(C)	Jul-12	1,265,000	1,234,783	7.34	9.5
Manager(C)	Jan-13	2,875,000	2,491,665	10.24	11.9
Manager(C)	Feb-13	1,150,000	958,332	11.48	3.4
Manager(C)	Apr-14	1,437,500	527,083	12.20	1.5
Exercised(D)	2013-2014	(802,492)	N/A	5.81	N/A
Expired unexercised	2003-2005	(792,553)	N/A	N/A	N/A
Outstanding		10,572,094	9,086,678		

(A) Options expire on the tenth anniversary from date of grant.

(B) The strike prices are subject to adjustment in connection with return of capital dividends.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

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

Date of Grant	Range of Strike Prices	Total Unexercised Inception to Date
2004 - 2007	$29.92 to $33.80	90,560
2012	$6.82 to $7.34	600,000
2013	$10.24 to $11.48	1,100,497
2014	$12.20	258,750
Total		2,049,807

(D) Exercised by employees of Fortress, subsequent to their assignment, or by directors. The options exercised had an intrinsic value of $4.5 million.

Income and Earnings Per Share

New Residential is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period. New Residential's common stock equivalents are its outstanding stock options. During the three months ended March 31, 2015, based on the treasury stock method, New Residential had 3,476,404 dilutive common stock equivalents outstanding. During the three months ended March 31, 2014, based on the treasury stock method, New Residential had 3,315,457 dilutive common stock equivalents outstanding.

Noncontrolling Interests

Noncontrolling interests is comprised of the interests held by third parties in consolidated entities that hold New Residential's investments in servicer advances (Note 6).

14. COMMITMENTS AND CONTINGENCIES

Litigation – New Residential may, from time to time, be a defendant in legal actions from transactions conducted in the ordinary course of business. As of March 31, 2015, New Residential is not subject to any material litigation, individually or in the aggregate, nor, to management's knowledge, is any material litigation currently threatened against New Residential, except as described below.

Following the Acquisition (see Note 18 for related defined terms), material potential claims, lawsuits, and other proceedings, of which New Residential is currently aware, are as follows. New Residential has not accrued losses in connection with these legal contingencies because management does not believe there is probable and reasonably estimable loss.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) Oliveira v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) Berglan v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) W. Palm Beach Police

Pension Fund v. Home Loan Servicing Solutions, Ltd., et al., No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. These three lawsuits, which are collectively referred to as the “New York Actions,” were consolidated by an order dated April 2, 2015. On April 28, 2015, lead plaintiff, lead counsel and liaison counsel were appointed in the New York Actions.

The New York Actions name as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President, and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The New York Actions assert causes of action under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on certain public disclosures made by HLSS relating to its relationship with Ocwen. These actions allege that HLSS misled investors by failing to disclose, among other things, the extent of HLSS’s dependence on Ocwen, information regarding governmental investigations of Ocwen’s business practices, and HLSS’s own purportedly inadequate internal controls. New Residential intends to vigorously defend the New York Actions.

Two shareholder derivative actions have been filed purportedly on behalf of Ocwen Financial Corporation naming as defendants HLSS and certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey, entitled (i) Sokolowski v. Erbey, et al., No. 9:14-CV-81601 (S.D. Fla.), filed on December 24, 2014 (the "Sokolowski Action"), and (ii) Moncavage v. Faris, et al., No. 2015CA003244 (Fla. Palm Beach Cty. Ct.), filed on March 20, 2015 (collectively, with the Sokolowski Action, the "Ocwen Derivative Actions"). The original complaint in the Sokolowski Action named as defendants certain current and former directors and officers of Ocwen, including former HLSS Chairman William C. Erbey. On February 11, 2015, plaintiff in the Sokolowski Action filed an amended complaint naming additional defendants, including HLSS. The Ocwen Derivative Actions assert a cause of action for aiding and abetting certain alleged breaches of fiduciary duty under Florida law against HLSS and others, and claim that HLSS (i) substantially assisted Ocwen's alleged wrongful conduct by purchasing Ocwen's mortgage servicing rights and (ii) received improper benefits as a result of its business dealings with Ocwen due to Mr. Erbey's purported control over both HLSS and Ocwen. Additionally, the Sokolowski Action asserts a cause of action for unjust enrichment against HLSS and others.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled Rattner v. Van Vlack, et al., No. 2015CA002833 (Fla. Palm Beach Cty. Ct.) (the "HLSS Derivative Action"). The lawsuit names as defendants HLSS directors John P. Van Vlack, Robert J. McGinnis, Kerry Kennedy, Richard J. Lochrie, and David B. Reiner (collectively, the "Director Defendants"), New Residential Investment Corp., and Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS's shareholders, (ii) included unfair deal protection devices, (iii) and was the result of an inadequate process due to conflicts of interest.

On September 15, 2014, HLSS received a subpoena from the SEC requesting that it provide certain information related to HLSS's prior accounting conventions for and valuations of its Notes receivable - Rights to MSRs that resulted in the restatement of HLSS's consolidated financial statements for the years ended December 31, 2013 and 2012 and for the quarter ended March 31, 2014 during August 2014. On December 22, 2014, HLSS received a subpoena from the SEC requesting that it provide information related to certain governance documents and transactions and certain communications regarding the same. New Residential and HLSS are cooperating with the SEC in these matters.

HLSS has been and continues to be subject to other inquiries by government and other entities, as disclosed in HLSS's filings with the SEC. New Residential is, from time to time, subject to inquiries by government entities in the ordinary course of business. 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 Newcastle's and its own experience, New Residential expects the risk of material loss to be remote.

Capital Commitments — As of March 31, 2015, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 18 for additional capital commitments entered into subsequent to March 31, 2015):

Excess MSRs — As of March 31, 2015, New Residential had outstanding capital commitments related to the acquisition of Excess MSRs on portfolios of Agency residential mortgage loans as discussed in Note 18. See Notes 4 and 5 for information on New Residential's investments in Excess MSRs.
Servicer Advances — New Residential and third-party co-investors agreed to purchase future servicer advances related to Non-Agency mortgage loans. The actual amount of future advances purchased will be based on: (a) the credit and prepayment performance of the underlying loans, (b) the amount of advances recoverable prior to liquidation of the related collateral and (c) the percentage of the loans with respect to which no additional advance obligations are made. The actual amount of future advances is subject to significant uncertainty. See Note 6 for information on New Residential's investments in servicer advances.

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

38

disposition fees. The actual amount of these outflows is subject to significant uncertainty. See Note 8 for information on New Residential's investments in residential mortgage loans.

Debt Covenants — New Residential's debt obligations contain various customary loan covenants (Note 11).

Certain Tax-Related Covenants — If New Residential is treated as a successor to Newcastle under applicable U.S. federal income tax rules, and if Newcastle fails to qualify as a REIT, New Residential could be prohibited from electing to be a REIT. Accordingly, Newcastle has (i) represented that it has 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 Newcastle'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 Newcastle's taxable years ending on or before December 31, 2014 (unless Newcastle obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Newcastle's failure to maintain its REIT status will not cause New Residential to fail to qualify as a REIT under the successor REIT rule referred to above). Additionally, New Residential covenanted to use its reasonable best efforts to qualify for taxation as a REIT for its taxable year ended December 31, 2013.

15. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

New Residential is party to a Management Agreement with its Manager which provides for automatically renewing one-year terms subject to certain termination rights. The Manager's performance is reviewed annually and the Management Agreement may be terminated by New Residential by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the twelve 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. 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.

Effective May 15, 2013, the Manager is entitled to receive a management fee in an amount equal to 1.5% per annum of New Residential's gross equity calculated and payable monthly in arrears in cash. Gross equity is generally the equity transferred by Newcastle on the distribution date, plus total net proceeds from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

In addition, effective May 15, 2013, 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 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, earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, and gains (or losses) from debt restructuring and gains (or losses) from sales of property and other assets, 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 Newcastle 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 Newcastle'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.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

Due to affiliates is comprised of the following amounts:

	March 31, 2015	December 31, 2014
Management fees	$1,709	$1,710
Incentive compensation	3,693	54,334
Expense reimbursements and other	1,063	1,380
	$6,465	$57,424

Affiliate expenses and fees were comprised of:

	Three Months Ended March 31,	
	2015	2014
Management fees	$5,126	$4,486
Incentive compensation	3,693	3,338
Expense reimbursements[(A)]	125	125
Total	$8,944	$7,949

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

See Notes 4, 5, 6, 7, 8, 11, 14 and 18 for a discussion of transactions with Nationstar. As of March 31, 2015, 98.9% and 97.0% of the UPB of the loans underlying New Residential's investments in Excess MSRs and servicer advances, respectively, was serviced or master serviced by Nationstar. As of March 31, 2015, a total face amount of $1.5 billion of New Residential's Non-Agency RMBS portfolio and approximately $88.3 million of New Residential's Agency RMBS portfolio was serviced or master serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately $6.0 billion as of March 31, 2015. New Residential holds a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar with an aggregate UPB of underlying mortgage loans of approximately $92.8 billion whereby, when the outstanding balance falls below a pre-determined threshold, it can effectively purchase the underlying mortgage loans by repaying all of the outstanding securitization financing at par, in exchange for a fee paid to Nationstar. As of March 31, 2015, $243.5 million UPB of New Residential's residential mortgage loans and $24.8 million of New Residential's REO were being serviced by Nationstar. As a result of these relationships, New Residential routinely has receivables from, and payables to, Nationstar, which are included in Other Assets and Accrued Expenses and Other Liabilities, respectively.

See Note 9 for a discussion of a transaction with Springleaf.

16. RECLASSIFICATION FROM ACCUMULATED OTHER COMPREHENSIVE INCOME INTO NET INCOME

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

Accumulated Other Comprehensive Income Components	Statement of Income Location	Three Months Ended March 31,	
		2015	2014
Reclassification of net realized (gain) loss on securities into earnings	Gain on settlement of securities	$(24,697)	$(4,492)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on	1,071	328

	securities		
Total reclassifications		$(23,626)	$(4,164)

40

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
March 31, 2015
(dollars in tables in thousands, except share data)

17. INCOME TAXES

Income tax expense (benefit) consists of the following:

	Three Months Ended March 31,	
	2015	2014
Current:		
Federal	$736	$217
State and Local	(1,156)	70
Total Current Income Tax Expense (Benefit)	(420)	287
Deferred:		
Federal	(1,323)	—
State and Local	(1,684)	—
Total Deferred Income Tax Expense (Benefit)	(3,007)	—
Total Income Tax Expense (Benefit)	$(3,427)	$287

New Residential intends to qualify as a REIT for the tax years ending December 31, 2014 and 2015. 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 a securitization vehicle and has made certain investments, particularly its investments in servicer advances (Note 6) and REO (Note 8), through TRSs that are subject to regular corporate income taxes which have been provided for in the provision for income taxes, as applicable. New Residential and its subsidiaries file income tax returns with the U.S. federal government and various state and local jurisdictions beginning with the tax year ending December 31, 2013. Generally, these income tax returns will be subject to tax examinations by tax authorities for a period of three years after the date of filing.

As of December 31, 2014, New Residential recorded an increase to the income tax provision of $2.3 million for unrecognized tax benefits. The reserve for unrecognized tax benefits related to state and local tax positions expected to be taken on the income tax returns. As a result of information received from local tax authorities, New Residential has determined that the reserve for unrecognized tax benefits is no longer needed and has reduced the reserve for unrecognized tax benefits to zero as of March 31, 2015. As a result, New Residential recorded a benefit of $2.3 million to the income tax provision as of March 31, 2015.

New Residential has recorded a net deferred tax liability of approximately $13.4 million as of March 31, 2015. This deferred tax liability primarily relates to unrealized gains from New Residential’s investment in servicer advances.

18. RECENT ACTIVITIES

These financial statements include a discussion of material events that have occurred subsequent to March 31, 2015 (referred to as “subsequent events”) through the issuance of these condensed consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

Excess MSRs

On April 16, 2015, New Residential invested the remaining $2.6 million to complete the acquisition of a 33.3% interest in the Excess MSR on a portfolio of Freddie Mac residential mortgage loans with an aggregate UPB of $8.4 billion. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer will perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

On April 30, 2015, New Residential invested approximately $3.5 million to acquire a 33.3% interest in the Excess MSR on a portfolio of Fannie Mae residential mortgage loans with an aggregate UPB of $1.6 billion. Fortress-managed funds and Nationstar each agreed to acquire a 33.3% interest in the Excess MSRs. Nationstar as servicer will perform all servicing and advancing functions, and retain the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each of the portfolios. Under the terms of the investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential, the Fortress-managed funds and Nationstar, subject to certain limitations.

Servicer Advances

Subsequent to March 31, 2015 and prior to May 11, 2015, the Buyer funded a total of $363.4 million of servicer advances and recovered $552.0 million of existing servicer advances. Notes payable outstanding decreased by $170.0 million and restricted cash decreased approximately $0.5 million in relation to these fundings. Additionally, the Buyer paid $5.5 million to Nationstar as a contractual incentive fee.

Subsequent to March 31, 2015 and prior to May 11, 2015, New Residential funded a total of $41.0 million of SLS servicer advances and recovered $54.0 million of existing SLS servicer advances. Notes payable outstanding decreased by $11.4 million and restricted cash increased approximately $0.02 million in relation to these fundings.

Real Estate Securities

Subsequent to March 31, 2015, New Residential acquired Non-Agency RMBS with an aggregate face amount of approximately $73.3 million for approximately $58.6 million, financed with repurchase agreements. New Residential sold Agency RMBS with a face amount of $374.4 million and an amortized cost basis of approximately $391.0 million for approximately $394.6 million and recorded a gain of approximately $3.6 million. New Residential sold no Non-Agency RMBS. Subsequent to March 31, 2015, New Residential rolled $1.3 billion within various repurchase facilities to mature between May 2015 and July 2015.

Subsequent to March 31, 2015, New Residential financed an additional $190.0 million of Non-Agency RMBS within various repurchase facilities as a result of purchases. New Residential also rolled substantially all of its Non-Agency RMBS repurchase facilities to mature between May 2015 and August 2015.

Residential Mortgage Loans

Subsequent to March 31, 2015 and prior to May 11, 2015, New Residential sold a portfolio of performing residential mortgage loans with a UPB of approximately $268.7 million for net proceeds of $282.2 million.

Subsequent to March 31, 2015 and prior to May 11, 2015, New Residential sold a portfolio of non-performing residential mortgage loans with a UPB of approximately $22.1 million for net proceeds of $19.5 million.

Derivatives

Subsequent to March 31, 2015, New Residential entered into two separate interest rate swap agreements with a single counterparty totaling a $500 million notional amount to further hedge a portion of its interest rate exposure.

Corporate Activities

On March 16, 2015, New Residential's board of directors declared a first quarter 2015 dividend of $0.38 per common share or $53.7 million, which was paid on April 30, 2015 to stockholders of record as of March 26, 2015.

Subsequent to March 31, 2015, New Residential paid off the outstanding secured corporate loan with Credit Suisse First Boston Mortgage Capital LLC, an affiliate of Credit Suisse Securities (USA) LLC for approximately $100.0 million.

Subsequent to March 31, 2015, New Residential entered into a $165.0 million secured corporate loan with Barclays maturing in April 2016. The loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 5.00% until July 2015, after which the loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 8.00%. The loan contains customary covenants and event of default provisions.

Subsequent to March 31, 2015, New Residential issued a $219.4 million secured corporate note maturing in April 2017. The loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 5.25% until M ay 2016, after which the loan bears interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR and (ii) a margin of 7.25%. The loan contains customary covenants and event of default provisions.

On February 22, 2015, New Residential entered into an Agreement and Plan of Merger (the “Initial Merger Agreement”) with Home Loan Servicing Solutions, Ltd., a Cayman Islands exempted company (“HLSS”) and Hexagon Merger Sub, Ltd., a Cayman Islands exempted company and a wholly owned subsidiary of New Residential (“Merger Sub”). As described in more detail below, on April 6, 2015, the parties terminated the Initial Merger Agreement pursuant to the Termination Agreement (as defined below) and simultaneously entered into the Acquisition Agreement (as defined below).

The Initial Merger Agreement provided that, upon the terms and subject to the conditions set forth therein, Merger Sub would have merged with and into HLSS, with HLSS continuing as the surviving company and a wholly owned subsidiary of New Residential, and at the effective time of the merger, each ordinary share of HLSS issued and outstanding immediately prior to the effective time (except as set otherwise forth in the Initial Merger Agreement), would have been automatically converted into the right to receive $18.25 in cash, without interest (the “Initial Merger”). Each party’s obligation to consummate the Initial Merger was subject to, among other conditions, the other party’s compliance with its covenants and agreements contained in the Initial Merger Agreement. Among other covenants and agreements, HLSS agreed to provide notice to New Residential within twenty-four hours of becoming aware that HLSS was reasonably likely to receive a going concern qualification from its auditors with respect to its then-most recent fiscal year (a “Going Concern Qualification”). The Initial Merger Agreement specified that, upon the receipt by HLSS of a Going Concern Qualification, New Residential would have the right to immediately terminate the Initial Merger Agreement.

On April 6, 2015, HLSS provided formal notice to New Residential that it was reasonably likely to receive a Going Concern Qualification, unless the parties entered into an alternative transaction. Based on the shared expectation of New Residential and HLSS that HLSS could not satisfy the conditions to the consummation of the Initial Merger set forth in the Initial Merger Agreement, HLSS and New Residential finalized the terms of an alternative transaction (described below). The alternative transaction enabled HLSS to file its annual report, including an unqualified opinion of its auditors, on April 6, 2015. On April 6, 2015, with the approval of their respective Boards of Directors, New Residential and HLSS, together with certain of their respective subsidiaries, entered into a Termination Agreement (the “Termination Agreement”) (providing for the termination of the Initial Merger Agreement) and simultaneously entered into a Share and Asset Purchase Agreement (the “Acquisition Agreement”).

The parties to the Acquisition Agreement included New Residential, HLSS, HLSS Advances Acquisition Corp., a Delaware corporation and wholly owned subsidiary of New Residential (“HLSS Advances”), and HLSS MSR-EBO Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of New Residential (together with HLSS Advances, the “Buyers”). Pursuant to the Acquisition Agreement, the Buyers acquired from HLSS substantially all of the assets of HLSS (including all of the issued share capital of HLSS’s first-tier subsidiaries) and assumed (and agreed to indemnify HLSS for) the liabilities of HLSS (together, the “Acquisition”), other than post-closing liabilities in an amount up to the Retained Amount (as defined below), for aggregate consideration (net of certain transaction expenses being reimbursed by HLSS), consisting of approximately $1.007 billion in cash and 28,286,980 shares of common stock, par value $0.01 per share (“New Residential Common Stock”), of New Residential delivered to HLSS in a private placement. The closing of the Acquisition (the “Acquisition Closing”) occurred simultaneously with the execution of the Acquisition Agreement.

The Acquisition Agreement includes certain customary post-closing covenants of New Residential, the Buyers and HLSS. In addition, the Board of Directors of HLSS also approved a wind down plan (the “Distribution and Liquidation Plan”), pursuant to which HLSS sold the shares of New Residential Common Stock received in the Acquisition on April 8, 2015 and distributed to HLSS shareholders the cash consideration from the Acquisition and the cash proceeds from the sale of shares of New Residential Common Stock; provided that under the terms of the Distribution and Liquidation Plan, HLSS retained $50.0 million of cash (the “Retained Amount”) for wind down costs.

At the Acquisition Closing, HLSS Advances entered into a Services Agreement, dated as of April 6, 2015, with HLSS (the “Services Agreement”). Pursuant to the Services Agreement, HLSS Advances has agreed to manage the assets and affairs of HLSS in accordance with terms and conditions set forth therein and, in all cases, in accordance with the Distribution and Liquidation Plan. The Services Agreement provides that HLSS Advances will be responsible for the operations of HLSS and will perform (or cause to be performed) such services and activities relating to the assets and operations of HLSS as may be appropriate, including, among other things, administering the Distribution and Liquidation Plan and handling all claims, disputes or controversies in which HLSS is a party or may otherwise be involved. HLSS Advances will not be compensated by HLSS for its services under the Services Agreement but will be reimbursed by HLSS for expenses incurred on behalf of HLSS.

(dollars in tables in thousands, except share data)

At the Acquisition Closing, New Residential and Merger Sub entered into an Agreement and Plan of Merger, dated April 6, 2015, with HLSS (the "New Merger Agreement"), pursuant to which, upon the terms and subject to the conditions set forth therein (including the approval of HLSS's shareholders), HLSS (which at the time of the New Merger (as defined below) will have previously sold substantially all of its assets and transferred all liabilities to the Buyers, and have distributed the proceeds (other than the Retained Amount) received from such sale to HLSS shareholders and substantially wound-down its operations) will merge with and into Merger Sub, with Merger Sub continuing as the surviving company and a wholly owned subsidiary of New Residential (the "New Merger").

Pursuant to the New Merger Agreement, and upon the terms and conditions set forth therein, at the effective time of the New Merger (the "Effective Time"), each ordinary share of HLSS, par value $0.01 per share, issued and outstanding immediately prior to the Effective Time (other than those shares of HLSS owned by New Residential or any direct or indirect wholly-owned subsidiary of New Residential and shares of HLSS as to which dissenters' rights have been properly exercised), will be automatically converted into the right to receive $0.704059 per share in cash, without interest.

The New Merger does not require the approval of New Residential's shareholders. However, consummation of the New Merger is subject to, among other things: (i) approval of the New Merger by the requisite vote of HLSS's shareholders; (ii) not more than 10% of HLSS's issued and outstanding shares properly exercising appraisal rights as of the time immediately before the closing of the New Merger (the "New Merger Closing"); and (iii) certain other customary closing conditions. Moreover, each party's obligation to consummate the New Merger is subject to certain other conditions, including without limitation, (i) the accuracy of the other party's representations and warranties and (ii) the other party's compliance with its covenants and agreements contained in the New Merger Agreement (in each case subject to customary materiality qualifiers). In addition, the obligations of New Residential and Merger Sub to consummate the New Merger are subject to the absence of any Company Material Adverse Effect (as defined in the New Merger Agreement). The New Merger Agreement may be terminated by either party under certain circumstances, including, among others: (i) if the New Merger Closing has not occurred by the nine-month anniversary of the New Merger Agreement; (ii) if a court or other governmental entity has issued a final and non-appealable order prohibiting the New Merger Closing; (iii) if HLSS fails to obtain the HLSS Shareholder Approval; and (iv) upon a material uncured breach by the other party that would result in a failure of the conditions to the New Merger Closing to be satisfied.

Unaudited Supplemental Pro Forma Financial Information - The following table presents unaudited pro forma combined Interest Income and Income (Loss) Before Incomes Taxes for the three months ended March 31, 2014 and 2015 prepared as if the Acquisition of HLSS had been consummated on January 1, 2014.

	Three Months Ended March 31,	
	2015	2014
	(unaudited)	(unaudited)
Pro Forma		
Interest income	$165,055	$176,989
Income (Loss) Before Income Taxes	71,465	103,683

The 2015 unaudited supplemental pro forma financial information has been adjusted to exclude, and the 2014 unaudited supplemental pro forma financial information has been adjusted to include, approximately $17.8 million of acquisition-related costs incurred by New Residential and HLSS in 2015. The unaudited supplemental pro forma financial information has not been adjusted for transactions other than the Acquisition, or for the conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the 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 Acquisition occurred on January 1, 2014.

In April 2015, New Residential issued 29,213,020 shares of its common stock in a public offering at a price to the public of $15.25 per share for net proceeds of approximately $436.1 million. One of New Residential's executive officers participated in this offering and purchased 250,000 shares at the public offering price. For the purpose of compensating the Manager for its successful efforts in raising capital for New Residential, in connection with this offering and the New Residential Common Stock issued in the Acquisition, New Residential granted options to the Manager to purchase 5,750,000 shares of New Residential's common stock at a price of $15.25, which had a fair value of approximately $8.9 million as of the grant date. The assumptions used in valuing the options were:
a 2.02% risk-free rate, a 6.71% dividend yield, 24.04% volatility and a 10 year term.

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

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Residential. The following should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included herein, and with Part II, Item 1A, "Risk Factors."

GENERAL

New Residential is a publicly traded REIT (NYSE: NRZ) primarily focused on opportunistically investing in, and actively managing, investments related to residential real estate. We primarily target investments in mortgage servicing related assets and related opportunistic investments. We are externally managed and advised by an affiliate of Fortress pursuant to a management agreement. Our goal is to drive strong risk-adjusted returns primarily through our investments, and our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets in diverse markets, including non-real estate related assets such as consumer loans. We generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation. We aim to generate attractive returns for our stockholders without the excessive use of financial leverage.

Our portfolio is currently composed of mortgage servicing related assets and other related opportunistic investments. Our asset allocation and target assets may change over time, depending on our Manager's investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below under "—Our Portfolio."

New Residential completed a one-for-two reverse stock split in October 2014. The impact of this reverse stock split has been retroactively applied to all periods presented herein.

MARKET CONSIDERATIONS

Various market factors, which are outside of our control, affect our results of operations and financial condition. One such factor is developments in the U.S. residential housing market. The residential mortgage industry continues to undergo major structural changes that are transforming the way mortgages are originated, owned and serviced. Historically, the majority of the approximately $10 trillion mortgage market has been serviced by large banks, which generally focus on conventional mortgages with low delinquency rates. This has allowed for low-cost routine payment processing and required minimal borrower interaction. Following the credit crisis, the need for "high-touch" specialty servicers, such as Nationstar and Ocwen, increased as loan performance declined, delinquencies rose and servicing complexities broadened. Specialty servicers have proven more willing and better equipped to perform the operationally intensive activities (e.g., collections, foreclosure avoidance and loan workouts) required to service credit-sensitive loans.

Since 2010, banks have sold or committed to sell MSRs totaling more than $3 trillion. An MSR provides a mortgage servicer with the right to service a pool of mortgages in exchange for a portion of the interest payments made on the underlying mortgages. This amount typically ranges from 25 to 50 bps multiplied by the UPB of the mortgages. Approximately 74% of MSRs were owned by banks as of the fourth quarter of 2014, according to Inside Mortgage Finance. We expect this number to continue to decline as banks face pressure to reduce their MSR exposure as a result of heightened capital reserve requirements under Basel III, regulatory scrutiny and a more challenging servicing environment, among other reasons. As a result, we believe the volume of MSR sales is likely to be elevated for some period of time.

We estimate that MSRs covering up to $150 billion of mortgages are currently for sale, which would require a capital investment of approximately $1 to 1.5 billion based on current pricing dynamics. We believe that non-bank servicers who are constrained by capital limitations will continue to sell a portion of the Excess MSRs or other servicing assets, such as advances. In addition, approximately $1.2 trillion of new loans are expected to be originated in 2015, according to the Mortgage Bankers Association. We believe this creates an opportunity to enter into "flow arrangements," whereby loan originators agree to sell Excess MSRs on newly originated loans on a recurring basis (often monthly or quarterly). Given this combined dynamic, we believe $2 trillion of MSRs could be sold or available over the next few years. We believe that MSRs are being sold at a discount to historical pricing levels, although increased competition for these assets has driven prices higher recently. There can be no assurance that we will make additional investments in Excess MSRs or that any future investment in Excess MSRs will generate returns similar to the returns on our original investments in Excess MSRs.

Interest rates have been volatile. In periods of rising interest rates, the rates of prepayments and delinquencies with respect to mortgage loans generally decline. Generally, the value of our Excess MSRs is expected to increase when interest rates rise or delinquencies decline, and the value is expected to decrease when interest rates decline or delinquencies increase, due to the effect of changes in interest rates on prepayment speeds and delinquencies. Prepayment speeds and delinquencies could increase in the current interest rate environment as a result of, among other things, a general economic recovery, government programs intended to foster refinancing activity or other reasons, which could reduce the value of our investments. Moreover, the value of our Excess MSRs is subject to a variety of factors, as described under "Risk Factors." In the first quarter of 2015, the fair value of our investments in Excess MSRs (directly and through equity method investees) decreased by $2.7 million and the weighted average discount rate of the portfolio was unchanged at 9.6%.

The timing, size and potential returns of future investments in Excess MSRs may be less attractive than our prior investments in this sector due to a number of factors, most of which are beyond our control. In addition to changes in interest rates, such factors include, but are not limited to, recent increased competition for Excess MSRS, which we believe is causing a related increase in the price for these assets. In addition, regulatory and GSE approval processes have been more extensive and taken longer than the process and timelines we experienced in prior periods, which has increased the amount of time and effort required to complete transactions.

Beginning in April 2012, we began to invest in RMBS as a complement to our Excess MSR portfolio. As of the fourth quarter of 2014, approximately $7 trillion of the $10 trillion of residential mortgages outstanding had been securitized, according to Inside Mortgage Finance. Approximately $6 trillion were Agency RMBS according to Inside Mortgage Finance, which are securities issued or guaranteed by a U.S. Government agency, such as Ginnie Mae, or by a GSE, such as Fannie Mae or Freddie Mac. The balance has been securitized by either public trusts or PLS, and are referred to as Non-Agency RMBS.

The onset of the financial crisis in 2007 led to significant volatility in the prices for Non-Agency RMBS. The crisis resulted in a widespread contraction in capital available for this asset class, deteriorating housing fundamentals, and an increase in forced selling by institutional investors (often in response to rating agency downgrades). While the prices of these assets have recovered from their lows, from time to time there may be opportunities to acquire Non-Agency RMBS at attractive risk-adjusted yields, with the potential for upside if the U.S. economy and housing market continue to strengthen. We believe the value of existing Non-Agency RMBS may also rise if the number of buyers returns to pre-2007 levels. Furthermore, we believe that in many Non-Agency RMBS vehicles there is a discrepancy between the value of the Non-Agency RMBS and the recovery value of the underlying collateral. We intend to pursue opportunities to structure transactions that would enable us to realize this difference, particularly through the exercise of call rights. We actively monitor the market for Non-Agency RMBS and our portfolio to determine when to strategically purchase and sell Non-Agency RMBS from time to time. We currently expect that the size of our Non-Agency portfolio will fluctuate depending primarily on our Manager's assessment of expected yields and alternative investment opportunities. The primary causes of mark-to-market changes in our RMBS portfolio are changes in interest rates, collateral performance and credit spreads.

We do not expect changes in interest rates to have a meaningful impact on the net interest spread of our Agency and Non-Agency portfolios. Our RMBS are primarily floating rate or hybrid (i.e., fixed to floating rate) securities, which we generally finance with floating rate debt. Therefore, while rising interest rates will generally result in a higher cost of financing, they will also result in a higher coupon payable on the securities. The net interest spread on our Agency RMBS portfolio as of March 31, 2015 was 1.82%, compared to 1.87% as of December 31, 2014. The net interest spread on our Non-Agency RMBS portfolio as of March 31, 2015 was 3.97%, compared to 1.85% as of December 31, 2014.

We hold call rights on Non-Agency residential mortgage securitizations which become exercisable once the current collateral balance reduces below a certain threshold of the original balance. We believe a call right is profitable when aggregate loan value is greater than the sum of par on the loans minus any discount from acquired bonds, plus expenses related to such exercise. Profit with respect to our call rights is generated by selectively retaining loans that meet our return thresholds or re-securitizing or selling performing loans for a gain and, prior to exercise, purchasing certain underlying tranches at a discount to par. Upon exercise, we are able to realize any remaining accretion to par. As interest rates increase, we expect the value of our call rights could decrease.

In November 2013, we made our first investment in non-performing loans. We have continued to invest in the non-performing loan sector, while also opportunistically selling assets. The scope of our involvement will fluctuate depending on our Manager’s assessment of relative value compared with alternative investment opportunities.

Credit performance also affects the value of our portfolio. Higher rates of delinquency and/or defaults can reduce the value of our Excess MSRs, Non-Agency RMBS, Agency RMBS and loan portfolios. For our Excess MSRs on Agency portfolios and our Agency RMBS, delinquency and default rates have an effect similar to prepayment rates. Our Excess MSRs on Non-Agency portfolios are not affected by delinquency rates because the servicer continues to advance principal and interest until a default occurs on the applicable loan; defaults have an effect similar to prepayments. For our Non-Agency RMBS and loans, higher default rates can lead to greater loss of principal.

Credit spreads decreased, or "tightened," during the first quarter of 2015 relative to the fourth quarter of 2014, which has had a favorable impact on the value of our securities and loan portfolio. Credit spreads measure the yield relative to a specified benchmark that the market demands on securities and loans based on such assets' credit risk. For a discussion of the way in which interest rates, credit spreads and other market factors affect us, see "Quantitative and Qualitative Disclosures About Market Risk."

The cash flow from our consumer loan portfolio is influenced by, among other factors, the U.S. macroeconomic environment, and unemployment rates in particular. We believe that losses are highly correlated to unemployment; therefore, we expect that an improvement in unemployment rates would improve the value of our investment, while deterioration in unemployment rates would result in a decline in its value.

OUR PORTFOLIO

Our portfolio is currently composed of servicing related assets, residential securities and loans and other investments, as described in more detail below. Our asset allocation and target assets may change over time, depending on our Manager's investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below (dollars in thousands).

	Outstanding Face Amount	Amortized Cost Basis(A)	Percentage of Total Amortized Cost Basis		Carrying Value	Weighted Average Life (years)(B)
Investments in:						
Excess MSRs(C)	$247,573,182	$594,870	9.0	%	$751,773	6.1
Servicer Advances(C)	3,068,306	3,168,909	47.6	%	3,245,457	3.9
Agency RMBS	1,575,759	1,659,781	25.0	%	1,664,996	5.4
Non-Agency RMBS	1,820,536	647,915	9.7	%	659,919	9.7
Residential Mortgage Loans	635,183	547,897	8.2	%	545,141	4.6
Real Estate Owned	N/A	35,905	0.5	%	35,905	N/A
Consumer Loans(C)	2,460,743	N/A	N/A		—	3.6
Total/ Weighted Average		$6,655,277	100.0	%	$6,903,191	5.1
Reconciliation to GAAP total assets:						
Cash and restricted cash					487,659	
Derivative assets					71	
Other assets					76,701	
GAAP total assets					$7,467,622	

(A) Net of impairment.
(B) Weighted average life is based on the timing of expected principal reduction on the asset.
(C) The outstanding face amount of Excess MSRs, servicer advances, and consumer loans is based on 100% of the face amount of the underlying residential mortgage loans, currently outstanding advances, and consumer loans respectively.

Servicing Related Assets

Excess MSRs

As of March 31, 2015, we had approximately $751.8 million estimated carrying value of Excess MSRs (held directly and through joint ventures). As of March 31, 2015, our completed investments represent an effective 32.5% to 80.0%

interest in the Excess MSRs (held either directly or through joint ventures) on pools of mortgage loans with an aggregate UPB of approximately $247.6 billion. Nationstar is the servicer of $244.8 billion UPB of the loans underlying our investments in Excess MSRs through March 31, 2015, and our servicers earn a basic fee in exchange for providing all servicing functions. In addition, when Nationstar sells Excess MSRs to us, it generally retains a 20% to 35% interest in the Excess MSRs and all ancillary income associated with the portfolios. In our capacity as owner of the Excess MSRs, we do not have any servicing duties, liabilities or obligations associated with the servicing of the portfolios underlying any of our Excess MSRs. However, we, through co-investments made by our subsidiaries, may separately agree to do so and have separately purchased the servicer advances, including the right to receive the basic fee component of related MSRs, on the Non-Agency portfolios underlying our Excess MSR investments. See “—Servicer Advances” below.

In December 2014, we agreed to acquire 50% of the Excess MSRs, all of the servicer advances and related Advance Fee and a portion of the call rights related to an underlying pool of residential mortgage loans with a UPB of approximately $3.0 billion which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSRs. The aggregate purchase price was approximately $229.7 million. The par amount of the total advance commitments for the SLS Transaction was $219.2 million (with related financing of $195.5 million). As of December 31, 2014, the closed portion of the purchase of $93.8 million included $8.4 million for 50% of the Excess MSRs, $83.8 million for servicer advances and Advance Fee (of which $74.3 million was financed as of December 31, 2014), and $1.6 million to fund a portion of the call rights on 57 of the 99 underlying securitization trusts. The remaining portion of the purchase price of $135.9 million included servicer advances and Advance Fee unfunded commitments of approximately $133.8 million that were funded in January 2015 (with approximately $121.2 million of related financing) and $2.1 million to fund the remaining portion of the call rights on 57 of the 99 underlying securitization trusts. As of March 31, 2015, New Residential had settled $168.4 million of servicer advances, net of recoveries, financed with $150.1 million of notes payable outstanding. SLS will continue to service the loans in exchange for a servicing fee of 10.75 bps and an Incentive Fee which is based on the ratio of the outstanding servicer advances to the UPB of the underlying loans.

Each of our Excess MSR investments through March 31, 2015 is subject to a recapture agreement with Nationstar. Under such recapture agreements, we are generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. In other words, we are generally entitled to a pro rata interest in the Excess MSRs on both (i) a loan resulting from a refinancing by Nationstar of a loan in the original portfolio, and (ii) a loan resulting from a refinancing by Nationstar of a previously recaptured loan.

The tables below summarize the terms of our investments in Excess MSRs completed as of March 31, 2015.

Summary of Direct Excess MSR Investments as of March 31, 2015

			MSR Component(A)			Excess MSR	
	Initial UPB (bn)	Current UPB (bn)(B)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	Interest in Excess MSR (%)	Purchase Price (mm)	Carrying Value (mm)
Agency							
Original and Recaptured Pools	$69.8	$54.9	29 bps	21 bps	32.5%-66.7%	$230.0	$209.1
Recapture Agreements	—	—	28	21	32.5%-66.7%	—	29.9
	69.8	54.9	29	21		230.0	239.0
Non-Agency(C)							
Original and Recaptured Pools	$148.9	$108.7	35 bps	14 bps	33.3%-80.0%	$328.9	$270.4
Recapture Agreements	—	—	26	20	33.3%-80.0%	—	17.3
	148.9	108.7	34	14		328.9	287.7
Total/Weighted Average	$218.7	$163.6	32 bps	17 bps		$558.9	$526.7

(A) The MSR is a weighted average as of March 31, 2015, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant). The average is weighted by the amortized cost basis of the mortgage loan portfolio.

(B) As of March 31, 2015.

(C) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of March 31, 2015 (Note 6 to our Condensed Consolidated Financial Statements included herein).

Summary Excess MSR Investments Through Equity Method Investees as of March 31, 2015

			MSR Component(A)					
	Initial UPB (bn)	Current UPB (bn)(B)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	NRZ Interest in Investee (%)	Investee Interest in Excess MSR (%)	NRZ Effective Ownership (%)	Investee Carrying Value (mm)
Agency								
Original and Recaptured Pools	$125.2	$84.0	32 bps	19 bps	50.0 %	66.7 %	33.3 %	$358.9
Recapture Agreements	—	—	32	23	50.0 %	66.7 %	33.3 %	81.8
Total/Weighted Average	$125.2	$84.0	32	19				$440.7

(A) The MSR is a weighted average as of March 31, 2015, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) As of March 31, 2015.

(C) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of March 31, 2015 (Note 6 to our Condensed Consolidated Financial Statements included herein).

The following table summarizes our Excess MSR investments closed subsequent to March 31, 2015:

Summary of Excess MSR Investments closed subsequent to March 31, 2015(A)

				MSR Component(B)			
	Commitment Date	Initial UPB (bn)	Current UPB (bn)(C)	MSR (bps)	Excess MSR (bps)	Direct Interest in Excess MSR (%)	NRZ Excess MSR Initial Investment (mm)
Agency	May-14	$2.1	$1.6	33 bps	23 bps	33.3 %	$3.5
Total/Weighted Average		$2.1	$1.6				$3.5

(A) Excludes investments in HLSS Excess MSRs closed subsequent to March 31, 2015. See Note 18 to our condensed consolidated financial statements for further details on the Acquisition.

(B) The MSR is a weighted average as of the date the transaction closed and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(C) As of the date the transaction closed.

As of March 31, 2015, we have remaining commitments to purchase $62.0 billion UPB of legacy Agency Excess MSRs, subject to the completion of definitive documentation between Nationstar and the applicable seller of the related MSR and definitive documentation between us and with Nationstar.

The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of March 31, 2015 (dollars in thousands):

	Collateral Characteristics												
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %(B)	One Month CPR(C)	One Month CRR(D)	One Month CDR(E)	One Month Recapture Rate
Agency													
Original Pools	$179,496	$69,813,877	$49,071,462	282,739	708	4.1%	277	70	15.0%	15.9%	13.9%	2.2%	21.2%
Recaptured Loans	29,618	—	5,758,415	32,902	671	4.5%	306	16	0.2 %	5.2 %	4.7 %	0.5%	15.3%
Recapture Agreement	29,865	—	—	—	—	-	—	—	-	-	-	-	-
	$238,979	$69,813,877	$54,829,877	315,641	704	4.1%	280	64	13.4%	14.8%	12.9%	2.0%	20.6%
Non-Agency(F)													
Original Pools	266,375	148,839,262	107,799,677	554,882	648	4.5%	264	111	47.1%	14.1%	8.6 %	5.9%	10.0%
Recaptured Loans	3,990	—	942,882	4,208	743	4.2%	291	12	4.8 %	13.1%	12.6%	0.6%	53.6%
Recapture Agreement	17,318	—	—	—	—	-	—	—	-	-	-	-	-
	$287,683	$148,839,262	$108,742,559	559,090	649	4.5%	264	111	46.7%	14.1%	8.6 %	5.9%	10.4%
Total/ Weighted Average	$526,662	$218,653,139	$163,572,436	874,731	668	4.4%	269	95	35.5%	14.3%	10.0%	4.6%	13.8%

	Collateral Characteristics						
	Uncollected Payments(G)	Delinquency 30 Days(G)	Delinquency 60 Days(G)	Delinquency 90+ Days(G)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency							
Original Pools	5.9 %	3.2 %	1.0 %	0.9 %	2.7 %	0.7 %	1.8 %
Recaptured Loans	1.7 %	2.2 %	0.2 %	0.2 %	0.3 %	0.1 %	0.3 %
Recapture Agreement	-	-	-	-	-	-	-
	5.5 %	3.1 %	0.9 %	0.8 %	2.4 %	0.6 %	1.6 %
Non-Agency(F)							
Original Pools	22.3 %	6.7 %	1.8 %	3.1 %	13.1 %	2.1 %	4.8 %
Recaptured Loans	0.8 %	0.5 %	0.1 %	— %	— %	-	0.1 %
Recapture Agreement	-	-	-	-	-	-	-
	22.1 %	6.6 %	1.8 %	3.1 %	13.0 %	2.1 %	4.8 %
Total/Weighted Average	16.5 %	5.5 %	1.5 %	2.3 %	9.5 %	1.6 %	3.7 %

(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 on a monthly basis. Weighted averages exclude collateral information for which collateral data was not available as of the report date.

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

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

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

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

(F) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of March 31, 2015 (Note 6 to our condensed consolidated financial statements included herein).

(G) Uncollected Payments represents the percentage of the total principal balance of the pool that corresponds to loans for which the most recent payment was not made. 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.

The following table summarizes the collateral characteristics as of March 31, 2015 of the loans underlying Excess MSR investments made through joint ventures accounted for as equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 66.7% interest in the Excess MSRs.

	Collateral Characteristics													
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	NRZ Effective Ownership Principal Balance	Number of Loans	WA FICO Score (A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage % (B)	One Month CPR (C)	One Month CRR (D)	One Month CDR (E)	One Month Recapture Rate
Agency Original Pools	$299,163	$125,191,420	$74,075,622	33.3%	567,430	672	5.0%	286	84	9.5%	20.6%	17.6%	3.6%	22.9%
Recaptured Loans	59,746	—	9,925,124	33.3%	62,444	691	4.5%	308	20	0.5%	7.3 %	6.1 %	1.3%	23.0%
Recapture Agreement	81,805	—	—	33.3%	—	—	-	—	—	-	-	-	-	-
Total/ Weighted Average	$440,714	$125,191,420	$84,000,746		629,874	674	4.9%	289	76	8.4%	19.0%	16.2%	3.3%	22.9%

	Collateral Characteristics						
	Uncollected Payments (G)	Delinquency 30 Days (G)	Delinquency 60 Days (G)	Delinquency 90+ Days (G)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency Original Pools	8.7 %	5.2 %	1.3 %	1.0 %	4.3 %	1.3 %	2.5 %
Recaptured Loans	2.7 %	2.5 %	0.8 %	0.6 %	0.5 %	— %	0.7 %
Recapture Agreement	-	-	-	-	-	-	-
Total/Weighted Average	8.0 %	4.9 %	1.2 %	1.0 %	3.9 %	1.1 %	2.3 %

(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) One Month CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the month as a percentage of the total principal balance of the pool.

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

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

(F) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of March 31, 2015 (Note 6 to our condensed consolidated financial statements included herein).

(G) Uncollected Payments represents the percentage of the total principal balance of the pool that corresponds to loans for which the most recent payment was not made. 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.

Servicer Advances

In December 2013, we made our first investment in servicer advances, referred to as Transaction 1. We made the investment through the Buyer, a joint venture entity capitalized by us and certain third-party co-investors.

In Transaction 1, the Buyer acquired from Nationstar approximately $3.2 billion of outstanding servicer advances (including deferred servicing fees) and the basic fee component of the related MSRs on Non-Agency mortgage loans with an aggregate UPB of approximately $54.6 billion. In exchange, the Buyer (i) paid approximately $3.2 billion (the "Initial Purchase Price"), and (ii) agreed to purchase future servicer advances related to the loans at par. The Initial Purchase Price is equal to the value of the discounted cash flows from the outstanding and future advances and from the basic fee. We previously acquired an interest in the Excess MSRs related to these loans. See above "—Our Portfolio—Servicing Related Assets—Excess MSRs." The Buyer funded the Initial Purchase Price with approximately $2.8 billion of debt and $0.4 billion of equity, excluding working capital. As of

March 31, 2015, the Buyer had settled approximately $3.2 billion of servicer advances related to Transaction 1, which represents substantially all of Transaction 1.

See "–SA Call Right" below for a discussion of Transaction 2.

Nationstar remains the named servicer under the related servicing agreements and continues to perform all servicing duties for the underlying loans. The Buyer has the right, but not the obligation, to become the named servicer, subject to obtaining consents and ratings agency letters required for a formal change of the named servicer. In exchange for Nationstar's performance of servicing duties, the Buyer pays Nationstar the Nationstar Servicing Fee and, in the event that the aggregate cash flows from the advances and the basic fee generate the Targeted Return on the Buyer's invested equity, the Performance Fee. Nationstar is majority owned by private equity funds managed by an affiliate of our manager. For more information about the fee structure, see below.

In December 2014, we completed the SLS Transaction, as described under "–Excess MSRs" above.

The following is a summary of the investments in servicer advances, including the right to the basic fee component of the related MSRs (dollars in thousands):

	March 31, 2015				Three Months Ended March 31, 2015
	Amortized Cost Basis	Carrying Value(A)	Weighted Average Discount Rate	Weighted Average Life (Years)(B)	Change in Fair Value Recorded in Other Income
Servicer Advances	$3,168,909	$3,245,457	5.4 %	3.9	$(7,669)

(A) Carrying value represents the fair value of the investment in servicer advances, 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 our servicer advances, and related financing, as of March 31, 2015 (dollars in thousands):

					Loan-to-Value		Cost of Funds(B)	
	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Carrying Value of Notes Payable	Gross	Net(A)	Gross	Net
March 31, 2015								
Servicer advances(C)								