2020 Annual Report

NEW RESIDENTIAL
INVESTMENT CORP.

New Residential

Vertically integrated investment management and mortgage platform

2013
Inception [1]

$4.1bn
Market Capitalization

$3.5bn+
Dividends Declared Since Inception [1]

77%
Total Shareholder Return Since Inception [1] [2]

INVESTMENT PORTFOLIO

$23.5bn
Assets [3]

Portfolio of Full & Excess MSRs, Servicer Advances, Residential Loans & Securities, Mortgage Services

ORIGINATION

$61.6bn
UPB FY'20 Origination Volume

Top 15
Non-Bank Mortgage Originator [4]

Direct to Consumer, Joint Venture, Wholesale and Correspondent Originator, Title and Appraisal Services

SERVICING

$297.8bn
UPB FY'20 Servicing Portfolio

Top 10
Non-Bank Mortgage Servicer [4]

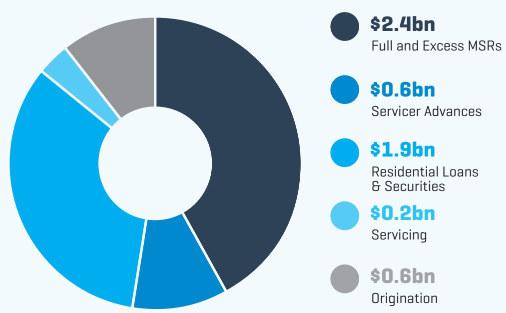
Performing and Special Servicing

Over 1.7 million customers

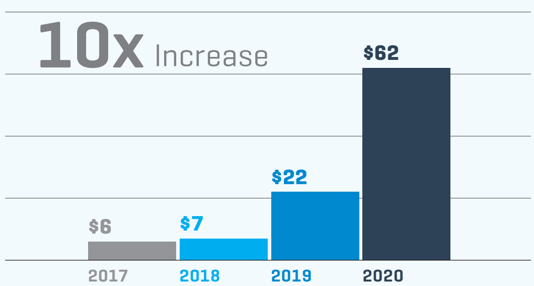
Key performance metrics demonstrate scale and profitability of mortgage platform

NET EQUITY [5]

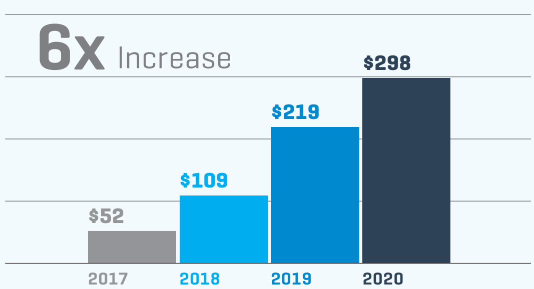
$5.3bn



ORIGINATION FUNDED VOLUME *($bn)*



SERVICING PORTFOLIO *($bn)*



Dear Fellow Shareholders,

As we reflect on the past year, our thoughts continue to be with all of you as the world cautiously prepares to reopen from the COVID-19 pandemic.

Since New Residential Investment Corp.'s (the "Company") inception, our mission has been to act as a prudent manager of risk and shareholder capital that aims to produce excellent returns across all market environments. We also view our role as a provider of capital and services to the mortgage industry as critical to supporting borrowers with the dream of homeownership.

Undoubtedly, 2020 was, at times, challenging for the global economy and for our Company. During the early days of the pandemic, significant investor redemptions led to a free fall in many asset prices, which resulted in margin calls for asset managers. Unfortunately, we were not immune to this. We moved quickly to reduce risk and raise additional pools of capital to support us as we weathered the severe market volatility. As a result of these actions, today we find ourselves in a position of strength, and our balance sheet has never been stronger. Our portfolio construction, with a diverse pool of complementary assets, positions us to perform across various rate environments. In particular, we expect our portfolio of mortgage servicing rights ("MSRs"), which was under pressure during 2020 as interest rates fell, to perform much better as rates normalize and we navigate through the pandemic.

Reflecting on 2020 and looking ahead to 2021, we want to take time in this letter to reemphasize the values that we consider fundamental to our success and our ability to generate long-term value for our stakeholders. These include:

- Managing risk as a prudent and disciplined manager of capital
- Executing our strategy around a diversified portfolio of value-creating investments and preparing for various interest rate environments
- Helping support borrowers with the dream of homeownership

Managing risk as a prudent and disciplined manager of capital

In light of the environment created by the COVID-19 pandemic, we moved decisively in March 2020 to reduce our risk, build liquidity, protect book value and bolster our balance sheet. To achieve this, we sold a significant portion of our residential mortgage securities and loan portfolios and raised $600 million through a private senior secured loan agreement. In doing so, we stabilized our portfolio and created a pool of capital to use opportunistically or defensively. As markets improved, we continued to reduce exposures where we felt the risk-reward for shareholders did not warrant us to retain such assets. In September 2020, we refinanced our senior secured loan agreement with our inaugural unsecured corporate debt offering, and lowered our cost of capital by almost 500 basis points. We reduced our daily mark-to-market exposure to just 2% of our portfolio[1] and priced 17 term securitizations representing $8 billion dollars of collateral during the year.

We also took calculated measures to increase our advance financing capacity at the onset of the pandemic, given the potential for elevated levels of forbearance. In the second quarter of 2020, we increased our committed advance financing by approximately 50% and, in the third quarter of 2020, we closed a new financing facility to support potential advance needs. Our actions demonstrate our ability to successfully increase financing quickly should the need arise.

In order to preserve liquidity during uncertain times, we cut our common stock dividend in the first quarter of 2020. This was a very difficult decision and represented the first dividend reduction in our Company's history. We were keen in the aftermath of this decision to stabilize and grow our dividend for our shareholders. Our priority was to responsibly and prudently navigate the environment and position our Company for future success in order to generate returns for our shareholders. Our ability to raise our dividend three consecutive times in 2020 after the initial cut demonstrated the progress we made during the year in our positioning and execution.

[1] "No daily mark-to-market financing" refers to financings of MSRs, servicer advances, residential loans, non-agency residential securities and consumer loans that either do not contain a daily mark-to-market feature or contain a margin "holiday." Excludes financings of agency securities and EBO loans.

Executing our strategy around a diversified portfolio of value-creating investments and preparing for various interest rate environments

We have always been, at our core, an investment manager. We have developed our strategy over years around a portfolio of value-creating investments, growing both investments in assets and in operating companies. We have successfully executed our strategy to date, delivering a return on equity of over 100% since inception, for an average of approximately 13% annually. Our portfolios have been strategically constructed with complementary and differentiated revenue streams to support our Company across various interest rate environments. We saw the benefit of that balanced portfolio construction last year as some assets came under pressure while others outperformed. As a result, in the face of extreme market volatility, we were able to create real value for our shareholders.

Record low rates in 2020 meant two things for New Residential: origination volumes were exceptional while MSR values came under pressure. MSRs have always been a focal point of our strategy. Through MSRs, we have access to assets, cash flows and customers. During 2020, however, low rates put pressure on MSR values given elevated refinancing activity and high levels of amortization. Looking forward, as rates rise and MSR cash flows extend their lifetimes, we believe that MSR values will improve. With exposure to MSRs, both as an owner and creator, New Residential is well-positioned to benefit as MSR values improve.

Balancing out the performance of our MSR portfolio during 2020 was a very successful performance from our operating company. When we acquired Shellpoint Mortgage Servicing ("Shellpoint") in 2018, our intention was to create a platform that connected the fragmented mortgage ecosystem, ultimately reducing counterparty risk, enhancing customer experience, and increasing our ability to generate revenues across market environments. In the two years since that acquisition, we have made tremendous progress, and our Origination and Servicing segments, through NewRez LLC ("NewRez") and Shellpoint, generated over $930 million of pre-tax income during 2020, compared to $225 million in 2019, significantly contributing to our earnings.

Mortgage origination activity across the entire industry took center stage in 2020. Historically low rates and a strong housing market drove record origination volumes, and NewRez originated $62 billion of mortgages, an increase from $22 billion in 2019. Impressively, this level of production put us among the top 15 largest non-bank mortgage originators in the United States[2]. Each of our origination channels witnessed record production volumes in 2020, and we look to continue growing this platform through scale, customer retention and technological advancements.

Our mortgage platform benefits from combining mortgage origination with retained mortgage servicing. After we originate a loan, we primarily maintain the servicing of that loan. At the end of 2020, our mortgage servicer was among the top 10 largest non-bank servicers in the United States[2] with $298 billion UPB of servicing, representing over 1.7 million customers. Connectivity with the borrower throughout the lifetime of their mortgage loan is important to our business, and we have been extremely focused on enhancing customer engagement. We believe our ability to maintain that connectivity will not only improve the experience for our customers, but also extend the lifetime of our relationship with them and improve the values of our MSRs. In 2020, we accelerated various initiatives related to improving customer retention. These initiatives included strengthening brand awareness, enhancing probability modeling, expanding operating capacity, and integrating proprietary technology. We will continue to focus on emphasizing these initiatives as we improve our recapture rates.

While we expect that origination volumes will come down from their historic 2020 peaks, we believe our platform still has a lot of room for growth and further opportunity to capture market share across rate environments. With an established MSR portfolio and a multi-channel origination platform that includes retained servicing, we have the ability to compete across evolving macro backdrops, including as origination shifts towards a purchase-driven market. Importantly, our operating efforts are supported by an employee base of over 5,600 dedicated employees who have continued to elevate our Company across all facets of our business.

[2] Source: Inside Mortgage Finance.

Helping support borrowers with the dream of homeownership

Our team takes very seriously our responsibility to help homeowners achieve and maintain the dream of homeownership. I am very proud of our team's commitment to that responsibility during particularly challenging times last year. We supported our homeowners in a number of ways, including originating loans for first time homeowners and helping borrowers navigate the COVID-19 landscape.

Mortgage servicing received a lot of attention during the COVID-19 pandemic...and rightly so. The United States housing market is strengthened by servicers who provide care and commitment to homeowners while running a sound business and maintaining fiscal health, and we are proud to be one of those servicers.

Unemployment rates rose dramatically during 2020, exacerbating concerns regarding whether homeowners would be able to continue to make their monthly mortgage payments. To ensure our financial strength, we took a number of proactive steps to increase liquidity while at the same time working with homeowners to help them understand their options. In addition, the Federal Housing Finance Agency ("FHFA") created supportive policies to help servicers cover the principal and interest payments that were due to investors on loans that were not being paid due to forbearance. These policies helped support both servicers and homeowners. As a result, delinquency rates, while they were elevated relative to normal periods, never reached the dramatic levels that some had initially projected.

Our team in particular worked very diligently to rapidly deploy a suite of technologies that made it easier for homeowners to explore their forbearance options online, make educated decisions regarding their financial situation, and seamlessly enroll in assistance. Over 200,000 of our servicing customers were impacted in some way by COVID-19 during 2020. By the end of the year, our team helped resolve 58% of COVID-19 related forbearances and helped countless borrowers successfully work through modifications. As a result, at the end of 2020, only 3.4% of our servicing portfolio was in active forbearance. Today our team continues to help homeowners find permanent solutions such as repayment plans, deferments, and loan modifications. These efforts are geared at helping homeowners stay in their homes with viable financial solutions. With our tenured special servicer, we have a track record in strengthening loss mitigation and delinquency management. We remain committed to continuing to help our borrowers as the pandemic continues to evolve and impact everyday lives.

Looking ahead

Looking ahead, we continue to believe that we are positioned to provide attractive returns across our portfolio of investments and operating companies, and grow our book value. We plan to do so while remaining committed to the principles we highlighted in this letter.

We have talked a lot during the year about the value of our platform and how to think about the sum of the parts that make up that value. In our view, the value of our assets plus the earnings profile our of operating businesses create a great and compelling proposition for investors. In particular, there is significant opportunity to deliver returns as MSR prices rise, as we grow our customer base and further scale our mortgage platform. With our vertically integrated platform, we expect to retain additional revenue streams, improve customer experience, increase recapture rates, and organically create new assets for our portfolio. Importantly, our entire portfolio also supports the large and growing housing market which contributes to the scalable and repeatable earnings power of our platform. As always, we intend to remain opportunistic as markets evolve. Putting all the parts together, we believe we are well-positioned to generate strong earnings and attractive assets that will result in high-quality performance in 2021.

While 2020 was a particularly challenging year, I am proud of the work we have done to evolve and position ourselves for the landscape ahead. I am extremely grateful for our team, who have continued to drive our business forward and put us in the position of strength that we are in today.

On behalf of New Residential, our Board of Directors and the senior management team, we extend our sincere appreciation for your ongoing support and continued partnership. We wish all of you health and safety, and we look forward to the positive impact that we can make for our stakeholders in 2021.

Sincerely,

Michael Nierenberg
Chairman, Chief Executive Officer and President

Source: Company filings and data as of December 31, 2020 unless otherwise noted. Market data per Bloomberg as of December 31, 2020.

(1) Inception date refers to May 2, 2013.

(2) Total shareholder return refers to book value growth plus common dividends declared.

(3) "Investment portfolio" assets refers to total assets less cash, restricted cash, other assets, trades receivable, goodwill and mortgage loans originated.

(4) Source: Inside Mortgage Finance.

(5) Net Equity:

Origination: Net Investment of $631 million includes $3,649 million of total assets, net of debt and other liabilities of $2,999 million and non-controlling interests in the portfolio of $19 million.

Servicing: Net Investment of $236 million includes $329 million of total assets, net of debt and other liabilities of $93 million.

Full and Excess MSRs: Excess MSRs - Net Investment of $156 million includes (A) $411 million investment in Legacy NRZ Excess MSRs, and (B) $21 million of cash and cash equivalents, restricted cash and other assets, net of debt and other liabilities of $276 million (debt issued on the NRZ Agency Excess MSR portfolio). MSRs - Net Investment of $2,246 million includes $6,485 million of total assets, net of debt and other liabilities of $4,239 million.

Servicer Advances: Net Investment of $553 million includes (A) $127 million net investment in AP LLC Advances, with $582 million of total assets, net of debt and other liabilities of $411 million and non-controlling interests in the portfolio of $44 million, (B) $9 million net investment in SLS Advances, with $18 million of total assets, net of debt and other liabilities of $9 million, and (C) $417 million net investment in Servicer Advances Receivable, with $3,002 million of total assets, net of debt and other liabilities of $2,585 million.

Residential Securities & Call Rights: Net Investment of $1,221 million includes (A) $647 million net investment in Non-Agency RMBS, with $1,452 million of assets, net of debt and other liabilities of $805 million, (B) $574 million in Agency RMBS, with $13,262 million of assets, net of debt and other liabilities of $12,688 million and (C) $0.3 million net investment in Call Rights.

Residential Loans: Net Investment of $708 million includes (A) $706 million net investment in Residential Loans & REO, with $3,115 million of total assets, net of debt and other liabilities of $2,409 million, (B) $2 million net investment in EBOs, with $2 million of total assets, net of debt and other liabilities of $0 million and (C) $(0.1) million net investment in Reverse Loans, with $7 million of total assets, net of debt and other liabilities of $7 million.

Other: Net Investment of ($430) million includes (A) $79 million net investment in Consumer Loans with $754 million of total assets, net of debt and other liabilities of $630 million and non-controlling interests in the portfolio of $45 million, and (B) ($509) million net investment in Corporate with $163 million of total assets, net of debt and other liabilities of $672 million. Note that "Other" is not included in the pie chart depiction.

2020 Annual Report

New Residential
Investment Corp.

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

FORM 10-K

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from ___________ to __________

Commission File Number: 001-35777

New Residential Investment Corp.
(Exact name of registrant as specified in its charter)

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

(212) 798-3150

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates as of June 30, 2020 (computed based on the closing price on such date as reported on the NYSE) was: $3.1 billion.

Common stock, $0.01 par value per share: 414,797,263 shares outstanding as of February 10, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13 and 14) will be incorporated by reference from the registrant's Definitive Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS SUMMARY

This report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, our financing needs and the size and attractiveness of market opportunities. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “endeavor,” “seek,” “anticipate,” “estimate,” “overestimate,” “underestimate,” “believe,” “could,” “project,” “predict,” “continue” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations, cash flows or financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently limited. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results.

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

- the uncertainty and economic impact of the ongoing coronavirus (“COVID-19”) pandemic and of responsive measures implemented by various governmental authorities, businesses and other third parties, as well as the ultimate impact on us, our operations and personnel;
- our ability to successfully execute our business and investment strategy;
- our ability to deploy capital accretively and the timing of such deployment;
- reductions in the value of, cash flows received from, or liquidity surrounding, our investments, which are based on various assumptions that could differ materially from actual results;
- our reliance on, and counterparty concentration and default risks in, the servicers and subservicers we engage (“Servicing Partners”) and other third parties;
- the impact of current or future legal proceedings and regulatory investigations and inquiries involving us, our Servicing Partners or other business partners;
- the risks related to our origination and servicing operations, including, but not limited to, compliance with applicable laws, regulations and other requirements, significant increases in delinquencies for the loans, compliance with the terms of related servicing agreements, financing related servicer advances and the origination business, expenses related to servicing high risk loans, unrecovered or delayed recovery of servicing advances, foreclosure rates, servicer ratings, and termination of government mortgage refinancing programs;
- our ability to obtain and maintain financing arrangements on terms favorable to us or at all, particularly in light of the current disruption in the financial markets;
- changes in general economic conditions, in our industry and in the commercial finance and real estate markets, including the impact on the value of our assets or the performance of our investments;
- the relative spreads between the yield on the assets in which we invest and the cost of financing;
- impairments in the value of the collateral underlying our investments and the relation of any such impairments to the value of our securities or loans;
- risks associated with our indebtedness, including our senior unsecured notes, and related restrictive covenants and non-recourse long-term financing structures;
- adverse changes in the financing markets we access affecting our ability to finance our investments on attractive terms, or at all;
- changing risk assessments by lenders that potentially lead to increased margin calls, not extending our secured financing agreements or other financings in accordance with their current terms or not entering into new financings with us;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;

- the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our mortgage servicing rights ("MSRs"), excess mortgage servicing rights ("Excess MSRs"), servicer advance investments, residential mortgage-backed securities ("RMBS"), residential mortgage loans and consumer loan portfolios;
- the risks that default and recovery rates on our MSRs, Excess MSRs, servicer advance investments, servicer advance receivables, RMBS, residential mortgage loans and consumer loans deteriorate compared to our underwriting estimates;
- changes in prepayment rates on the loans underlying certain of our assets, including, but not limited to, our MSRs or Excess MSRs;
- the risk that projected recapture rates on the loan pools underlying our MSRs or Excess MSRs are not achieved;
- servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our Servicer Advance Investments or MSRs;
- cybersecurity incidents and technology disruptions or failures;
- our dependence on counterparties and vendors to provide certain services, which subjects us to various risks;
- our ability to maintain our exclusion from registration under the Investment Company Act of 1940 (the "1940 Act"), and limits on our operations from maintaining such exclusion;
- our ability to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes, and limits on our operations from maintaining REIT status;
- competition within the finance and real estate industries;
- our ability to attract and retain highly skilled personnel;
- impact from our past and future acquisitions, and our ability to successfully integrate the acquired assets and assumed liabilities;
- the impact of any material transactions or relationships with FIG LLC (the "Manager") or one of its affiliates, including the impact of any actual, potential or perceived conflicts of interest;
- the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, regulation of corporate governance and public disclosure, changes in accounting rules, U.S. government programs intended to grow the economy, future changes to tax laws, the federal conservatorship of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and legislation that permits modification of the terms of residential mortgage loans;
- the risk that actions by Fannie Mae or the Freddie Mac or other regulatory initiatives or actions may adversely affect returns from investments in MSRs and Excess MSRs;
- adverse market, regulatory or interest rate environments or our issuance of debt or equity, any of which may negatively affect the market price of our common stock;
- our ability to pay distributions on our common stock.

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

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

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov. See "Business—Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-K

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PART I

Item 1. Business

General

New Residential Investment Corp. ("New Residential", "we", "us" or "our") is an investment manager with a vertically integrated mortgage platform. We are structured as a real estate investment trust ("REIT") for U.S. federal income tax purposes.

We seek to generate long-term value for our investors by using our investment expertise to identify, manage and invest in mortgage related assets, including operating companies, that offer attractive risk-adjusted returns. Our investment strategy also involves opportunistically pursuing acquisitions and seeking to establish strategic partnerships that we believe enable us to maximize the value of the mortgage loans we originate and/or service by offering products and services to customers, servicers, and other parties through the lifecycle of transactions that affect each mortgage loan and underlying residential property. For more information about our investment guidelines, see "—Investment Guidelines."

Our portfolio is currently comprised of mortgage servicing rights, a leading mortgage origination and servicing company, related ancillary mortgage services businesses, residential mortgage-backed securities and loans, consumer loans, and other opportunistic investments. We conduct our business in five segments: Origination, Servicing, MSR Related Investments, Residential Loans and Consumer Loans.

For more details on our portfolio, see "—Our Portfolio" below, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations-Our Portfolio." For information concerning current market trends which impact our portfolio, see "—The Residential Real Estate Market," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Considerations" and "Quantitative and Qualitative Disclosures About Market Risk."

We were formed as a wholly owned subsidiary of Drive Shack Inc. (formerly Newcastle Investment Corp., "Drive Shack") in September 2011 and were spun-off from Drive Shack on May 15, 2013, which we refer to as the "distribution date." Our stock is traded on the New York Stock Exchange under the symbol "NRZ." We are externally managed and advised by an affiliate (our "Manager") of Fortress Investment Group LLC ("Fortress") pursuant to a management agreement (the "Management Agreement").

On December 27, 2017, SoftBank Group Corp. ("SoftBank") acquired Fortress (the "SoftBank Merger") and Fortress operates within SoftBank as an independent business headquartered in New York.

The Residential Real Estate Market

The residential mortgage industry is transforming the way mortgages are originated, owned and serviced. We believe significant investment opportunities exist in today's complex and dynamic mortgage market and that we are one of only a select number of non-bank market participants that have the combination of capital, infrastructure, industry expertise and key business relationships that are necessary to take advantage of these opportunities. Our ability to originate mortgage loans, own MSRs and service loans positions us to support, connect with and provide solutions to homeowners throughout the lifetime of their mortgage loan.

The U.S. residential real estate market is vast: the value of the housing market totaled approximately $36.2 trillion as of December 2020, including about $11.4 trillion of single-family mortgage debt outstanding, according to the Board of Governors of the Federal Reserve System.

Over the last few decades, the complexity and composition of the market for residential mortgage loans in the U.S. have dramatically evolved. In the past, a borrower seeking credit for a home purchase would typically have obtained financing from a financial institution, such as a bank, savings association or credit union. These institutions would generally have held a majority of their originated residential mortgage loans as interest-earning assets on their balance sheets and would have performed all activities associated with servicing the loans, including accepting principal and interest payments, making advances for real estate taxes and property and casualty insurance premiums, initiating collection actions for delinquent payments and conducting foreclosures.

Now, institutions that originate residential mortgage loans generally hold a smaller portion of such loans as assets on their balance sheets and instead sell a significant portion of the loans they originate to third parties. Fannie Mae and Freddie Mac (collectively, Government-sponsored enterprises ("GSEs")) are currently the largest purchasers of residential mortgage loans.

Under a process known as securitization, GSEs and financial institutions typically package residential mortgage loans into pools that are sold to securitization trusts. These securitization trusts fund the acquisition of residential mortgage loans by issuing securities, known as residential mortgage backed securities ("RMBS"), which entitle the owner of such securities to receive a portion of the interest and/or principal collected on the residential mortgage loans in the pool. The purchasers of the RMBS are typically large institutions, such as pension funds, mutual funds, insurance companies, hedge funds and REITs. The agreement that governs the packaging of residential mortgage loans into a pool, the servicing of such residential mortgage loans and the terms of the RMBS issued by the securitization trust is often referred to as a pooling and servicing agreement. As a result of transformations in the securitization process, non-bank originators have gained significant market share in the residential mortgage market. Indicative of this trend, during the first half of 2020, 64% of 2020 U.S. mortgage loans were originated by non-bank originators, up from 57% for the period from 2018 through 2019.

Mortgage Originations

Origination volumes were elevated in 2020, bolstered significantly by record refinance volumes amidst historically low rates. With mortgage rates at historical lows, a significant portion of existing mortgage borrowers were able to lower their coupon and monthly mortgage payments and achieve financial savings through refinancing. As of January 2021, the Mortgage Bankers Association ("MBA") forecasted total 2020 U.S. origination volume of $3.6 trillion, an increase of 59% from $2.3 trillion in 2019. 60% of 2020 activity is forecasted to be refinance volume, up from 46% in 2019.

Looking forward, the MBA forecasts origination volumes to remain elevated in 2021 and 2022 at $2.7 trillion and $2.2 trillion, respectively, though refinance activity is forecasted to normalize to 42% and 26%, respectively, during those years. The purchase market is expected to grow 11% and 3% over the next two years to $1.6 trillion, driven by growth of household formations and homeownership rates. Current estimates forecast that roughly 80% of all 30-year GSE mortgages are "in-the-money" to refinance, with at least a 50 bp incentive to do so.

Mortgage originators generate their revenue primarily from the sale of originated loans to the GSEs and the Government National Mortgage Association ("Ginnie Mae"). In 2020, gain on sale margins were particularly attractive, driven by significant demand for loans amidst industry capacity constraints whereby demand for new loans exceeded the industry's ability to fulfill the demand.

Mortgage Servicing

In connection with a securitization, a number of entities perform specific roles with respect to the residential mortgage loans in a pool, including the trustee and the mortgage servicer. The trustee holds legal title to the residential mortgage loans on behalf of the owner of the RMBS and either maintains the mortgage note and related documents itself or with a custodian. One or more other entities are appointed pursuant to the pooling and servicing agreement to service the residential mortgage loans. In some cases, the servicer is the same institution that originated the loan, and, in other cases, it may be a different institution. The duties of servicers of residential mortgage loans that have been securitized are generally required to be performed in accordance with industry-accepted servicing practices and the terms of the relevant pooling and servicing agreement, mortgage note and applicable law. The trustee or a separate securities administrator for the trust receives the payments collected by the servicer on the residential mortgage loans and distributes them to the investors in the RMBS pursuant to the terms of the pooling and servicing agreement. A servicer generally takes actions, such as foreclosure, in the name and on behalf of the trustee.

The servicer landscape today remains highly fragmented, with 40% of servicing concentrated across the top 10 servicers. Servicers generally derive their income from servicing income – unpaid principal balances of servicing balances times the servicing fee. Servicing income consists of the contractual fees earned for servicing loans and includes ancillary revenue such as late fees and modification incentives. Servicing fees associated with an MSR can be segregated into i) a base servicing fee and ii) an excess servicing fee. The base servicing fee, along with ancillary income and other revenue, is designed to cover costs incurred to service the specified pool plus a reasonable margin. The remaining servicing fee is considered excess. Servicing income is affected by the size of the servicing portfolio, both UPB and number of loans, delinquency rates and cost to service per loan.

In light of the on-going COVID-19 pandemic, the need for "high-touch" non-bank specialty servicers has increased as borrowers have sought solutions to their COVID-19 related hardships. Specialty servicers have proven more willing and well equipped to perform the operationally intensive activities (e.g., collections, foreclosure avoidance and loan workouts) required to service credit-sensitive loans. Since the onset of COVID-19 in March 2020, forbearance activity on our serviced portfolio has increased, rising to 10.5% as of the end of the second quarter 2020 before trending lower to 3.4% as of December 31, 2020. As COVID-19 related hardships end, specialty servicers like ours seek to help homeowners move into permanent solutions such as repayment plans, deferments, and loan modifications.

The Residential Mortgage Loan Market

The residential mortgage loan market is commonly divided into a number of categories based on certain residential mortgage loan characteristics, including the credit quality of borrowers and the types of institutions that originate or finance such loans. While there are no universally accepted definitions, the residential mortgage loan market is commonly divided by market participants into the following categories.

- *Government-Sponsored Enterprise and Government Guaranteed Loans.* This category of residential mortgage loans includes "conforming loans," which are first lien residential mortgage loans that are secured by single-family residences that meet or "conform" to the underwriting standards established by the GSEs. The conforming loan limit is established by statute and currently is $548,250 for 2021 (an increase from $510,400 in 2020) with certain exceptions for high-priced real estate markets. This category also includes residential mortgage loans issued to borrowers that do not meet conforming loan standards, but who qualify for a loan that is insured or guaranteed by the government through Ginnie Mae (collectively with the GSEs, the "Agencies" (with each of Fannie Mae, Freddie Mac and Ginnie Mae an "Agency")), primarily through federal programs operated by the Federal Housing Administration ("FHA") and the Department of Veterans Affairs.
- *Non-GSE or Government Guaranteed Loans.* Residential mortgage loans that are not guaranteed by the GSEs or the government are generally referred to as "non-conforming loans" and fall into one of the following categories: jumbo, subprime, Alt-A, second lien or non-qualifying loans. The loans may be non-conforming due to various factors, including mortgage balances in excess of Agency underwriting guidelines, borrower characteristics, loan characteristics and level of documentation.

    1. *Jumbo*. Jumbo mortgage loans have original principal amounts that exceed the statutory conforming limit for GSE loans. Jumbo borrowers generally have strong credit histories and provide full loan documentation, including verification of income and assets.
    2. *Subprime*. Subprime mortgage loans are generally issued to borrowers with weak credit histories, who make low or no down payments on the properties they purchase or have limited documentation of their income or assets. Subprime borrowers generally pay higher interest rates and fees than prime borrowers.
    3. *Alt-A*. Alt-A mortgage loans are generally issued to borrowers with risk profiles that fall between prime and subprime. These loans have one or more high-risk features, such as the borrower having a high debt-to-income ratio, limited documentation verifying the borrower's income or assets, or the option of making monthly payments that are lower than required for a fully amortizing loan. Alt-A mortgage loans generally have interest rates that fall between the interest rates on conforming loans and subprime loans.
    4. *Second Lien*. Second mortgages and home equity lines are often referred to as second liens and fall into a separate category of the residential mortgage market. These loans typically have higher interest rates than loans secured by first liens because the lender generally will only receive proceeds from a foreclosure of a property after the first lien holder is paid in full. In addition, these loans often feature higher loan-to-value ratios and are less secure than first lien mortgages.
    5. *Non-QM*. Non-Qualified Mortgage ("non-QM") loans are loans that do not meet the Qualified Mortgage rules per the Consumer Financial Protection Bureau ("CFPB"). Non-QM loans are generally issued to borrowers that are self-employed, have high debt-to-income ratio or have high net worth with liquid assets. In December 2020, the CFPB issued new rules for qualified mortgages amending Regulation Z ability to repay rule/qualified mortgage requirements to replace the 43% debt-to-income ratio basis for the general QM with an annual percentage rate (APR) limit, while still requiring the consideration of the debt-to-income ratio or residual income. The rule also allows the non-QM patch to expire in 2021.

Residential mortgage loans are further classified based on certain payment characteristics. Performing loans are residential mortgage loans where the borrower is generally current on required payments; by contrast, non-performing loans are residential mortgage loans where the borrower is delinquent or in default. Re-performing loans were formally non-performing but became performing again, often as a result of a loan modification where the lender agrees to modified terms with the borrower rather than foreclosing on the underlying property. Reverse mortgage loans are a special type of loan under which the borrower is typically paid a monthly amount, increasing the balance of the loan, and are typically collected when the property is sold or the borrower no longer resides at the property. If a borrower defaults on a loan and the lender takes ownership of the underlying property through foreclosure, that property is referred to as real estate owned ("REO").

Our Portfolio

Our current investment portfolio is primarily composed of:

- Servicing Related Investments

  - Operating Entities (Origination, Servicing)
  - Servicing related businesses
  - MSRs, including MSR financing receivables (consisting of MSRs owned by NRM or NewRez in which we acquired the legal interest in the MSR, but, solely for accounting purposes, the acquisition was not treated as a sale);
  - Excess MSRs;
  - Servicer Advance Investments (which include servicer advance receivables, the requirement to make future servicer advances, and the rights to receive the basic fee portion of the related MSR, in each case relating to the mortgage loans underlying MSRs or Excess MSRs); and
  - Servicer advances receivable related to our MSRs investments;
- Residential Securities and Loans
  - Real estate securities, or RMBS; and
  - Residential mortgage loans;
- Consumer Loans

<u>Operating Investments</u>

Origination

Our origination business operates through the lending division of our subsidiary NewRez LLC ("NewRez"). According to Inside Mortgage Finance, as of December 31, 2020, we were one of the Top 15 non-bank mortgage originators, funding $61.6 billion of mortgages for the year ended December 31, 2020. Full year 2020 total funded volume represented an increase of 221% from $22.3 billion of funded volume for the full year 2019. Pull through adjusted lock volume for the full year 2020 was $69.8 billion, up 231% from $25.1 billion for the full year 2019.

NewRez has a multi-channel lending platform, offering purchase and refinance loans across its Direct to Consumer, Joint Venture, Wholesale and Correspondent lending channels. Purchase origination consists of mortgages that are originated to purchase a property. Refinance origination consists of mortgages that are originated to refinance a previous outstanding mortgage. Our ability to originate loans in both purchase and refinance markets is an important component of our resilient business model. 71% of all NewRez 2020 funded volume was refinance, up from 55% compared to the same period 2019.

Direct to Consumer — We originate loans directly to borrowers through our Direct to Consumer channel. We are highly focused on meeting the refinancing demand of our existing servicing customers. When our origination customers choose us for their refinance needs, we not only benefit from the gain on sale on the newly originated loan but also benefit from retaining the newly created MSR. For the year ended December 31, 2020, we originated $12.8 billion in Direct to Consumer originations, representing 21% of our total funded origination volume and a 213% increase to full year 2019 volumes. Direct to Consumer pull through adjusted lock volume for the full year 2020 was $17.3 billion, a 240% increase to full year 2019 Direct to Consumer volumes.

Joint Venture — Our Joint Venture channel includes joint venture partnerships with realtors, homebuilders and mortgage banks as well as traditional distributed retail business units. We conduct our joint venture partnerships through Shelter Mortgage Company, LLC ("Shelter"), a NewRez-owned business founded in 1984 that brings over 35 years of experience creating, managing and maintaining joint ventures. As of December 31, 2020, Shelter had 18 joint venture partners with footprints across 30 states in the U.S. Loans originated by our joint ventures are typically sold to NewRez with NewRez retaining the MSR. This channel provides NewRez steady purchase volume across interest rate environments along with sticky customer relationships. For the year ended December 31, 2020, we originated $4.0 billion in Joint Venture originations, representing 6% of our total funded origination volume and a 78% increase to full year 2019 Joint Venture volumes.

Wholesale — Our Wholesale channel originates mortgage loans through customer loan applications submitted by select mortgage brokers, community banks and credit unions. While sourced through third parties, we underwrite and fund these loans according to our own quality and compliance monitoring standards. At NewRez, we provide our brokers with differentiated products and pricing as well as superior customer service through our experienced salesforce and our proprietary technologies. For the year ended December 31, 2020, we originated $7.2 billion in Wholesale originations, representing 12% of our total funded origination volume and a 45% increase to full year 2019 Wholesale volumes.

Correspondent — Our Correspondent channel purchases closed mortgage loans that meet our specific credit and underwriting criteria from community banks, credit unions and independent mortgage banks and fund them in our own name. In this capacity, we play an important role in providing efficient capital markets access to these institutions. We entered the Correspondent channel in early 2018 and significantly increased the scale of our operations following our acquisition of

Ditech's correspondent platform in 2019. Our Correspondent channel is an important component of our strategy to grow our customer base and add to our MSR portfolio. For the year ended December 31, 2020, we originated $37.5 billion in Correspondent originations, representing 61% of our total funded origination volume and a 241% increase to full year 2019 Correspondent volumes.

We believe that our multi-channel origination mortgage platform provides us with a competitive advantage in this market and enables us to provide our borrowers with various products to ultimately originate both purchase and refinance loans across different market backdrops. Furthermore, we generally service all of the loans that we originate, which provides us with connectivity with our borrowers throughout the lifecycle of their loan. We combine operational excellence, modern proprietary technology, capital markets expertise, prudent risk management, and a relentless focus on client service to deliver consistent high-quality service to our customers.

Customer retention is core to our mission of serving homeowners and improving our customers' experiences. We also expect that the investments we have made in data and analytics, as well as in branding and predictive modeling, will help us significantly improve our recapture rates and maintain our relationships with our borrowers. To support our recapture efforts, we have nearly doubled our sales and fulfillment headcount since January 2020 and, as of December 31, 2020, we have approximately 1,300 employees dedicated to the Direct to Consumer channel. During 2020, we invested heavily in training our salesforce, refining our marketing efforts and optimizing workflow, which we believe creates a better consumer experience and differentiates us in our ability to provide our borrowers with appropriate financing solutions.

NewRez originates or purchases residential mortgage loans conforming to the underwriting standards of the Agencies ("Agency" loans), government-insured residential mortgage loans insured by the FHA, VA and USDA, and non-conforming loans through its SMART Loan Series. NewRez's SMART Loan Series is a non-QM loan product that provides a variety of options for highly qualified borrowers who fall outside the specific requirements of Agency mortgage loans. Through this platform, NewRez underwrites quality loans that meet its guidelines and pricing models for borrowers that fall just outside the qualified mortgage requirement such as self-employed borrowers, bank statement or asset qualifiers, real estate investors, prime borrowers, and more. While NewRez's origination of Non-QM loans paused at the onset of COVID-19 in the first quarter of 2020, the Company restarted production of Non-QM loans in the first quarter of 2021. We believe the outlook for Non-QM remains strong in 2021 supported by pent up demand for Non-QM products and a growing population of Non-QM borrowers. In 2020, 66 % of NewRez's funded production was Agency, 33% was Government, 1% was Non-Agency and 1% was Non-QM.

NewRez generates revenue through sales of residential mortgage loans, including, but not limited to, gain on loans originated and sold, the settlement of mortgage loan origination derivative instruments and the value of MSRs retained on transfer of the loans. Profit margins per loan vary by channel, with correspondent typically being the lowest and joint venture being the highest. NewRez sells conforming loans to the GSEs and Non-QM to another subsidiary of New Residential. NewRez relies on warehouse financing to fund loans at origination through the sale date.

NewRez sells newly originated Agency MSRs to New Residential Mortgage LLC ("NRM"), a subsidiary of New Residential, under a flow agreement and may, from time to time, sell the excess MSR to another subsidiary of New Residential. These transactions are recorded at fair value with gains or losses recognized on sale in the Origination segment. Subsequent to sale, these assets are included in MSR investments and the risks and rewards related to these assets are recognized in our MSR Related Investments segment.

We also have several wholly-owned subsidiaries that perform various services in the mortgage and real estate industries. Our subsidiary Avenue 365 Lender Services, LLC ("Avenue 365") is a title agency providing title and settlement services to mortgage lenders and servicers. Our subsidiary eStreet Appraisal Management LLC ("eStreet") is an appraisal management company that performs appraisal and valuation services.

Servicing

Our servicing business operates through NewRez's servicing division, which consists of its performing loans servicing division, NewRez Servicing, and its special servicing division, Shellpoint Mortgage Servicing ("SMS"). NewRez Servicing primarily services NewRez originated loans. SMS services loans for third-parties as well as delinquent Agency loans and Non-Agency loans on behalf of the owners of the underlying mortgages. We are highly experienced in loan servicing, including loan modifications, and seek to help borrowers avoid foreclosure.

Third-party servicing, or servicing on behalf of third-party clients, is an important part of SMS' platform. As of December 31, 2020, SMS has over 60 third-party clients, compared to 52 third-party clients as of the end of 2019. These institutional clients include, but are not limited to, GSEs, money center banks and whole loan investors.

As of December 31, 2020, our servicing divisions served over 1.7 million customers with an aggregate UPB of approximately $297.8 billion. This compares to 1.1 million customers and $219.4 billion aggregate UPB as of December 31, 2010. 69% of our December 31, 2020 servicing portfolio was serviced by NewRez Servicing and 31% was serviced by SMS. Through our servicing platform, we are focused on providing high-quality servicing to our borrowers and maintaining connectivity with our borrowers throughout the lifetime of their loan.

Servicing consists of collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, performing loss mitigation activities, negotiating workouts and modifications, conducting or managing foreclosures on behalf of investors or other servicers and otherwise administering our mortgage loan servicing portfolio.

SMS enters into market based subservicing agreements in connection with its subservicing on behalf of other New Residential subsidiaries. We recognize this subservicing income earned from other subsidiaries in Servicing revenue, net in the Servicing segment. To the extent the subsidiary is the owner of the MSR or whole-loan, subservicing expense is recognized in the MSR Related Investments and Residential Securities and Loans segments, respectively.

As a subservicer, SMS may be obligated to make servicing advances; however, advances and other incurred costs are generally lower compared to those of the MSR owner, and recovery times are substantially faster, often within the following month. To the extent SMS makes or recovers servicing advances under its subservicing agreements with other New Residential subsidiaries, such amounts are recognized as intercompany receivables or payables with the corresponding servicing advance recognized in the MSR Related Investments or Residential Securities and Loans segment, as appropriate.

In 2020, in light of the ongoing COVID-19 pandemic, our servicer worked diligently with borrowers to help them navigate their COVID-19 related hardships. As of December 31, 2020, 3.4% of borrowers in our servicing portfolio are in active forbearance, down from 10.5% as of the end of the second quarter 2020. While forbearance levels have remained elevated relative to non-COVID-19 times, 58.0% of COVID-19 related forbearance (over 120,000 homeowners) have been resolved. (i.e., forbearance has ended or hardship has been resolved). As hardships end, our servicing team members use proprietary loss mitigation technology to help homeowners move into permanent solutions such as repayment plans, deferments, and loan modifications. We are closely monitoring the CARES Act and COVID-19 guidance provided by the GSEs (FannieMae, FreddieMac, GinnieMae), Agencies (FHA, VA, USDA), and state/federal regulators. On February 9, 2021, the FHFA announced that it was extending the maximum time a borrower can be in COVID-19 forbearance to 15 months, up from 12 months previously. The FHFA also announced that it had extended its moratorium on foreclosure on single-family homes through March 31, 2021. These announcements represented the first time that the agency extended the forbearance period by the sixth time it extended the foreclosure moratorium. As guidelines continue to evolve, we will adapt our servicing practices accordingly.

MSR Related Investments

MSRs, MSR Financing Receivables and Excess MSRs

New Residential is one of the largest owners of MSRs in the United States according to Inside Mortgage Finance with $536 billion UPB of full and excess MSRs. Our MSR portfolio as of December 31, 2020 was down 15% from $627 billion UPB as of December 31, 2019. A MSR provides a mortgage servicer with the right to service a pool of residential mortgage loans in exchange for a portion of the interest payments made on the underlying residential mortgage loans. This amount typically ranges from 25 to 50 basis points ("bps") times the unpaid principal balance ("UPB") of the residential mortgage loans, plus ancillary income and custodial interest. An MSR is made up of two components: a basic fee and an excess MSR ("Excess MSR"). The basic fee is the amount of compensation for the performance of servicing duties (including advance obligations), and the Excess MSR is the amount that exceeds the basic fee. Ownership of an MSR requires the owner to be a licensed mortgage servicer. An owner of an Excess MSR is not required to be licensed, and is not required to assume any servicing duties, advance obligations or liabilities associated with the loan pool underlying the MSR unless otherwise specified through agreement.

Servicer Advances Receivable and Servicer Advance Investments

Servicer advances are a customary feature of residential mortgage securitization transactions and represent one of the duties for which a servicer is compensated through the basic fee component of the related MSR, since the advances are non-interest bearing, servicer advances are generally reimbursable payments made by a servicer (i) when the borrower fails to make scheduled payments due on a residential mortgage loan or (ii) to support the value of the collateral property. Our interests in servicer advances include the following:

- *Servicer Advances Receivable.* The outstanding servicer advances related to a specified pool of mortgage loans in which we own the MSR.
- *Servicer Advance Investments.* These investments are associated with specified pools of mortgage loans and include the related outstanding servicer advances, the requirement to purchase future servicer advances and the rights to the basic fee component of the related MSR. We have purchased Servicer Advance Investments on certain loan pools underlying our Excess MSRs.

Servicer advances typically fall into one of three categories:

- *Principal and Interest Advances*: Cash payments made by the servicer to cover scheduled payments of principal of, and interest on, a residential mortgage loan that have not been paid on a timely basis by the borrower.
- *Escrow Advances (Taxes and Insurance Advances)*: Cash payments made by the servicer to third parties on behalf of the borrower for real estate taxes and insurance premiums on the property that have not been paid on a timely basis by the borrower.
- *Foreclosure Advances*: Cash payments made by the servicer to third parties for the costs and expenses incurred in connection with the foreclosure, preservation and sale of the mortgaged property, including attorneys' and other professional fees.

The purpose of the advances is to provide liquidity, rather than credit enhancement, to the underlying residential mortgage securitization transaction. Servicer advances are considered "top of the waterfall" and are generally permitted to be repaid from amounts received with respect to the related residential mortgage loan, including payments from the borrower or amounts received from the liquidation of the property securing the loan, which is referred to as "loan-level recovery."

As a non-bank servicer, we finance principal and interest advances primarily from a combination of cash on hand and secured financing arrangements. Cash on hand can come from balances received from prepayments. The servicing agreements with Fannie Mae, Ginnie Mae and certain private label securitizations allow servicers to borrow against balances from prepayments to cover principal and interest advance requirements. The ability to borrow against prepayments stems from a difference caused by the timing between the remittance of payments under the servicer's advance and remittance obligations, generally several weeks after the due date, and servicer's timeline to remit prepayments, which can be up to a month or more after receipt from the borrower. Because of this timing difference, servicers can effectively borrow against the prepayments received to cover principal and interest advance requirements. Given the fairly robust and sustained refinance wave experienced throughout 2020, we have successfully utilized prepayment proceeds to fund principal and interest advances related to forborne loans. As of December 31, 2020, our servicer advance balances were $3.5 billion, relative to $3.7 billion as of December 31,2019.

Residential mortgage servicing agreements generally require a servicer to make advances in respect of serviced residential mortgage loans unless the servicer determines in good faith that the advance would not be ultimately recoverable from the proceeds of the related residential mortgage loan or the mortgaged property. In many cases, if the servicer determines that an advance previously made would not be recoverable from these sources, or if such advance is not recovered when the loan is repaid or related property is liquidated, then, the servicer is, most often, entitled to withdraw funds from the trustee custodial account for payments on the serviced residential mortgage loans to reimburse the applicable advance. This is what is often referred to as a "general collections backstop." Under certain circumstances, a servicer may also be reimbursed for an otherwise unrecoverable advance by a GSE, with respect to loans in Agency RMBS (defined below). See "Risk Factors—Risks Related to Our Business—Servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our Servicer Advance Investments or MSRs."

We have also invested in rated bonds backed by securitized pools of servicer advances issued through transactions sponsored by mortgage servicers. Servicer advance securitizations are generally rated "Master Trust" structures with multiple series of notes and one or more variable funding notes sharing in the same pool of collateral. Each note class has a specific advance rate and rating. We may pursue similar investments as opportunities arise.

We also own several wholly owned subsidiaries that perform various services in the mortgage and real estate industries. Our subsidiary DGG RE Investments LLC d/b/a Guardian Asset Management ("Guardian") is a national provider of field services and property management services. We also made a strategic investment in Covius Holdings, Inc. ("Covius"), a leading provider of technology-enabled services to the mortgage industry.

Residential Securities and Loans

RMBS

Residential mortgage loans are often packaged into pools held in securitization entities which issue securities (RMBS) collateralized by such loans. Agency RMBS are issued or guaranteed by an Agency. Non-Agency RMBS are issued by either public trusts or private label securitization ("PLS") entities. We invest in both Agency RMBS and Non-Agency RMBS.

Agency RMBS generally offer more stable cash flows and historically have been subject to lower credit risk and greater price stability than the other types of residential mortgage investments we intend to target. Our ownership of Agency RMBS is generally meant to act as a hedge to our large MSR portfolio. The Agency RMBS that we may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages. More information about certain types of Agency RMBS in which we have invested or may invest is set forth below.

Mortgage pass-through certificates. Mortgage pass-through certificates are securities representing interests in "pools" of residential mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect "passing through" monthly payments made by the individual borrowers on the residential mortgage loans that underlie the securities, net of fees paid in connection with the issuance of the securities and the servicing of the underlying residential mortgage loans.

Interest Only Agency RMBS. This type of stripped security only entitles the holder to interest payments. The yield to maturity of interest only Agency RMBS is extremely sensitive to the rate of principal payments (particularly prepayments) on the underlying pool of residential mortgage loans. If we decide to invest in these types of securities, we anticipate doing so primarily to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

To-be-announced forward contract positions ("TBAs"). We utilize TBAs in order to invest in Agency RMBS. Pursuant to these TBAs, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered would not be identified until shortly before the TBA settlement date. Our ability to purchase Agency RMBS through TBAs may be limited by the 75% income and asset tests applicable to REITs.

Specified RMBS ("Specified Pools"). Specified Pools are pools created with loans that have similar characteristics such as loan balance, FICO, coupon and prepayment protection. We invest in these securities to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

The Non-Agency RMBS we may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages. The residential mortgage loan collateral may be classified as conforming or non-conforming, depending on a variety of factors.

We also retain and own risk retention bonds from our securitizations in conjunction with risk retention regulations under the Dodd-Frank Act. As of December 31, 2020, 49% of our Non-Agency RMBS portfolio consisted of bonds retained pursuant to required risk retention regulations

RMBS, and in particular Non-Agency RMBS, may be subject to call rights, commonly referred to as "cleanup call rights." Call rights permit the holder of the rights to purchase all of the residential mortgage loans which are collateralizing the related securitization for a price generally equal to the outstanding balance of such loans plus interest and certain other amounts (such as outstanding servicer advances and unpaid servicing fees). Call rights may be subject to limitations with respect to when they may be exercised (such as specific dates or upon the reduction of the outstanding balances of the remaining residential mortgage loans to a specified level). Call rights generally become exercisable when the current principal balance of the underlying residential mortgage loans is equal to or lower than 10% of their original balance.

We pursue opportunities in structured transactions that enable us to realize identified excesses of collateral value over related RMBS value, particularly through the acquisition and execution of call rights. As of December 31, 2020 we control the call rights on Non-Agency deals with a total UPB of approximately $80.0 billion.

We believe a call right is profitable when the aggregate underlying loan value is greater than the sum of par on the loans minus any discount from acquired bonds plus expenses, including outstanding advances, related to such exercise. Generally, profit with respect to our call rights is generated by:

- acquiring bonds issued by the securitization at a discount, prior to initiating the call, such that the portion of the payment we make to the trust, which is returned to us as bondholders when the call is exercised, exceeds our purchase price for the bonds;
- re-securitizing or selling performing loans for a gain; and
- retaining distressed loans to modify or liquidate over time at a premium to our basis (which results in increases in our portfolio of residential mortgage loans and REO).

We continue to evaluate the call rights we acquired, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The timing, size and potential returns of future call transactions may be less attractive than our prior activity in this sector due to a number of factors, most of which are beyond our control. See "Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party also possessing such cleanup call rights exercises such rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings."

Residential Mortgage Loans and Real Estate Owned

We believe there may be attractive opportunities to invest in portfolios of non-performing and other residential mortgage loans, along with foreclosed properties. We source non-performing residential mortgage loans primarily from two sources: call transactions (discussed above) and third-party pool purchases. In certain of these investments, we acquire the loans at a discount to their face amount, and we (either independently or with a servicing co-investor) seek to resolve the loans resulting in a substantially higher valuation. In other investments, we acquire the foreclosed property at a deep discount to market values, and we seek to monetize the discount through property improvements and sales. In addition, we may seek to employ leverage to increase returns, either through traditional financing lines or securitization.

With respect to our Ginnie Mae securitization and servicing activities, in order to affect a loan modification, we are required to buy the loan out of the securitization. Once the modification is completed, the loan can be sold into a new Ginnie Mae securitization. We may also choose to exercise our unilateral right to repurchase loans that are at least three month delinquent out of a Ginnie Mae securitization (as an alternative to continuing to advance principal and interest payments to the holders of the Ginnie Mae securities). Such repurchases are commonly referred to as Early Buyouts, or EBOs. Since the onset of the COVID-19 pandemic, the number of Ginnie Mae loans that are three or more months delinquent has been elevated relative to historical averages. As a result, our purchases of EBO loans in 2020 has increased.

In addition, as discussed above, our wholly owned subsidiary originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. The Agencies guarantee the conventional and government-insured mortgage securitizations and nonconforming loans may be sold through the issuance of private label mortgage securitizations.

We also believe there will continue to be attractive opportunities in the single family rental ("SFR") sector given robust industry fundamentals driven by the continued strength in the U.S. residential housing market. In 2020, SFR demonstrated resiliency amidst challenges and market volatility due to the COVID-19 pandemic in the U.S.; SFR operators continued to experience very strong demand for their homes with occupancy rates approaching all-time highs. De-densification, de-urbanization, supply shortages, rising home prices and declining housing affordability have all resulted in elevated demand for affordable SFR housing. The outlook for rent growth is positive. Younger generations' preference for mobility and flexibility also lend to stronger demand for renting over owning a home. Approximately 35% of houses are currently renter-occupied, and that number is expected to grow in the coming years. The SFR market remains largely fragmented as only approximately 2% of the SFR market is owned by institutional investors. We believe this fragmentation creates significant opportunity for our business. Using our established experience with residential real estate and our consumer-facing expertise, we believe we are well-positioned to benefit from these compelling trends in SFR. With our exposure to SFR, we are ultimately able to provide a variety of housing solutions to U.S. consumers, spanning both lending and leasing a home.

As of December 31, 2020, our residential loan portfolio consisted of: 30% reperforming loans, 32% non-performing loans and 38% seasoned reperforming loans.

Other Investments

We may pursue other types of investments as the market evolves, such as our opportunistic investments in consumer loans. Our Manager makes decisions about our investments in accordance with broad investment guidelines adopted by our board of directors. Accordingly, we may, without a stockholder vote, change our target asset classes and acquire a variety of assets that may differ from, and are possibly riskier than, our current portfolio. For more information about our investment guidelines, see "—Investment Guidelines."

For more detail, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Our Portfolio." The following table summarizes our consolidated investment portfolio as of December 31, 2020 (dollars in thousands):

	Servicing and Origination				Residential Securities and Loans				
	Origination	**Servicing**	**MSR Related Investments**	**Total Servicing and Origination**	**Real Estate Securities**	**Residential Mortgage Loans**	**Consumer Loans**	**Corporate**	**Total**
December 31, 2020									
Investments	$ 2,947,113	$ —	$ 5,534,752	$ 8,481,865	$ 14,244,558	$ 3,029,339	$ 685,575	$ —	$ 26,441,337
Cash and cash equivalents	123,124	59,798	412,578	595,500	222,372	7,472	3,182	116,328	944,854
Restricted cash	14,826	49,913	28,128	92,867	15,652	96	27,004	—	135,619
Other assets	551,910	206,646	4,538,045	5,296,601	232,837	86,762	38,465	46,171	5,700,836
Goodwill	11,836	12,540	5,092	29,468	—	—	—	—	29,468
Total assets	$ 3,648,809	$ 328,897	$ 10,518,595	$ 14,496,301	$ 14,715,419	$ 3,123,669	$ 754,226	$ 162,499	$ 33,252,114
Debt	$ 2,700,962	$ 3,285	$ 5,998,711	$ 8,702,958	$ 13,473,239	$ 2,386,919	$ 628,759	$ 541,516	$ 25,733,391
Other liabilities	298,106	89,713	1,520,959	1,908,778	20,863	28,577	622	130,199	2,089,039
Total liabilities	2,999,068	92,998	7,519,670	10,611,736	13,494,102	2,415,496	629,381	671,715	27,822,430
Total equity	649,741	235,899	2,998,925	3,884,565	1,221,317	708,173	124,845	(509,216)	5,429,684
Noncontrolling interests in equity of consolidated subsidiaries	19,402	—	43,882	63,284	—	—	45,384	—	108,668
Total New Residential stockholders' equity	630,339	235,899	2,955,043	3,821,281	1,221,317	708,173	79,461	(509,216)	5,321,016
Investments in equity method investees	$ —	$ —	$ 129,873	$ 129,873	$ —	$ —	$ —	$ —	$ 129,873

Over time, we expect to opportunistically adjust our portfolio composition in response to market conditions.

With respect to our Excess MSRs, Servicer Advance Investments, and consumer loans, we engage third-party servicers to service the loans, or loans underlying the investments, as applicable. With respect to our MSRs and residential mortgage loan investments, we engage both subsidiaries and third-party servicers to service the loans underlying the investments. We refer to the servicers and subservicers we engage as our "Servicing Partners." As of December 31, 2020, our Servicing Partners include, but are not limited to, Mr. Cooper, LoanCare, LLC ("LoanCare"), Ocwen Financial Corporation ("OFC" and, together with its subsidiaries, including Ocwen Loan Servicing LLC, "Ocwen"), PHH Corporation (together with its subsidiaries, including PHH Mortgage Corporation, and together with OFC and the Ocwen entities acquired by PHH Corporation as a result of its merger with OFC, "PHH"), Flagstar Bank, FSB ("Flagstar"), NewRez, Specialized Loan Servicing LLC ("SLS") and Fay Financial LLC ("Fay"), OneMain Holdings, Inc. ("OneMain"), and the Consumer Loan Seller (as defined in Note 10 to our Consolidated Financial Statements). In addition, NRM is referred to as a "Servicing Partner" when contextually applicable.

Investment Guidelines

Our board of directors has adopted a broad set of investment guidelines to be used by our Manager to evaluate specific investments. Our general investment guidelines prohibit any investment that would cause us to fail to qualify as a REIT, and any investment that would cause us to be regulated as an investment company. These investment guidelines may be changed by our board of directors without the approval of our stockholders. If our Board changes any of our investment guidelines, we will disclose such changes in our next required periodic report.

Financing Strategy

Our objective is to generate attractive risk-adjusted returns for our stockholders, which at times incorporates the use of leverage. The amount of leverage we deploy for a particular investment depends upon an assessment of a variety of factors, which may include the anticipated liquidity and price volatility of our assets; the gap between the duration of assets and liabilities, including hedges; the availability and cost of financing the assets; our opinion of the creditworthiness of financing counterparties; the health of the U.S. economy and the residential mortgage and housing markets; our outlook on interest rates; the credit quality of the loans underlying our investments; and our outlook for asset spreads relative to financing costs. In 2020, we significantly altered our financing profile across MSRs, residential loans and Non-Agency residential securities. In particular, we moved away from short term repurchase agreements for these assets and into longer term financing arrangements including capital markets notes. As evidence of this, during 2020 we priced 17 securitizations for $8.0 billion across MSRs, Servicer Advances, Reperforming Loans, Non-Performing Loans, Consumer Loans and Non-QM loans. See "Management's

Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Obligations" for further details about our debt obligations.

Hedging Strategy

New Residential utilizes various hedging instruments and techniques to actively manage and hedge our investment portfolio across various interest rate environments. We expect these instruments and techniques may allow us to reduce, but not eliminate, the impact of changing interest rates on our earnings and liquidity.

Our interest rate management techniques may include:

- interest rate swap agreements, interest rate cap agreements, exchange-traded derivatives and swaptions;
- puts and calls on securities or indices of securities;
- U.S. Treasury securities and options on U.S. Treasury securities;
- TBAs; and
- other similar transactions.

Subject to maintaining our qualification as a REIT and exclusion from registration under the 1940 Act, we may, from time to time, utilize derivative financial instruments to hedge the interest rate risk associated with our borrowings and utilize other techniques that we deem appropriate. Under the U.S. federal income tax laws applicable to REITs, we generally will be able to enter into certain transactions to hedge indebtedness that we may incur, or plan to incur, to acquire or carry real estate assets, although our total gross income from interest rate hedges that do not meet this requirement and other non-qualifying sources generally must not exceed 5% of our gross income.

Subject to maintaining our qualification as a REIT and exclusion from registration under the 1940 Act, we may also engage in a variety of interest rate management techniques that seek on the one hand to mitigate the influence of interest rate changes on the values of some of our assets and on the other hand help us achieve our risk management objectives. The U.S. federal income tax rules applicable to REITs may require us to implement certain of these techniques through a domestic taxable REIT subsidiary ("TRS") that is fully subject to U.S. federal corporate income taxation.

The Management Agreement

We entered into a Management Agreement with our Manager, an affiliate of Fortress, which was subsequently amended and restated on August 1, 2013, on August 5, 2014 and on May 7, 2015, pursuant to which our Manager provides for a management team and other professionals who are responsible for implementing our business strategy, subject to the supervision of our board of directors. Our Manager is responsible for, among other things, (i) setting investment criteria in accordance with broad investment guidelines adopted by our board of directors, (ii) sourcing, analyzing and executing acquisitions, (iii) providing financial and accounting management services and (iv) performing other duties as specified in the Management Agreement.

We pay our Manager an annual management fee equal to 1.5% of our gross equity. Gross equity is generally the equity that was transferred to us by Drive Shack upon spin-off on May 15, 2013, on the distribution date, plus total net proceeds from common and preferred stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

Our 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) the 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 Accounting Standards Codification ("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 the distribution date, plus earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, plus gains (or losses) from debt restructuring and gains (or losses) from sales of property, and plus non-routine items, minus amortization of non-routine items, in each case per share of common stock, exceed (2) an amount equal to (a) the weighted average of the book value per share of the equity that was transferred to us by Drive Shack on the distribution date and the prices per share of our common stock in any offerings by us (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 U.S. Generally Accepted Accounting Principles ("GAAP")), excluding gains (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 is computed on an unconsolidated basis. The computation of funds from operations may be adjusted at the direction of our independent directors based on changes in, or certain applications of, GAAP. Funds from operations is determined from the date of our separation from Drive Shack and without regard to Drive Shack's prior performance. Funds from operations does not represent and should not be considered as a substitute for, or superior to, net income, or as a substitute for, or superior to, cash flows from operating activities, each as determined in accordance with U.S. GAAP, and our calculation of this measure may not be comparable to similarly titled measures reported by other companies.

The initial term of our Management Agreement expired on May 15, 2014, and the Management Agreement was and will be renewed automatically each year for an additional one-year period unless (i) a majority consisting of at least two-thirds of our independent directors or a simple majority of the holders of outstanding shares of our common stock, agree that there has been unsatisfactory performance that is materially detrimental to us or (ii) a simple majority of our independent directors agree that the management fee payable to our Manager is unfair; provided, that we shall not have the right to terminate our Management Agreement under clause (ii) foregoing if the Manager agrees to continue to provide the services under the Management Agreement at a fee that our independent directors have determined to be fair.

If we elect not to renew our Management Agreement at the expiration of any such one-year extension term as set forth above, our Manager will be provided with 60 days' prior notice of any such termination. In the event of such termination, we would be required to pay the termination fee. The termination fee is a fee equal to the sum of (1) the amount of the management fee during the 12 months immediately preceding the date of termination, and (2) the "Incentive Compensation Fair Value Amount." The Incentive Compensation Fair Value Amount is an amount equal to the incentive compensation that would be paid to the Manager if our assets were sold for cash at their then current fair market value (taking into account, among other things, the expected future performance of the underlying investments).

Fortress, through its affiliates, and principals of Fortress held 2.4 million shares of our common stock, and Fortress, through its affiliates, held options relating to an additional 12.0 million shares of our common stock, representing approximately 3.5 % of our common stock on a fully diluted basis, as of December 31, 2020.

Policies with Respect to Certain Other Activities

Subject to the approval of our board of directors, we have the authority to offer our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our shares or any other securities and may engage in such activities in the future.

We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries.

Subject to the percentage ownership and gross income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

We may engage in the purchase and sale of investments.

Our officers and directors may change any of these policies and our investment guidelines without a vote of our stockholders. In the event that we determine to raise additional equity capital, our board of directors has the authority, without stockholder approval (subject to certain New York Stock Exchange ("NYSE") requirements), to issue additional common stock or preferred stock in any manner and on such terms and for such consideration it deems appropriate, including in exchange for property.

Decisions regarding the form and other characteristics of the financing for our investments are made by our Manager subject to the general investment guidelines adopted by our board of directors.

Conflicts of Interest

Although we have established certain policies and procedures designed to mitigate conflicts of interest, there can be no assurance that these policies and procedures will be effective in doing so. It is possible that actual, potential or perceived conflicts of interest could give rise to investor dissatisfaction, litigation or regulatory enforcement actions.

One or more of our officers and directors have responsibilities and commitments to entities other than us. We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. Moreover, our certificate of incorporation provides that if Drive Shack or Fortress or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Drive Shack or Fortress acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of New Residential and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Drive Shack or Fortress, or their affiliates, pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us. However, subject to the terms of our certificate of incorporation, our code of business conduct and ethics prohibits the directors, officers and employees of our Manager from engaging in any transaction that involves an actual conflict of interest with us. See "Risk Factors—Risks Related to Our Manager—There are conflicts of interest in our relationship with our Manager."

Our key agreements, including our Management Agreement, were negotiated among related parties, and their respective terms, including fees and other amounts payable, may not be as favorable to us as terms negotiated with unaffiliated parties. Our independent directors may not vigorously enforce the provisions of our Management Agreement against our Manager. For example, our independent directors may refrain from terminating our Manager because doing so could result in the loss of key personnel. The structure of the Manager's compensation arrangement may have unintended consequences for us. We have agreed to pay our Manager a management fee that is not tied to our performance and incentive compensation that is based entirely on our performance. The management fee may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us, while the performance-based incentive compensation component may cause our Manager to place undue emphasis on the maximization of earnings, including through the use of leverage, at the expense of other objectives, such as preservation of capital, to achieve higher incentive distributions. Investments with higher yield potential are generally riskier or more speculative than investments with lower yield potential. This could result in increased risk to the value of our portfolio of assets and a stockholder's investment in us.

We may compete with entities affiliated with our Manager or Fortress for certain target assets. From time to time, affiliates of Fortress may focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has two funds primarily focused on investing in Excess MSRs with approximately $0.7 billion in investments in aggregate. We have co-invested with these funds in Excess MSRs and may do so with similar Fortress funds in the future. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund.

Our Manager may determine, in its discretion, to make a particular investment through an investment vehicle other than us. Investment allocation decisions will reflect a variety of factors, such as a particular vehicle's availability of capital (including financing), investment objectives and concentration limits, legal, regulatory, tax and other similar considerations, the source of the investment opportunity and other factors that the Manager, in its discretion, deems appropriate. Our Manager does not have an obligation to offer us the opportunity to participate in any particular investment, even if it meets our investment objectives.

Regulations

The mortgage industry is subject to a highly complex legal and regulatory framework. Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, Federal Trade Commission, the U.S. Department of Housing and Urban Development ("HUD"), the U.S. Department of Veterans Affairs ("VA"), the SEC and various state licensing, supervisory and administrative agencies. Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years, initially in response to the financial crisis, and more recently in light of other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the financial services sector. From time to time, we also receive requests from such governmental authorities for records, documents and information relating to the policies, procedures and practices of our loan servicing, origination and collection activities. In addition, we are also subject to periodic reviews and audits from the GSEs, Ginnie Mae, the CFPB, HUD, USDA, VA, state regulatory agencies and others. The legal and regulatory environment in which we operate is also constantly evolving as statutes, regulations and practices, and interpretations thereof, that are in place may be amended or otherwise change, and new statutes, regulations and practices may be enacted, adopted or implemented. We expect to continue to face regulatory scrutiny as an organization and as a participant in the mortgage sector.

We and our subsidiaries must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our subsidiaries' businesses, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and such statutes mandate certain disclosures and notices to borrowers. These requirements can and will change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

In addition, various federal, state and local laws have been enacted that are designed to discourage predatory lending and servicing practices. The Home Ownership and Equity Protection Act of 1994 ("HOEPA") prohibits inclusion of certain provisions in residential loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than those in HOEPA. In addition, under the anti-predatory lending laws of some states, the origination of certain residential loans, including loans that are not classified as "high cost" loans under applicable law, must satisfy a net tangible benefits test with respect to the related borrower. This test may be highly subjective and open to interpretation. As a result, a court may determine that a residential loan, for example, does not meet the test even if the related originator reasonably believed that the test was satisfied. Failure of residential loan originators or servicers to comply with these laws, to the extent any of their residential loans are or become part of our mortgage-related assets, could subject us, as a servicer or, in the case of acquired loans, as an assignee or purchaser, to monetary penalties and could result in the borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against originators, servicers, assignees and purchasers of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If our loans are found to have been originated in violation of predatory or abusive lending laws, we could be subject to lawsuits or governmental actions, or we could be fined or incur losses.

We also must comply with federal, state and local laws related to data privacy and the handling of non-public personal financial information of our customers, including the recently enacted California Consumer Protection Act ("CCPA"), and we expect other states to enact legislation similar to the CCPA, which limit how companies can use customer data and impose obligations on companies in their management of such data. The service providers we use, including outside counsel retained to process foreclosures and bankruptcies, must also comply with some of these legal requirements. Changes to laws, regulations or regulatory policies or their interpretation or implementation and the continued heightening of regulatory requirements could affect us in substantial and unpredictable ways, including damaging our reputation and being subject to fines, legal liabilities or other penalties.

These and other laws and regulations directly affect our business and require constant compliance monitoring and internal and external audits and examinations by federal and state regulators. We work diligently to assess and understand the implications of the complex regulatory environment in which we operate and strive to meet the requirements of this constantly changing environment. We dedicate substantial resources to regulatory compliance while at the same time striving to meet the needs and expectations of our customers, clients and other stakeholders. Notwithstanding these efforts, there can be no assurance that we will be able to remain in compliance with these requirements. See "Risk Factors—Risks Related to Our Business—Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, and our subsidiaries' business results may be significantly impacted by the existing and future laws and regulations to which they are subject. If our subsidiaries performing mortgage lending and servicing activities fail to operate in compliance with both existing and future statutory, regulatory and other requirements, our business, financial condition, liquidity and/or results of operations could be materially and adversely affected."

Operational and Regulatory Structure

<u>REIT Qualification</u>

We have elected and intend to qualify to be taxed as a REIT for U.S. federal income tax purposes. Our qualification as a REIT will depend upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended, (the "Internal Revenue Code"), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels to our stockholders and the concentration of ownership of our capital stock. We believe that, commencing with our initial taxable year ended December 31, 2013, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

1940 Act Exclusion

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis (the "40% test"). Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company for private funds set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We are organized as a holding company that conducts its businesses primarily through wholly owned and majority owned subsidiaries. We intend to continue to conduct our operations so that we do not come within the definition of an investment company because less than 40% of the value of our adjusted total assets on an unconsolidated basis will consist of "investment securities" in compliance with the 40% test under Section 3(a)(1)(C) of the 1940 Act. The value of securities issued by any wholly owned or majority owned subsidiaries that we may form in the future that are excluded from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not exceed the 40% test under Section 3(a)(1)(C) of the 1940 Act. For purposes of the foregoing, we currently treat our interests in Specialized Loan Servicing LLC ("SLS") servicer advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. We will monitor our holdings to ensure continuing and ongoing compliance with the 40% test under Section 3(a)(1)(C) of the 1940 Act. In addition, we believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our wholly owned subsidiaries, we will be primarily engaged in the non-investment company businesses of these subsidiaries.

If the value of securities issued by our subsidiaries that are excluded from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act (e.g., the value of our interests in the taxable REIT subsidiaries that hold Servicer Advance Investments and are not excluded from the definition of "investment company" by Section 3(c)(5)(A), (B), or (C) of the 1940 Act increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company under the 1940 Act, either of which could have an adverse effect on us and the market price of our securities. As discussed above, for purposes of the foregoing, we currently treat our interest in SLS servicer advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. If we were required to register as an investment company under the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitutes more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act (the "Section 3(c)(5)(C) exclusion"). The Section 3(c)(5)(C) exclusion is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries' assets comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. Maintenance of our exclusion under the 1940 Act generally limits the amount of our Section 3(c)(5)(C) subsidiaries' investments in non-real estate assets to no more than 20% of our total assets.

In satisfying the 55% requirement under the Section 3(c)(5)(C) exclusion, based on guidance from the Securities and Exchange Commission ("SEC") and its staff, we treat Agency RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool as qualifying real estate assets. The SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. We also treat whole mortgage loans that each of our subsidiaries relying on Section 3(c)(5)(C) may acquire directly as qualifying real estate assets provided that 100% of the loan is secured by real estate when such subsidiary acquires the loan and the subsidiary has the unilateral right to foreclose on the mortgage.

Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs for which we do not own the related servicing rights as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. We treat investments in Agency partial pool RMBS and Non-Agency partial pool RMBS as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion.

We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate-related assets. The SEC may in the future take a view different than or contrary to our analysis with respect to the types of assets we have determined to be qualifying real estate assets or real estate-related assets. To the extent that the SEC staff publishes new or different guidance with respect to these matters, or disagrees with our analysis, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in the subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In August 2011, the SEC issued a concept release soliciting public comments on a wide range of issues relating to companies, which are typically REITs, engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act, including the nature of the assets that qualify for purposes of the Section 3(c)(5)(C) exclusion and whether such REITs should be regulated in a manner similar to investment companies. Therefore, there can be no assurance that the laws and regulations governing the 1940 Act status of REITs, or guidance from the SEC or its staff regarding the Section 3(c)(5)(C) exclusion, will not change in a manner that adversely affects our operations. If we or our subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions.

Although we monitor our portfolio periodically and prior to each investment origination or acquisition, there can be no assurance that we will be able to maintain the Section 3(c)(5)(C) exclusion from the definition of an investment company under the 1940 Act for these subsidiaries.

To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the exclusions or exceptions we and our subsidiaries rely on from the 1940 Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

Qualification for an exclusion from registration under the 1940 Act will limit our ability to make certain investments. See “Risk Factors—Risks Related to Our Business—Maintenance of our 1940 Act exclusion imposes limits on our operations.”

Competition

Our success depends, in large part, on our ability to acquire target assets on terms consistent with our business and economic model. In acquiring these assets, we expect to compete with banks, REITs, independent mortgage loan servicers, private equity firms, hedge funds and other large financial services companies. Many of our anticipated competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could lead them to offer higher prices for assets that we might be interested in acquiring and cause us to lose bids for those assets. In addition, other potential purchasers of our target assets may be more attractive to sellers of such assets if the sellers believe that these potential purchasers could obtain any necessary third-party approvals and consents more easily than us.

In the face of this competition, we expect to take advantage of the experience of members of our management team and their industry expertise which may provide us with a competitive advantage and help us assess potential risks and determine appropriate pricing for certain potential acquisitions of our target assets. In addition, we expect that these relationships will enable us to compete more effectively for attractive acquisition opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face.

Employees and Human Capital Resources

We are managed by our Manager pursuant to the Management Agreement between our Manager and us. All of our officers are employees of our Manager or an affiliate of our Manager. As of December 31, 2020, we have 5,667 employees of which 5,471 are employees of our wholly-owned subsidiary Shellpoint Partners LLC. We also engage contractors and consultants. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We consider our relationship with our employees to be good and we focus heavily on employee engagement. We have invested substantial time and resources in building our team, and our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, and to help ensure the success of our Company. To facilitate attraction and retention, we strive to make our Company a diverse, inclusive, and safe workplace, with opportunities for our employees to grow and develop their careers, supported by strong compensation and benefits programs. During 2020, Shellpoint hired over 1,600 employees, an increase of 42% compared to the year prior. In addition, as we transitioned primarily to remote work in March 2020 due to the onset of COVID-19, approximately 1,200 of those employees where recruited, hired, and trained virtually, with 500 of those hires considered permanent remote employees.

The table below summarizes the number of our employees by function:

Function	Number of Employees
Origination	2,673
Servicing	2,517
Ancillary	177
Corporate	104
Total	5,471

Legal Proceedings

For a discussion of our legal proceedings, see Part I, Item 3, “Legal Proceedings” in this report.

Corporate Governance and Internet Address; Where Readers Can Find Additional Information

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors, and the Audit, Nominating and Corporate Governance, and Compensation committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines, and codes of business conduct and ethics, which delineate our standards for our officers and directors, and employees of our Manager.

New Residential files annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the ‘‘Exchange Act’’), with the SEC. Our SEC filings are available to the public from the SEC’s internet site at http://www.sec.gov.

Our internet site is http://www.newresi.com. We make available free of charge through our internet site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the ‘‘Investor Relations—Corporate Governance” section are charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

Item 1A. Risk Factors

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

Risks Related to Our Business

The COVID-19 pandemic has impacted, and could further adversely impact or disrupt, our business, financial condition and results of operations. The global spread of the COVID-19 outbreak has disrupted, and could further severely disrupt, the U.S. and global economy and financial markets. Any prolonged disruptions could create widespread mortgage loan performance and business continuity and viability issues.

In recent years, the outbreaks of certain highly contagious diseases have increased the risk of a pandemic resulting in economic disruptions. In particular, the COVID-19 pandemic has led to severe disruptions in the market and the global, U.S. and regional economies that may continue for a prolonged duration and trigger a recession or a period of economic slowdown. In response, various governmental bodies and private enterprises have implemented numerous measures to contain the outbreak, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. These measures, among others, have slowed economic activities, and have led to significant and unprecedented volatility in the financial markets, including the markets in which we compete. The mortgage industry also has been negatively impacted-for example, many industry participants have been subject to margin calls, have suspended or reduced dividends or announced the need to raise additional capital.

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

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

- Continued volatility in the residential credit market has caused and may continue to cause the market value of loans and securities we own subject to financing to decline, and our financing counterparties may make margin calls. In March 2020 we observed a mark-down of a portion of our mortgage assets by the counterparties to our financing arrangements, resulting in our having to use a significant portion of our cash on hand and sell certain assets to satisfy higher than historical levels of margin calls. We cannot assure you that we will not be subject to additional margin calls, that we will have ample liquidity to satisfy any such obligations, that we would be able to sell assets or securities as needed, or that the consideration of such sales will satisfy our obligations. Significant margin calls could have a material adverse effect on our results of operations, financial condition, business, liquidity and ability to make distributions to our stockholders, and could cause the value of our securities to decline.

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

- Certain actions taken by U.S. or other governmental authorities, including the Federal Reserve, that are intended to ameliorate the macroeconomic effects of COVID-19 may harm our business. Decreases in short-term interest rates, such as those announced by the Federal Reserve in late 2019 and first quarter of 2020, may have a negative impact on our results, as we have certain assets and liabilities which are sensitive to changes in interest rates. Since March 2020, the Federal Reserve has maintained interest rates close to zero in response to COVID-19 pandemic concerns, and the continuation of such low interest rates may negatively affect our results of operations. In addition, a continuing decline in interest rates may result in higher refinancing activity and therefore increase the rate of prepayment on loans underlying our assets, which could have a material adverse effect on our result of operations.

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

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

- As a result of the outbreak, we have experienced a decrease in the value of our qualifying REIT assets, and we had to sell a significant portion of such assets in order to satisfy margin calls. We cannot assure you that these and other market developments resulting from COVID-19 will not adversely affect our ability to continue to qualify as a REIT. Although we expect to be able to continue to satisfy the requirements for qualification as a REIT, no assurances can be given that we will be able to do so, or that doing so will not adversely affect our business plan.

- U.S. and other governmental authorities, including FHFA, HUD, and the Federal Reserve, have taken certain actions that are intended to ameliorate the macroeconomic effects of the pandemic, and the potential impact of such actions on our business remains uncertain. For example, on March 27, 2020, the CARES Act was enacted to provide financial assistance to individuals and businesses affected by the COVID-19 pandemic. The CARES Act also provides certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing and loan forgiveness/forbearance. The CARES Act, among other things, provides any homeowner with a federally-backed mortgage who is experiencing financial hardship the option of up to six months of forbearance on their mortgage payments, with a potential to extend that forbearance for another six months. During the forbearance period, no additional fees, penalties or interest can accrue on the homeowner's account. The CARES Act also established a temporary moratorium on foreclosures. Unprecedented numbers of forbearances have been requested as a result of the CARES Act and various executive orders and legislation in different states requiring servicers to administer forbearances. Extensive use by the public of the relief provided by the CARES Act can have a negative impact on our financial results. However, none of the programs or legislation currently offer any liquidity initiatives to support servicers' advancing obligations, other than the Pass-Through Assistance Program offered by Ginnie Mae. We may not be eligible for any such relief and there is no assurance that any of these relief programs or initiatives will be effective, sufficient or otherwise have a positive impact on our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

If the applicable Servicing Partner does not meet anticipated recapture targets, the servicing cash flow on a given pool could be significantly lower than projected, which could have a material adverse effect on the value of our MSRs or Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for our current recapture agreements is stated in the table in Note 13 to our Consolidated Financial Statements.

Servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our Servicer Advance Investments or MSRs.

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

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

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

- the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of servicer advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and
- the ability of the related servicer to sell delinquent residential mortgage loans to third parties prior to a sale of the underlying real estate, resulting in the early reimbursement of outstanding unreimbursed servicer advances in respect of such residential mortgage loans.

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

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

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

The value of substantially all of our investments is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer or subservicer, as applicable. The duties and obligations of mortgage servicers are defined through contractual agreements, generally referred to as Servicing Guides in the case of GSEs, the MBS Guide in the case of Ginnie Mae or pooling agreements, securitization servicing agreements, pooling and servicing agreements or other similar agreements (collectively, "PSAs") in the case of Non-Agency RMBS (collectively, the "Servicing Guidelines"). The duties of the subservicers we engage to service the loans underlying our MSRs are contained in subservicing agreements with our subservicers. The duties of a subservicer under a subservicing agreement may not be identical to the obligations of the servicer under Servicing Guidelines. Our interests in MSRs are subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or the required bondholders in the case of Non-Agency RMBS). Under the Agency Servicing Guidelines, the servicer may be terminated by the applicable Agency for any reason, "with" or "without" cause, for all or any portion of the loans being serviced for such Agency. In the event mortgage owners (or bondholders) terminate the servicer (regardless of whether such servicer is a subsidiary of New Residential or one of its subservicers), the related interests in MSRs would under most circumstances lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the servicer's right to service the related mortgage loans will be extinguished and our interests in related MSRs will likely lose all of their value. Any recovery in such circumstances, in the case of Non-Agency RMBS, will be highly conditioned and may require, among other things, a new servicer willing to pay for the right to service the applicable residential mortgage loans while assuming responsibility for the origination and prior servicing of the residential mortgage loans. In addition, in the case of Agency MSRs, any payment received from a successor servicer will be applied first to pay the applicable Agency for all of its claims and costs, including claims and costs against the servicer that do not relate to the residential mortgage loans for which we own interests in the MSRs. A termination could also result in an event of default under our related financings. It is expected that any termination of a servicer by mortgage owners (or bondholders) would take effect across all mortgages of such mortgage owners (or bondholders) and would not be limited to a particular vintage or other subset of mortgages. Therefore, it is possible that all investments with a given servicer would lose all their value in the event mortgage owners (or bondholders) terminate such servicer. See "—We have significant counterparty concentration risk in certain of our Servicing Partners, and are subject to other counterparty concentration and default risks." As a result, we could be materially and adversely affected if one of our Servicing Partners is unable to adequately carry out its duties as a result of:

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

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

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

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

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

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

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

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

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

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

In addition, certain of our Servicing Partners have been and continue to be subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, such Servicing Partners may receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities, including whether certain of their residential loan servicing and origination practices, bankruptcy practices and other aspects of their business comply with applicable laws and regulatory requirements. Such Servicing Partners cannot provide any assurance as to the outcome of any of the aforementioned actions, proceedings or inquiries, or that such outcomes will not have a material adverse effect on their reputation, business, prospects, results of operations, liquidity or financial condition.

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

We have entered into an agreement for Ocwen to transfer its remaining interests in $110.0 billion of UPB of Non-Agency MSRs (the “Ocwen Subject MSRs”) to our subsidiaries, New Residential Mortgage LLC (“NRM”) and NewRez LLC (“NewRez”). We currently hold certain interests in the Ocwen Subject MSRs (including all servicer advances) pursuant to existing agreements with Ocwen. The transfer of Ocwen’s interests in the Ocwen Subject MSRs is subject to numerous consents of third parties and certain actions by rating agencies. While certain of the Ocwen Subject MSRs have previously transferred to our subsidiaries, there is no assurance that we will be able to obtain such consents in order to transfer Ocwen’s interests in the Ocwen Subject MSRs to our subsidiaries. We have spent considerable time and resources, and incurred substantial costs, in connection with the negotiation of such transaction and we will incur such costs even if the Ocwen Subject MSRs cannot be transferred to our subsidiaries. As of December 31, 2020, MSRs representing approximately $66.7 billion UPB of underlying loans have been transferred pursuant to the Ocwen Transaction. Economics related to the remaining MSRs subject to the Ocwen Transaction were transferred pursuant to the New Ocwen Agreements (Note 6 to our Consolidated Financial Statements).

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

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

Our ability to acquire MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all, or may be conditioned upon our satisfaction of significant conditions which could require material expenditures and the provision of significant representations, warranties and indemnities. Such third parties may include the Agencies and the Federal Housing Finance Agency ("FHFA") with respect to agency MSRs, and securitization trustees, master servicers, depositors, rating agencies and insurers, among others, with respect to Non-Agency MSRs. The process of obtaining any such approvals required for a servicing transfer, especially with respect to Non-Agency MSRs, may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses in connection with such transactions. Further, the parties from whom approval is necessary may require that we provide significant representations and warranties and broad indemnities as a condition to their consent, which such representations and warranties and indemnities, if given, may expose us to material risks in addition to those arising under the related servicing agreements. Consenting parties may also charge a material consent fee and may require that we reimburse them for the legal expenses they incur in connection with their approval of the servicing transfer, which such expenses may include costs relating to substantial contract due diligence and may be significant. No assurance can be given that we will be able to successfully obtain the consents required to acquire the MSRs that we have agreed to purchase.

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

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

Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 5, 6, and 7 of our Consolidated Financial Statements, certain of our Servicing Partners service and/or subservice a substantial portion of our interests in MSRs. If any of these Servicing Partners is the named servicer of the related MSR and is terminated, its servicing performance deteriorates, or in the event that any of them files for bankruptcy, our expected returns on these investments could be severely impacted. In addition, a large portion of the loans underlying our Non-Agency RMBS are serviced by certain of our Servicing Partners. We closely monitor our Servicing Partners' mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as their compliance with applicable regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with these Servicing Partners that enable us to monitor aspects of their financial and operating performance and credit quality, which we periodically evaluate and discuss with their management. However, we have no direct ability to influence our Servicing Partners' performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of any such Servicing Partners' servicing agreement or a severe deterioration of any of our Servicing Partners' servicing performance on our portfolio of interests in MSRs.

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

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

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

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

In addition, our Servicing Partners are party to our servicer advance financing agreements, with respect to those advances where they service or subservice the loans underlying the related MSRs. Our ability to obtain financing for these assets is dependent on our Servicing Partners' agreement to be a party to the related financing agreements. If our Servicing Partners do not agree to be a party to these financing agreements for any reason, we may not be able to obtain financing on favorable terms or at all. Our ability to obtain financing on such assets is dependent on our Servicing Partners' ability to satisfy various tests under such financing arrangements. Breaches and other events with respect to our Servicing Partners (which may include, without limitation, failure of a Servicing Partner to satisfy certain financial tests) could cause certain or all of the relevant servicer advance financing to become due and payable prior to maturity.

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

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

Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 5, 6, and 7 of our Consolidated Financial Statements, certain of our Servicing Partners service and/or subservice a substantial portion of our interests in MSRs. In addition, Mr. Cooper is currently the servicer for a significant portion of our loans, and the loans underlying our RMBS. If the servicing performance of one of our subservicers deteriorates, if one of our subservicers files for bankruptcy or if one of our subservicers is otherwise unwilling or unable to continue to subservice MSRs for us, our expected returns on these investments would be severely impacted. In addition, if a subservicer becomes subject to a regulatory consent order or similar enforcement proceeding, that regulatory action could adversely affect us in several ways. For example, the regulatory action could result in delays of transferring servicing from an interim subservicer to our designated successor subservicer or cause the subservicer's performance to degrade. Any such development would negatively affect our expected returns on these investments, and such effect could be materially adverse to our business and results of operations. We closely monitor each subservicer's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with applicable regulations and GSE servicing guidelines. We have various information, access and inspection rights in our respective agreements with our subservicers that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with each subservicer's respective management. However, we have no direct ability to influence each subservicer's performance, and our diligence cannot prevent, and may not even help us anticipate, a severe deterioration of each subservicer's respective servicing performance on our MSR portfolio.

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

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

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

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

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

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

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

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

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

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

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

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

- Was made to or for the benefit of a creditor;
- Was for or on account of an antecedent debt owed by such servicer before that transfer was made;
- Was made while such servicer was insolvent (a company is presumed to have been insolvent on and during the 90 days preceding the date the company's bankruptcy petition was filed);
- Was made on or within 90 days (or if we are determined to be a statutory insider, on or within one year) before such servicer's bankruptcy filing;
- Permitted us to receive more than we would have received in a Chapter 7 liquidation case of such servicer under U.S. bankruptcy laws; and
- Was a payment as to which none of the statutory defenses to a preference action apply.

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

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

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

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

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

A bankruptcy court could stay a transfer of servicing to another servicer.

Our ability to terminate a subservicer or to require a mortgage servicer to use commercially reasonable efforts to transfer servicing rights to a new servicer would be subject to the automatic stay in such servicer's bankruptcy proceeding. To enforce this right, we would have to seek relief from the bankruptcy court to lift such stay, and there is no assurance that the bankruptcy court would grant this relief.

Any Subservicing Agreement could be rejected in a bankruptcy proceeding.

If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, such Servicing Partner (as debtor-in-possession in the bankruptcy proceeding) or the bankruptcy trustee could reject its subservicing agreement with us and terminate such Servicing Partner's obligation to service the MSRs, servicer advances or loans in which we have an investment. Any claim we have for damages arising from the rejection of a subservicing agreement would be treated as a general unsecured claim for purposes of distributions from such Servicing Partner's bankruptcy estate.

Our Servicing Partners could discontinue servicing.

If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code, such Servicing Partner could be terminated as servicer (with bankruptcy court approval) or could discontinue servicing, in which case there is no assurance that we would be able to continue receiving payments and transfers in respect of the interests in MSRs, servicer advances and other assets purchased under the related purchase agreement or subserviced under the related subservicing agreement. Even if we were able to obtain the servicing rights or terminate the related subservicer, we may need to engage an alternate subservicer (which may not be readily available on acceptable terms or at all) or negotiate a new subservicing agreement with such servicer, which presumably would be on less favorable terms to us. Any engagement of an alternate subservicer by us would require the approval of the related RMBS trustees or the Agencies, as applicable.

An automatic stay under the United States Bankruptcy Code may prevent the ongoing receipt of servicing fees or other amounts due.

Even if we are successful in arguing that we own the interests in MSRs, servicer advances and other assets, including loans, purchased under the related purchase agreement, we may need to seek relief in the bankruptcy court to obtain turnover and payment of amounts relating to such assets, and there may be difficulty in recovering payments in respect of such assets that may have been commingled with other funds of such servicer.

A bankruptcy of any of our Servicing Partners may default our MSR, Excess MSR and servicer advance financing facilities and negatively impact our ability to continue to purchase interests in MSRs.

If any of our Servicing Partners were to file for bankruptcy or become the subject of a bankruptcy proceeding, it could result in an event of default under certain of our financing facilities that would require the immediate paydown of such facilities. In this scenario, we may not be able to comply with our obligations to purchase interests in MSRs and servicer advances under the related purchase agreements. Notwithstanding this inability to purchase, the related seller may try to force us to continue making such purchases. If it is determined that we are in breach of our obligations under our purchase agreements, any claims that we may have against such related seller may be subject to offset against claims such seller may have against us by reason of this breach.

Certain of our subsidiaries originate and service residential mortgage loans, which subject us to various operational risks that could have a negative impact on our financial results.

As a result of our previously disclosed acquisitions of Shellpoint Partners LLC and assets from the bankruptcy estate of Ditech, among others, certain subsidiaries of New Residential perform various mortgage and real estate related services, and have origination and servicing operations, which entail borrower-facing activities and employing personnel. Prior to such acquisitions, neither we nor any of our subsidiaries have previously originated or serviced loans directly, and owning entities that perform these and other operations could expose us to risks similar to those of our Servicing Partners, as well as various other risks, including, but not limited to those pertaining to:

- risks related to compliance with applicable laws, regulations and other requirements;
- significant increases in delinquencies for the loans;
- compliance with the terms of related servicing agreements;

- financing related servicer advances and the origination business;
- expenses related to servicing high risk loans;
- unrecovered or delayed recovery of servicing advances;
- a general risk in foreclosure rates, which may ultimately reduce the number of mortgages that we service (also see-"The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.");
- maintaining the size of the related servicing portfolio and the volume of the origination business;
- compliance with FHA underwriting guidelines; and
- termination of government mortgage refinancing programs.

Any of the foregoing risks, among others, could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, and our subsidiaries' business results may be significantly impacted by the existing and future laws and regulations to which they are subject. If our subsidiaries performing mortgage lending and servicing activities fail to operate in compliance with both existing and future statutory, regulatory and other requirements, our business, financial condition, liquidity and/or results of operations could be materially and adversely affected.

Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, the Federal Trade Commission, HUD, VA, the SEC and various state agencies that license, audit, investigate and conduct examinations of such subsidiaries' mortgage servicing, origination, debt collection, and other activities. In the current regulatory environment, the policies, laws, rules and regulations applicable to our subsidiaries' mortgage origination and servicing businesses have been rapidly evolving. Federal, state or local governmental authorities may continue to enact laws, rules or regulations that will result in changes in our and our subsidiaries' business practices and may materially increase the costs of compliance. We are unable to predict whether any such changes will adversely affect our business.

We and our subsidiaries must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our subsidiaries' businesses, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and such statutes mandate certain disclosures and notices to borrowers. These requirements can and will change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

In addition, the GSEs, Ginnie Mae and other business counterparties subject our subsidiaries' mortgage origination and servicing businesses to periodic examinations, reviews and audits, and we routinely conduct our own internal examinations, reviews and audits. These various examinations, reviews and audits of our subsidiaries' businesses and related activities may reveal deficiencies in such subsidiaries' compliance with our policies and other requirements to which they are subject. While we strive to investigate and remediate such deficiencies, there can be no assurance that our internal investigations will reveal any deficiencies or that any remedial measures that we implement, which could involve material expense, will ensure compliance with applicable policies, laws, regulations and other requirements or be deemed sufficient by the GSEs, Ginnie Mae, federal and local governmental authorities or other interested parties.

We and our subsidiaries devote substantial resources to regulatory compliance and regulatory inquiries, and we incur, and expect to continue to incur, significant costs in connection therewith. Our business, financial condition, liquidity and/or results of operations could be materially and adversely affected by the substantial resources we devote to, and the significant compliance costs we incur in connection with, regulatory compliance and regulatory inquiries, including any fines, penalties, restitution or similar payments we may be required to make in connection with resolving such matters.

The actual or alleged failure of our mortgage origination and servicing subsidiaries to comply with applicable federal, state and local laws and regulations and GSE, Ginnie Mae and other business counterparty requirements, or to implement and adhere to adequate remedial measures designed to address any identified compliance deficiencies, could lead to:

- the loss or suspension of licenses and approvals necessary to operate our or our subsidiaries' business;
- limitations, restrictions or complete bans on our or our subsidiaries' business or various segments of our business;
- our or our subsidiaries' disqualification from participation in governmental programs, including GSE, Ginnie Mae, and VA programs;
- breaches of covenants and representations under our servicing, debt, or other agreements;
- negative publicity and damage to our reputation;
- governmental investigations and enforcement actions;
- administrative fines and financial penalties;
- litigation, including class action lawsuits;
- civil and criminal liability;
- termination of our servicing and subservicing agreements or other contracts;
- demands for us to repurchase loans;
- loss of personnel who are targeted by prosecutions, investigations, enforcement actions or litigation;
- a significant increase in compliance costs;
- a significant increase in the resources we and our subsidiaries devote to regulatory compliance and regulatory inquiries;
- an inability to access new, or a default under or other loss of current, liquidity and funding sources necessary to operate our business;
- restrictions on our or our subsidiaries' business activities;
- impairment of assets; and
- an inability to execute on our business strategy.

Any of these outcomes could materially and adversely affect our reputation, business, financial condition, prospects, liquidity and/or results of operations.

We cannot guarantee that any such scrutiny and investigations will not materially adversely affect us. Additionally, in recent years, the general trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential mortgage lenders and servicers. The CFPB continues to take an active role in supervising the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been increasingly active in supervising non-bank mortgage lenders and servicers such as NewRez, and certain regulators have communicated recommendations, expectations or demands with respect to areas such as corporate governance, safety and soundness, risk and compliance management, and cybersecurity, in addition to their focus on traditional licensing and examination matters.

Following the 2018 Congressional elections, a level of heightened uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd-Frank Act and CFPB. We cannot predict the specific legislative or executive actions that may result or what actions federal or state regulators might take in response to potential changes to the Dodd-Frank Act or to the federal regulatory environment generally. Such actions could impact the mortgage industry generally or us specifically, could impact our relationships with other regulators, and could adversely impact our business.

The CFPB and certain state regulators have increasingly focused on the use, and adequacy, of technology in the mortgage servicing industry. For example, in 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB's mortgage servicing requirements. The New York Department of Financial Services ("NY DFS") also issued Cybersecurity Requirements for Financial Services Companies, effective in 2017, which requires banks, insurance companies, and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State's financial services industry. In addition, the CCPA, effective in January 2020, requires businesses that maintain personal information of California residents, including certain mortgage lenders and servicers, to notify certain consumers when collecting their data, respond to consumer requests relating to the uses of their data, verify the identities of consumers who make requests, disclose details regarding transactions involving their data, and maintain records of consumer' requests relating to their data, among various other obligations, and to create procedures designed to comply with CCPA requirements. The impact of the CCPA and its implementing regulations on our mortgage origination and servicing businesses remains uncertain, and may result in an increase in legal and compliance costs.

New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues. Accordingly, any of the foregoing could materially and adversely affect our business and our financial condition, liquidity and results of operations.

A failure to maintain minimum servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations.

S&P, Moody's and Fitch rates NewRez as a residential loan servicer, and a downgrade, or failure to maintain, any of our servicer ratings could:

- adversely affect NewRez's ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac;
- adversely affect NewRez's and/or New Residential's ability to finance servicing advance receivables and certain other assets;
- lead to the early termination of existing advance facilities and affect the terms and availability of advance facilities that we may seek in the future;
- cause NewRez's termination as servicer in our servicing agreements that require NewRez to maintain specified servicer ratings; and
- further impair NewRez's ability to consummate future servicing transactions.

Any of the above could adversely affect our business, financial condition and results of operations.

Our interests in MSRs may involve complex or novel structures.

Interests in MSRs may entail new types of transactions and may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known to buyers and sellers. In the case of interests in MSRs on Agency pools, Agencies may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in, or our financing of, interests in MSRs on Agency pools. Agency conditions, including capital requirements, may diminish or eliminate the investment potential of interests in MSRs on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from interests in MSRs on Agency pools.

It is possible that an Agency's views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. An Agency's evolving posture toward an acquisition or disposition structure through which we invest in or dispose of interests in MSRs on Agency pools may cause such Agency to impose new conditions on our existing interests in MSRs on Agency pools, including the owner's ability to hold such interests in MSRs on Agency pools directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and may diminish or eliminate the investment potential of the interests in MSRs on Agency pools that are already owned by us. Moreover, obtaining such consent may require us or our co-investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to risks to which we have not previously been exposed and that could negatively affect our returns from our investments.

Our ability to finance the MSRs and servicer advance receivables acquired in the MSR Transactions may depend on the related Servicing Partner's cooperation with our financing sources and compliance with certain covenants.

We have in the past and intend to continue to finance some or all of the MSRs or servicer advance receivables acquired in the MSR Transactions, and as a result, we will be subject to substantial operational risks associated with the related Servicing Partners. In our current financing facilities for interests in MSRs and servicer advance receivables, the failure of the related Servicing Partner to satisfy various covenants and tests can result in an amortization event and/or an event of default. Our financing sources may require us to include similar provisions in any financing we obtain relating to the MSRs and servicer advances acquired in the MSR Transactions. If we decide to finance such assets, we will not have the direct ability to control any party's compliance with any such covenants and tests and the failure of any party to satisfy any such covenants or tests could result in a partial or total loss on our investment. Some financing sources may be unwilling to finance any assets acquired in the MSR Transactions.

Although we have upsized certain of our advance facilities, if we are not successful in upsizing our facilities in the future, we will need to explore other sources of liquidity and are if we are unable to obtain additional liquidity, we may have to take additional actions, including selling assets and reducing our originations to generate liquidity to support our servicer advance obligations.

In addition, any financing for the MSRs and servicer advances acquired in the MSR Transactions may be subject to regulatory approval and the agreement of the relevant Servicing Partner to be party to such financing agreements. If we cannot get regulatory approval or these parties do not agree to be a party to such financing agreements, we may not be able to obtain financing on favorable terms or at all.

Mortgage servicing is heavily regulated at the U.S. federal, state and local levels, and each transfer of MSRs to our subservicer of such MSRs may not be approved by the requisite regulators.

Mortgage servicers must comply with U.S. federal, state and local laws and regulations. These laws and regulations cover topics such as licensing; allowable fees and loan terms; permissible servicing and debt collection practices; limitations on forced-placed insurance; special consumer protections in connection with default and foreclosure; and protection of confidential, nonpublic consumer information. The volume of new or modified laws and regulations has increased in recent years, and states and individual cities and counties continue to enact laws that either restrict or impose additional obligations in connection with certain loan origination, acquisition and servicing activities in those cities and counties. The laws and regulations are complex and vary greatly among the states and localities, and in some cases, these laws are in conflict with each other or with U.S. federal law. In connection with the MSR Transactions, there is no assurance that each transfer of MSRs to our selected subservicer will be approved by the requisite regulators. If regulatory approval for each such transfer is not obtained, we may incur additional costs and expenses in connection with the approval of another replacement subservicer.

We do not have legal title to the MSRs underlying our Excess MSRs or certain of our Servicer Advance Investments.

We do not have legal title to the MSRs underlying our Excess MSRs or certain of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire Servicer Advance Investments or MSR financing receivables from Ocwen, SLS and Mr. Cooper, and are subject to increased risks as a result of the related servicer continuing to own the mortgage servicing rights. The validity or priority of our interest in the underlying mortgage servicing could be challenged in a bankruptcy proceeding of the servicer, and the related purchase agreement could be rejected in such proceeding. Any of the foregoing events might have a material adverse effect on our business, financial condition, results of operations and liquidity. As part of the Ocwen Transaction, we and Ocwen have agreed to cooperate to obtain any third party consents required to transfer Ocwen’s remaining interest in the Ocwen Subject MSRs to us. As noted above, however, there is no assurance that we will be successful in obtaining those consents.

Many of our investments may be illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them.

Many of our investments are illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

Interests in MSRs are highly illiquid and may be subject to numerous restrictions on transfers, including without limitation the receipt of third-party consents. For example, the Servicing Guidelines of a mortgage owner may require that holders of Excess MSRs obtain the mortgage owner’s prior approval of any change of direct ownership of such Excess MSRs. Such approval may be withheld for any reason or no reason in the discretion of the mortgage owner. Moreover, we have not received and do not expect to receive any assurances from any GSEs that their conditions for the sale by us of any interests in MSRs will not change. Therefore, the potential costs, issues or restrictions associated with receiving such GSEs’ consent for any such dispositions by us cannot be determined with any certainty. Additionally, interests in MSRs may entail complex transaction structures and the risks associated with the transactions and structures are not fully known to buyers or sellers. As a result of the foregoing, we may be unable to locate a buyer at the time we wish to sell interests in MSRs. There is some risk that we will be required to dispose of interests in MSRs either through an in-kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co-investor in the interests in MSRs, which may be an affiliate. Accordingly, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of interests in MSRs. We may not benefit from the full term of the assets and for the aforementioned reasons may not receive any benefits from the disposition, if any, of such assets.

In addition, some of our real estate and other securities may not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. There are also no established trading markets for a majority of our intended investments. Moreover, certain of our investments, including our investments in consumer loans and certain of our interests in MSRs, are made indirectly through a vehicle that owns the underlying assets. Our ability to sell our interest may be contractually limited or prohibited. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited.

Our real estate and other securities have historically been valued based primarily on third-party quotations, which are subject to significant variability based on the liquidity and price transparency created by market trading activity. A disruption in these trading markets, including due to COVID-19, could reduce the trading for many real estate and other securities, resulting in less transparent prices for those securities, which would make selling such assets more difficult. Moreover, a decline in market demand for the types of assets that we hold would make it more difficult to sell our assets. If we are required to liquidate all or a portion of our illiquid investments quickly, we may realize significantly less than the amount at which we have previously valued these investments.

Market conditions could negatively impact our business, results of operations, cash flows and financial condition.

The market in which we operate is affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things:

- the uncertainty and economic impact of the COVID-19 pandemic, including liquidity, impact on the value of assets and availability of financing;
- interest rates and credit spreads;
- the availability of credit, including the price, terms and conditions under which it can be obtained;
- the quality, pricing and availability of suitable investments;
- the ability to obtain accurate market-based valuations;
- the ability of securities dealers to make markets in relevant securities and loans;
- loan values relative to the value of the underlying real estate assets;
- default rates on the loans underlying our investments and the amount of the related losses, and credit losses with respect to our investments;
- prepayment and repayment rates, delinquency rates and legislative/regulatory changes with respect to our investments, and the timing and amount of servicer advances;
- the availability and cost of quality Servicing Partners, and advance, recovery and recapture rates;
- competition;
- the actual and perceived state of the real estate markets, bond markets, market for dividend-paying stocks and public capital markets generally;
- unemployment rates; and
- the attractiveness of other types of investments relative to investments in real estate or REITs generally.

Changes in these factors are difficult to predict, and a change in one factor can affect other factors. For example, the full extent of the impact and effects of COVID-19 will depend on future developments, including, among other factors, the duration and spread of the outbreak, along with related travel advisories, quarantines and restrictions, the recovery time of the disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions and uncertainty with respect to the duration of the global economic slowdown. Further, at various points in time, increased default rates in the subprime mortgage market played a role in causing credit spreads to widen, reducing availability of credit on favorable terms, reducing liquidity and price transparency of real estate related assets, resulting in difficulty in obtaining accurate mark-to-market valuations, and causing a negative perception of the state of the real estate markets and of REITs generally. Market conditions could be volatile or could deteriorate as a result of a variety of factors beyond our control with adverse effects to our financial condition.

The geographic distribution of the loans underlying, and collateral securing, certain of our investments subjects us to geographic real estate market risks, which could adversely affect the performance of our investments, our results of operations and financial condition.

The geographic distribution of the loans underlying, and collateral securing, our investments, including our interests in MSRs, servicer advances, Non-Agency RMBS and loans, exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased energy costs; unemployment; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, hurricanes, earthquakes or other natural disasters; and changes in interest rates.

As of December 31, 2020, 24.8% and 21.2% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides. 7.5% and 7.4% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in Florida, which are particularly susceptible to natural disasters such as hurricanes and floods. In addition, certain states have continued to report increasing rates of COVID-19 infections. As of December 31, 2020, 33.7% of the collateral securing our Non-Agency RMBS was located in the Western U.S., 26.3% was located in the Southeastern U.S., 23.2% was located in the Northeastern U.S., 11.4% was located in the Midwestern U.S. and 5.3% was located in the Southwestern U.S. We were unable to obtain geographical information for 0.1% of the collateral. As a result of this concentration, we may be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio. To the extent any of the foregoing risks arise in states and regions where we hold significant investments, the performance of our investments, our results of operations, cash flows and financial condition could suffer a material adverse effect.

The value of our interests in MSRs, servicer advances, residential mortgage loans and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so-called “robo signing”), inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Justice Department and HUD, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in early February 2012 with five of the nation’s largest banks, pursuant to which the banks agreed to pay more than $25.0 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors from pursuing additional actions against the banks and servicers in the future.

Under the terms of the agreements governing our Servicer Advance Investments and MSRs, we (in certain cases, together with third-party co-investors) are required to make or purchase from certain of our Servicing Partners, servicer advances on certain loan pools. While a residential mortgage loan is in foreclosure, servicers are generally required to continue to advance delinquent principal and interest and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. Servicer advances are generally recovered when the delinquency is resolved.

Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances we or our Servicing Partners are required to make and we are required to purchase, lengthen the time it takes for us to be repaid for such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities contain provisions that modify the advance rates for, and limit the eligibility of, servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that we need to fund with our own capital. Such increases in foreclosure timelines could increase our need for capital to fund servicer advances (which do not bear interest), which would increase our interest expense, reduce the value of our investment and potentially reduce the cash that we have available to pay our operating expenses or to pay dividends.

Even in states where servicers have not suspended foreclosure proceedings or have lifted (or will soon lift) any such delayed foreclosures, servicers, including our Servicing Partners, have faced, and may continue to face, increased delays and costs in the foreclosure process. For example, the current legislative and regulatory climate could lead borrowers to contest foreclosures that they would not otherwise have contested under ordinary circumstances, and servicers may incur increased litigation costs if the validity of a foreclosure action is challenged by a borrower. In general, regulatory developments with respect to foreclosure practices could result in increases in the amount of servicer advances and the length of time to recover servicer advances, fines or increases in operating expenses, and decreases in the advance rate and availability of financing for servicer advances. This would lead to increased borrowings, reduced cash and higher interest expense which could negatively impact our liquidity and profitability. Although the terms of our Servicer Advance Investments contain adjustment mechanisms that would reduce the amount of performance fees payable to the related Servicing Partner if servicer advances exceed pre-determined amounts, those fee reductions may not be sufficient to cover the expenses resulting from longer foreclosure timelines.

The integrity of the servicing and foreclosure processes is critical to the value of the residential mortgage loans in which we invest and of the portfolios of loans underlying our interests in MSRs and RMBS, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and result in losses on, these investments. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the RMBS, thereby reducing the amount of funds available for distribution to investors.

In addition, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts, rather than absorbing the default losses. This may reduce the amount of credit support available for senior classes of RMBS that we may own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the $25.0 billion settlement is a “credit” to the banks and servicers for principal write-downs or reductions they may make to certain mortgages underlying RMBS. There remains uncertainty as to how these principal reductions will work and what effect they will have on the value of related RMBS. As a result, there can be no assurance that any such principal reductions will not adversely affect the value of our interests in MSRs and RMBS.

While we believe that the sellers and servicers would be in violation of the applicable Servicing Guidelines to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our results of operations, cash flows and financial condition.

A failure by any or all of the members of Buyer to make capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the “Buyer”) have agreed to purchase all future arising servicer advances from Mr. Cooper under certain residential mortgage servicing agreements. Buyer relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future servicer advances. A failure by any or all of the members to make such capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.

The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers’ abilities to repay their loans, including, among other things, changes in the borrower’s employment status, changes in national, regional or local economic conditions, changes in interest rates or the availability of credit on favorable terms, changes in regional or local real estate values, changes in regional or local rental rates and changes in real estate taxes. The impact of the COVID-19 crisis may impair borrowers’ ability to repay their loans, particularly if the impact were to be sustained.

Our mortgage backed securities are securities backed by mortgage loans. Many of the RMBS in which we invest are backed by collateral pools of subprime residential mortgage loans. “Subprime” mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Subprime mortgage loans may experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. To the extent losses are realized on the loans underlying the securities in which we invest, we may not recover the amount invested in, or, in extreme cases, any of our investment in such securities.

Residential mortgage loans, including manufactured housing loans and subprime mortgage loans are secured by single-family residential property and are also subject to risks of delinquency and foreclosure, and risks of loss. A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing loans, non-performing loans or REO assets where the borrower has failed to make timely payments of principal and/or interest. As part of the residential mortgage loan portfolios we purchase, we also may acquire performing loans that are or subsequently become sub-performing or non-performing, meaning the borrowers fail to timely pay some or all of the required payments of principal and/or interest. Under current market conditions, it is likely that some of these loans will have current loan-to-value ratios in excess of 100%, meaning the amount owed on the loan exceeds the value of the underlying real estate.

In the event of default under a residential mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued but unpaid interest of the loan. Even though we typically pay less than the amount owed on these loans to acquire them, if actual results differ from our assumptions in determining the price we paid to acquire such loans, we may incur significant losses. In addition, we may acquire REO assets directly, which involves the same risks. Any loss we incur may be significant and could materially and adversely affect us.

Our investments in real estate and other securities are subject to changes in credit spreads as well as available market liquidity, which could adversely affect our ability to realize gains on the sale of such investments.

Real estate and other securities are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark. The significant dislocation in the financial markets due to COVID-19 has caused, among other things, credit spread widening.

Fixed rate securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities are valued based on a market credit spread over LIBOR and are affected similarly by changes in LIBOR spreads. As of December 31, 2020, 30.3% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 69.7% consisted of fixed rate securities, and 100.0% of our Agency RMBS portfolio consisted of fixed rate securities, based on the amortized cost basis of all securities (including the amortized cost basis of interest-only and residual classes). Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities, resulting in the use of a higher, or "wider," spread over the benchmark rate to value such securities. Under such conditions, the value of our real estate and other securities portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or "tighten," the value of our real estate and other securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolios may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. Widening credit spreads could cause the net unrealized gains on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and result in net losses.

Prepayment rates on our residential mortgage loans and those underlying our real estate and other securities may adversely affect our profitability.

In general, residential mortgage loans may be prepaid at any time without penalty. Prepayments result when homeowners/mortgagors satisfy (i.e., pay off) the mortgage upon selling or refinancing their mortgaged property. When we acquire a particular loan or security, we anticipate that the loan or underlying residential mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such investments. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our assets may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on our assets may reduce the expected yield on such assets because we will not be able to accrete the related discount as quickly as originally anticipated.

Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic, political and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, such as during the COVID-19 pandemic, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of our loans and real estate and other securities may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates.

We may purchase assets that have a higher or lower coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we would then pay a premium over par value to acquire these securities. In accordance with GAAP, we would amortize the premiums over the life of the related assets. If the mortgage loans securing these assets prepay at a more rapid rate than anticipated, we would have to amortize our premiums on an accelerated basis which may adversely affect our profitability. As compensation for a lower coupon rate, we would then pay a discount to par value to acquire these assets. In accordance with GAAP, we would accrete any discounts over the life of the related assets. If the mortgage loans securing these assets prepay at a slower rate than anticipated, we would have to accrete our discounts on an extended basis which may adversely affect our profitability. Defaults on the mortgage loans underlying Agency RMBS typically have the same effect as prepayments because of the underlying Agency guarantee.

Prepayments, which are the primary feature of mortgage backed securities that distinguish them from other types of bonds, are difficult to predict and can vary significantly over time. As the holder of the security, on a monthly basis, we receive a payment equal to a portion of our investment principal in a particular security as the underlying mortgages are prepaid. In general, on the date each month that principal prepayments are announced (i.e., factor day), the value of our real estate related security pledged as collateral under our repurchase agreements is reduced by the amount of the prepaid principal and, as a result, our lenders will typically initiate a margin call requiring the pledge of additional collateral or cash, in an amount equal to such prepaid principal, in order to re-establish the required ratio of borrowing to collateral value under such repurchase agreements. Accordingly, with respect to our Agency RMBS, the announcement on factor day of principal prepayments is in advance of our receipt of the related scheduled payment, thereby creating a short-term receivable for us in the amount of any such principal prepayments. However, under our repurchase agreements, we may receive a margin call relating to the related reduction in value of our Agency RMBS and, prior to receipt of this short-term receivable, be required to post additional collateral or cash in the amount of the principal prepayment on or about factor day, which would reduce our liquidity during the period in which the short-term receivable is outstanding. As a result, in order to meet any such margin calls, we could be forced to sell assets in order to maintain liquidity. Forced sales under adverse market conditions may result in lower sales prices than ordinary market sales made in the normal course of business. If our real estate and other securities were liquidated at prices below our amortized cost (i.e., the cost basis) of such assets, we would incur losses, which could adversely affect our earnings. In addition, in order to continue to earn a return on this prepaid principal, we must reinvest it in additional real estate and other securities or other assets; however, if interest rates decline, we may earn a lower return on our new investments as compared to the real estate and other securities that prepay.

Prepayments may have a negative impact on our financial results, the effects of which depend on, among other things, the timing and amount of the prepayment delay on our Agency RMBS, the amount of unamortized premium or discount on our loans and real estate and other securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities.

Our investments in residential mortgage loans, REO and RMBS may be subject to significant impairment charges, which would adversely affect our results of operations.

We are required to periodically evaluate our investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders.

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our indebtedness, including, but not limited to, the indenture governing our 2025 Senior Notes, contain covenants that place restrictions on us and our subsidiaries. The indenture governing our 2025 Senior Notes restricts among other things, our and certain of our subsidiaries' ability to:

- incur certain additional debt;
- make certain investments or acquisitions;
- create certain liens on our or our subsidiaries' assets; and
- sell assets; and
- merge, consolidate or transfer all or substantially all of our assets.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. A breach of any of these covenants could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable.

The lenders under our financing agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our investments with repurchase agreements and other short-term financing arrangements. Under the terms of repurchase agreements, we will sell an asset to the lending counterparty for a specified price and concurrently agree to repurchase the same asset from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement—which can be as short as 30 days—the counterparty will make funds available to us and hold the asset as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we will be required to repurchase the asset for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying interest to the counterparty in return for extending financing to us. If we want to continue to finance the asset with a repurchase agreement, we ask the counterparty to extend—or "roll"—the repurchase agreement for another term.

Our counterparties are not required to roll our repurchase agreements or other financing agreements upon the expiration of their stated terms, which subjects us to a number of risks. Counterparties electing to roll our financing agreements may charge higher spread and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a financing agreement counterparty elects not to extend our financing, we would be required to pay the counterparty in full on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. If we were unable to pay the repurchase price for any asset financed with a repurchase agreement, the counterparty has the right to sell the asset being held as collateral and require us to compensate it for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). Moreover, our financing agreement obligations are currently with a limited number of counterparties. If any of our counterparties elected not to roll our financing agreements, we may not be able to find a replacement counterparty in a timely manner. Finally, some of our financing agreements contain covenants and our failure to comply with such covenants could result in a loss of our investment.

The financing sources under our servicer advance financing facilities may elect not to extend financing to us or may have or take positions adverse to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our Servicer Advance Investments and servicer advance receivables with structured financing arrangements. These arrangements are commonly of a short-term nature. These arrangements are generally accomplished by having the named servicer, if the named servicer is a subsidiary of the Company, or the purchaser of such Servicer Advance Investments (which is a subsidiary of the Company) transfer our right to repayment for certain servicer advances that we have as servicer under the relevant Servicing Guidelines or that we have acquired from one of our Servicing Partners, as applicable, to one of our wholly owned bankruptcy remote subsidiaries (a "Depositor"). We are generally required to continue to transfer to the related Depositor all of our rights to repayment for any particular pool of servicer advances as they arise (and, if applicable, are transferred from one of our Servicing Partners) until the related financing arrangement is paid in full and is terminated. The related Depositor then transfers such rights to an "Issuer." The Issuer then issues limited recourse notes to the financing sources backed by such rights to repayment.

The outstanding balance of servicer advance receivables securing these arrangements is not likely to be repaid on or before the maturity date of such financing arrangements. Accordingly, we rely heavily on our financing sources to extend or refinance the terms of such financing arrangements. Our financing sources are not required to extend the arrangements upon the expiration of their stated terms, which subjects us to a number of risks. Financing sources electing to extend may charge higher interest rates and impose more onerous terms upon us, including without limitation, lowering the amount of financing that can be extended against any particular pool of servicer advances.

If a financing source is unable or unwilling to extend financing, including, but not limited to, due to legal or regulatory matters applicable to us or our Servicing Partners, the related Issuer will be required to repay the outstanding balance of the financing on the related maturity date. Additionally, there may be substantial increases in the interest rates under a financing arrangement if the related notes are not repaid, extended or refinanced prior to the expected repayment dated, which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the servicer advances pledged as collateral.

Currently, certain of the notes issued under our structured servicer advance financing arrangements accrue interest at a floating rate of interest. Servicer advance receivables are non-interest bearing assets. Accordingly, if there is an increase in prevailing interest rates and/or our financing sources increase the interest rate "margins" or "spreads," the amount of financing that we could obtain against any particular pool of servicer advances may decrease substantially and/or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements.

Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured servicer advance financing arrangements are currently with a limited number of counterparties. If any of our sources are unable to or elected not to extend or refinance such arrangements, we may not be able to find a replacement counterparty in a timely manner.

Many of our servicer advance financing arrangements are provided by financial institutions with whom we have substantial relationships. Some of our servicer advance financing arrangements entail the issuance of term notes to capital markets investors with whom we have little or no relationships or the identities of which we may not be aware and, therefore, we have no ability to control or monitor the identity of the holders of such term notes. Holders of such term notes may have or may take positions - for example, "short" positions in our stock or the stock of our servicers - that could be benefited by adverse events with respect to us or our Servicing Partners. If any holders of term notes allege or assert noncompliance by us or the related Servicing Partner under our servicer advance financing arrangements in order to realize such benefits, we or our Servicing Partners, or our ability to maintain servicer advance financing on favorable terms, could be materially and adversely affected.

We may not be able to finance our investments on attractive terms or at all, and financing for interests in MSRs or servicer advance receivables may be particularly difficult to obtain.

The ability to finance investments with securitizations or other long-term non-recourse financing not subject to margin requirements has been challenging as a result of market conditions. These conditions may result in having to use less efficient forms of financing for any new investments, or the refinancing of current investments, which will likely require a larger portion of our cash flows to be put toward making the investment and thereby reduce the amount of cash available for distribution to our stockholders and funds available for operations and investments, and which will also likely require us to assume higher levels of risk when financing our investments. In addition, there is a limited market for financing of interests in MSRs, and it is possible that one will not develop for a variety of reasons, such as the challenges with perfecting security interests in the underlying collateral.

Certain of our advance facilities may mature in the short term, and there can be no assurance that we will be able to renew these facilities on favorable terms or at all. Moreover, an increase in delinquencies with respect to the loans underlying our servicer advance receivables could result in the need for additional financing, which may not be available to us on favorable terms or at all. If we are not able to obtain adequate financing to purchase servicer advance receivables from our Servicing Partners or fund servicer advances under our MSRs in accordance with the applicable Servicing Guidelines, we or any such Servicing Partner, as applicable, could default on its obligation to fund such advances, which could result in its termination of us or any applicable Servicing Partner, as applicable, as servicer under the applicable Servicing Guidelines, and a partial or total loss of our interests in MSRs and servicer advances, as applicable.

The non-recourse long-term financing structures we use expose us to risks, which could result in losses to us.

We use structured finance and other non-recourse long-term financing for our investments to the extent available and appropriate. In such structures, our financing sources typically have only a claim against the assets included in the securitizations rather than a general claim against us as an entity. Prior to any such financing, we would seek to finance our investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short-term facilities or would not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would generally intend to retain a portion of the interests issued under such securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

The final Basel FRTB Ruling, which raised capital charges for bank holders of ABS, CMBS and Non-Agency RMBS beginning in 2019, could adversely impact available trading liquidity and access to financing.

In January 2006, the Basel Committee on Banking Supervision released a finalized framework for calculating minimum capital requirements for market risk, which became effective in January 2019. In the final proposal, capital requirements would overall be meaningfully higher than current requirements, but are less punitive than the previous December 2014 proposal. However, each country's specific regulator may codify the rules differently. Under the framework, capital charges on a bond are calculated based on three components: default, market and residual risk. Implementation of the final proposal could impose meaningfully higher capital charges on dealers compared with current requirements, and could reduce liquidity in the securitized products market.

Risks associated with our investment in the consumer loan sector could have a material adverse effect on our business and financial results.

Our portfolio includes an investment in the consumer loan sector. Although many of the risks applicable to consumer loans are also applicable to residential mortgage loans, and thus the type of risks that we have experience managing, there are nevertheless substantial risks and uncertainties associated with engaging in a different category of investment.

The ability of borrowers to repay the consumer loans we invest in may be adversely affected by numerous personal factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including an economic downturn, high energy costs or acts of God or terrorism, may also affect the financial stability of borrowers and impair their ability or willingness to repay the consumer loans in our investment portfolio. Furthermore, our returns on our consumer loan investments are dependent on the interest we receive exceeding any losses we may incur from defaults or delinquencies. The relatively higher interest rates paid by consumer loan borrowers could lead to increased delinquencies and defaults, or could lead to financially stronger borrowers prepaying their loans, thereby reducing the interest we receive from them, while financially weaker borrowers become delinquent or default, either of which would reduce the return on our investment or could cause losses.

In the event of any default under a loan in the consumer loan portfolio in which we have invested, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral securing the loan, if any, and the principal and accrued interest of the loan. In addition, our investments in consumer loans may entail greater risk than our investments in residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. Further, repossessing personal property securing a consumer loan can present additional challenges, including locating the collateral and taking possession of it. In addition, borrowers under consumer loans may have lower credit scores. There can be no guarantee that we will not suffer unexpected losses on our investments as a result of the factors set out above, which could have a negative impact on our financial results.

In addition, a portion of our investment in consumer loans is secured by second and third liens on real estate. When we hold the second or third lien, another creditor or creditors, as applicable, holds the first and/or second, as applicable, lien on the real estate that is the subject of the security. In these situations our second or third lien is subordinate in right of payment to the first and/or second, as applicable, holder's right to receive payment. Moreover, as the servicer of the loans underlying our consumer loan portfolio is not able to track the default status of a senior lien loan in instances where we do not hold the related first mortgage, the value of the second or third lien loans in our portfolio may be lower than our estimates indicate.

Finally, one of our consumer loan investments is held through LoanCo, in which we hold a minority, non-controlling interest. We do not control LoanCo and, as a result, LoanCo may make decisions, or take risks, that we would otherwise not make, and LoanCo may not have access to the same management and financing expertise that we have. Failure to successfully manage these risks could have a material adverse effect on our business and financial results.

The consumer loan investment sector is subject to various initiatives on the part of advocacy groups and extensive regulation and supervision under federal, state and local laws, ordinances and regulations, which could have a negative impact on our financial results.

In recent years consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on the types of short-term consumer loans in which we have invested. Such consumer advocacy groups and media reports generally focus on the annual percentage rate to a consumer for this type of loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories.

The fees charged on the consumer loans in the portfolio in which we have invested may be perceived as controversial by those who do not focus on the credit risk and high transaction costs typically associated with this type of investment. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for the consumer loan products in which we have invested could significantly decrease. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, we could become subject to more restrictive laws and regulations in the area.

In addition, we are, or may become, subject to federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Act (which, among other things, established the CFPB with broad authority to regulate and examine financial institutions), which may, amongst other things, limit the amount of interest or fees allowed to be charged on the consumer loans we invest in, or the number of consumer loans that customers may receive or have outstanding. The operation of existing or future laws, ordinances and regulations could interfere with the focus of our investments which could have a negative impact on our financial results.

Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans and/or MSRs, and we may not be able to obtain and/or maintain such licenses.

Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans and/or MSRs. In the event that any licensing requirement is applicable to us, and we do not hold such licenses, there can be no assurance that we will obtain such licenses or, if obtained, that we will be able to maintain them. Our failure to obtain or maintain such licenses could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. With respect to mortgage loans, in lieu of obtaining such licenses, we may contribute our acquired residential mortgage loans to one or more wholly owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements. We have formed one or more subsidiaries to apply for certain state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state-licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing. In addition, even if we obtain necessary licenses, we may not be able to maintain them. Any of these circumstances could limit our ability to invest in residential mortgage loans or MSRs in the future and have a material adverse effect on us.

Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution.

We leverage certain of our assets through a variety of borrowings. Our investment guidelines do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets.

A significant portion of our investments are not match funded, which may increase the risks associated with these investments.

When available, a match funding strategy mitigates the risk of not being able to refinance an investment on favorable terms or at all. However, our Manager may elect for us to bear a level of refinancing risk on a short-term or longer-term basis, as in the case of investments financed with repurchase agreements, when, based on its analysis, our Manager determines that bearing such risk is advisable or unavoidable. In addition, we may be unable, as a result of conditions in the credit markets, to match fund our investments. For example, non-recourse term financing not subject to margin requirements has been more difficult to obtain, which impairs our ability to match fund our investments. Moreover, we may not be able to enter into interest rate swaps. A decision not to, or the inability to, match fund certain investments exposes us to additional risks.

Furthermore, we anticipate that, in most cases, for any period during which our floating rate assets are not match funded with respect to maturity, the income from such assets may respond more slowly to interest rate fluctuations than the cost of our borrowings. Because of this dynamic, interest income from such investments may rise more slowly than the related interest expense, with a consequent decrease in our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us from these investments.

Accordingly, to the extent our investments are not match funded with respect to maturities and interest rates, we are exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms, or at all, or may have to liquidate assets at a loss.

Interest rate fluctuations and shifts in the yield curve may cause losses.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Our primary interest rate exposures relate to our interests in MSRs, RMBS, loans, derivatives and any floating rate debt obligations that we may incur. Changes in interest rates, including changes in expected interest rates or "yield curves," affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire real estate and other securities and loans at attractive prices, the value of our real estate and other securities, loans and derivatives and our ability to realize gains from the sale of such assets. We may wish to use hedging transactions to protect certain positions from interest rate fluctuations, but we may not be able to do so as a result of market conditions, REIT rules or other reasons. In such event, interest rate fluctuations could adversely affect our financial condition, cash flows and results of operations.

Since March 2020, the Federal Reserve has maintained interest rates close to zero in response to COVID-19 pandemic concerns. In the event of a significant rising interest rate environment and/or economic downturn, however, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our financing strategy is dependent on our ability to place the debt we use to finance our investments at rates that provide a positive net spread. If spreads for such liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future financings will be severely restricted.

Interest rate changes may also impact our net book value as most of our investments are marked to market each quarter. Debt obligations are not marked to market. Generally, as interest rates increase, the value of our fixed rate securities decreases, which will decrease the book value of our equity.

Furthermore, shifts in the U.S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our investments and therefore their value. For example, increasing interest rates would reduce the value of the fixed rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed rate assets in order to adjust the yield upward to meet the market, and vice versa. This would have similar effects on our real estate and other securities and loan portfolio and our financial position and operations to a change in interest rates generally.

Changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.

LIBOR and other indices which are deemed "benchmarks" are the subject of recent national, international, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or have other consequences which cannot be predicted. In particular, regulators and law enforcement agencies in the U.K. and elsewhere conducted criminal and civil investigations into whether the banks that contributed information to the British Bankers' Association ("BBA") in connection with the daily calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to this alleged manipulation of LIBOR. LIBOR is calculated by reference to a market for interbank lending that continues to shrink, as it is based on increasingly fewer actual transactions. This increases the subjectivity of the LIBOR calculation process and increases the risk of manipulation. Actions by the regulators or law enforcement agencies, as well as ICE Benchmark Administration (the current administrator of LIBOR), may result in changes to the manner in which LIBOR is determined or the establishment of alternative reference rates. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021.

It is likely that, over time, U.S. Dollar LIBOR will be replaced by the Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. However, the manner and timing of this shift is currently unknown. SOFR is an overnight rate instead of a term rate, making SOFR an inexact replacement for LIBOR. There is currently no established process to create robust, forward-looking, SOFR term rates. Market participants are still considering how various types of financial instruments and securitization vehicles should react to a discontinuation of LIBOR. It is possible that not all of our assets and liabilities will transition away from LIBOR at the same time, and it is possible that not all of our assets and liabilities will transition to the same alternative reference rate, in each case increasing the difficulty of hedging. Switching existing financial instruments and hedging transactions from LIBOR to SOFR requires calculations of a spread. Industry organizations are attempting to structure the spread calculation in a manner that minimizes the possibility of value transfer between counterparties, borrowers, and lenders by virtue of the transition, but there is no assurance that the calculated spread will be fair and accurate or that all asset types and all types of securitization vehicles will use the same spread. We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. The process of transition involves operational risks. It is also possible that no transition will occur for many financial instruments, meaning that those instruments would continue to be subject to the weaknesses of the LIBOR calculation process. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the market for or value of any securities on which the interest or dividend is determined by reference to LIBOR, loans, derivatives and other financial obligations or on our overall financial condition or results of operations. More generally, any of the above changes or any other consequential changes to LIBOR or any other "benchmark" as a result of international, national or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any securities based on or linked to a "benchmark."

Any hedging transactions that we enter into may limit our gains or result in losses.

We may use, when feasible and appropriate, derivatives to hedge a portion of our interest rate exposure, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to stockholders and that such losses may exceed the amount invested in such instruments. We have adopted a general policy with respect to the use of derivatives, which generally allows us to use derivatives where appropriate, but does not set forth specific policies and procedures or require that we hedge any specific amount of risk. From time to time, we may use derivative instruments, including forwards, futures, swaps and options, in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

There are limits to the ability of any hedging strategy to protect us completely against interest rate risks. When rates change, we expect the gain or loss on derivatives to be offset by a related but inverse change in the value of any items that we hedge. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, our hedging strategy may limit our flexibility by causing us to refrain from taking certain actions that would be potentially profitable but would cause adverse consequences under the terms of our hedging arrangements. The REIT provisions of the Internal Revenue Code limit our ability to hedge. In managing our hedge instruments, we consider the effect of the expected hedging income on the REIT qualification tests that limit the amount of gross income that a REIT may receive from hedging. We need to carefully monitor, and may have to limit, our hedging strategy to assure that we do not realize hedging income, or hold hedges having a value, in excess of the amounts that would cause us to fail the REIT gross income and asset tests. See "—Risks Related to Our Taxation as a REIT—Complying with the REIT requirements may limit our ability to hedge effectively."

Accounting for derivatives under GAAP is extremely complicated. Any failure by us to account for our derivatives properly in accordance with GAAP in our financial statements could adversely affect us. In addition, under applicable accounting standards, we may be required to treat some of our investments as derivatives, which could adversely affect our results of operations.

Cybersecurity incidents and technology disruptions or failures could damage our business operations and reputation, increase our costs and subject us to potential liability.

As our reliance on rapidly changing technology has increased, so have the risks that threaten the confidentiality, integrity or availability of our information systems, both internal and those provided to us by third-party service providers (including, but not limited to, our Servicing Partners). Cybersecurity incidents may involve gaining authorized or unauthorized access to our information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Disruptions and failures of our systems or those of our third-party vendors could result from these incidents or be caused by fire, power outages, natural disasters and other similar events and may interrupt or delay our ability to provide services to our customers, expose us to remedial costs and reputational damage, and otherwise adversely affect our operations. During the COVID-19 pandemic, a portion of our staff have worked remotely, which has caused us to rely heavily on virtual communication and may increase our exposure to cybersecurity risks.

Despite our efforts to ensure the integrity of our systems, there can be no assurance that any such cyber incidents will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods and sources of breaches change frequently or may not be immediately detected.

In addition, we are subject to various privacy and data protection laws and regulations, and any changes to laws or regulations, including new restrictions or requirements applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information. For example, the New York State Department of Financial Services requires certain financial services companies, such as NRM and NewRez, to establish a detailed cybersecurity program and comply with other requirements, and the CCPA creates new compliance regulations on businesses that collect information from California residents.

Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We depend on counterparties and vendors to provide certain services, which subjects us to various risks.

We have a number of counterparties and vendors, who provide us with financial, technology and other services that support our businesses. If our current counterparties and vendors were to stop providing services to us on acceptable terms, we may be unable to procure alternative services from other counterparties or vendors in a timely and efficient manner and on similarly acceptable terms, or at all. With respect to vendors engaged to perform certain servicing activities, we are required to assess their compliance with various regulations and establish procedures to provide reasonable assurance that the vendor's activities comply in all material respects with such regulations. In the event that a vendor's activities are not in compliance, it could negatively impact our relationships with our regulators, as well as our business and operations. Accordingly, we may incur significant costs to resolve any such disruptions in service which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We are subject to risks related to securitization of any loans originated and/or serviced by our subsidiaries.

The securitization of any loans that we originate and/or service subject us to various risks that may increase our compliance costs and adversely impact our financial results, including:

- compliance with the terms of the agreements governing the securitized pools of loans, including any indemnification and repurchase provisions;
- reliance on programs administered by the GSEs and Ginnie Mae that facilitate the issuance of mortgage-backed securities in the secondary market and the effect of any changes or modifications thereto (see-"GSE initiatives and other actions, including changes to the minimum servicing amount for GSE loans, could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against" and -"The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business"); and
- federal and state legislation in securitizations, such as the risk retention requirements under the Dodd-Frank Act, could result in higher costs of certain lending operations and impose on us additional compliance requirements to meet servicing and origination criteria for securitized mortgage loans.

Maintenance of our 1940 Act exclusion imposes limits on our operations.

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly owned and majority owned subsidiaries, the securities issued by our subsidiaries that are excluded from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, unless another exclusion from the definition of "investment company" is available to us. For purposes of the foregoing, we currently treat our interest in our SLS Servicer Advance Investment and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. The 40% test under Section 3(a)(1)(C) of the 1940 Act limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business.

If the value of securities issued by our subsidiaries that are excluded from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act (e.g., the value of our interests in the taxable REIT subsidiaries that hold Servicer Advance Investments and are not excluded from the definition of "investment company" by Section 3(c)(5)(A), (B) or (C) of the 1940 Act increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company under the 1940 Act, either of which could have an adverse effect on us and the market price of our securities. As discussed above, for purposes of the foregoing, we generally treat our interests in our SLS Servicer Advance Investment and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Failure to maintain an exclusion would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, and we might be required to terminate our Management Agreement and any other agreements with affiliates, which could have a material adverse effect on our ability to operate our business and pay distributions. If we were required to register us as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitute more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act. The Section 3(c)(5)(C) exclusion is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries' assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries' assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify some of our subsidiaries' assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs for which we do not own the related servicing rights as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. If we are required to re-classify any of our subsidiaries' assets, including those subsidiaries holding whole pool Non-Agency RMBS and/or Excess MSRs, such subsidiaries may no longer be in compliance with the exclusion from the definition of an “investment company” provided by Section 3(c)(5)(C) of the 1940 Act, and in turn, we may not satisfy the requirements to avoid falling within the definition of an “investment company” provided by Section 3(a)(1)(C). To the extent that the SEC staff publishes new or different guidance or disagrees with our analysis with respect to any assets of our subsidiaries we have determined to be qualifying real estate assets or real estate-related assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In August 2011, the SEC issued a concept release soliciting public comments on a wide range of issues relating to companies engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act. Therefore, there can be no assurance that the laws and regulations governing the 1940 Act status of REITs, or guidance from the SEC or its staff regarding the Section 3(c)(5)(C) exclusion, will not change in a manner that adversely affects our operations. If we or our subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions. In addition, if we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.

If the market value or income potential of qualifying assets for purposes of our qualification as a REIT or our exclusion from registration as an investment company under the 1940 Act declines as a result of increased interest rates, changes in prepayment rates or other factors, or the market value or income from non-qualifying assets increases, we may need to increase our investments in qualifying assets and/or liquidate our non-qualifying assets to maintain our REIT qualification or our exclusion from registration under the 1940 Act. If the change in market values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets we may own. We may have to make investment decisions that we otherwise would not make absent the intent to maintain our qualification as a REIT and exclusion from registration under the 1940 Act.

We are subject to significant competition, and we may not compete successfully.

We are subject to significant competition in seeking investments. We compete with other companies, including other REITs, insurance companies and other investors, including funds and companies affiliated with our Manager. Some of our competitors have greater resources than we possess or have greater access to capital or various types of financing structures than are available to us, and we may not be able to compete successfully for investments or provide attractive investment returns relative to our competitors. These competitors may be willing to accept lower returns on their investments and, as a result, our profit margins could be adversely affected. Furthermore, competition for investments that are suitable for us, including, but not limited to, interests in MSRs, may lead to decreased availability, higher market prices and decreased returns available from such investments, which may further limit our ability to generate our desired returns. We cannot assure you that other companies will not be formed that compete with us for investments or otherwise pursue investment strategies similar to ours or that we will be able to compete successfully against any such companies.

Our business could suffer if we fail to attract and retain highly skilled personnel.

Our future success will depend on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of the Company, in particular skilled managers, loan officers, underwriters, loan servicers, debt default specialists and other personnel specialized in finance, risk and compliance. Trained and experienced personnel are in high demand and may be in short supply in some areas. We may not be able to attract, develop and maintain an adequate skilled workforce necessary to operate our businesses and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to attract and retain such personnel, we may not be able to take advantage of acquisitions and other growth opportunities that may be presented to us and this could have a material adverse effect on our business, financial condition, liquidity and results of operations.

The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market.

There is not anticipated to be an active market for most of the assets in which we will invest. In the absence of market comparisons, we will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price assets may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset as carried on our books.

Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

The SEC, the Financial Accounting Standards Board (the "FASB") and other regulatory bodies that establish the accounting rules applicable to us may, in the future, propose changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition, directly or through their impact on our Servicing Partners or counterparties.

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations.

We believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values, as was the case in 2008. The COVID-19 pandemic has had and could continue to have, an adverse impact on economic and market conditions and could result in a prolonged period of economic slowdown. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on our loans or the loans underlying our securities, interests in MSRs and servicer advances, if the real estate economy weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our investments in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders.

Compliance with changing regulation of corporate governance and public disclosure has and will continue to result in increased compliance costs and pose challenges for our management team.

Certain aspects of the Dodd-Frank Act remain subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us and, more generally, the financial services and mortgage industries. Additionally, we cannot predict whether there will be additional proposed laws or reforms that would affect us, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such changes may affect us. However, the costs of complying with any additional laws or regulations could have a material effect on our financial condition and results of operations.

We have engaged and may in the future engage in a number of acquisitions and we may be unable to successfully integrate the acquired assets and assumed liabilities in connection with such acquisitions.

As part of our business strategy, we regularly evaluate acquisitions of what we believe are complementary assets. Identifying and achieving the anticipated benefits of such acquisitions is subject to a number of uncertainties, including, without limitation, whether we are able to acquire the assets, within our parameters, integrate the acquired assets and manage the assumed liabilities efficiently. It is possible that the integration process could take longer than anticipated and could result in additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices and policies, any of which could adversely affect our ability to achieve the anticipated benefits of such acquisitions. There may be increased risk due to integrating the assets into our financial reporting and internal control systems. Difficulties in adding the assets into our business could also result in the loss of contract counterparties or other persons with whom we conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or such counterparties conduct business. We could also be adversely affected by any issues attributable to the related seller's operations that arise or are based on events or actions that occurred prior to the closing of such acquisitions. Completion of the integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized in their entirety or at all or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and cash flows. Due to the costs of engaging in a number of acquisitions, we may also have difficulty completing more acquisitions in the future.

There may be difficulties with integrating the loans underlying MSR acquisitions involving servicing transfers into the successor servicer's servicing platform, which could have a material adverse effect on our results of operations, financial condition and liquidity.

In connection with certain MSR acquisitions, servicing is transferred from the seller to a subservicer appointed by us. The ability to integrate and service the assets acquired will depend in large part on the success of our subservicer's integration of expanded servicing capabilities with its current operations. We may fail to realize some or all of the anticipated benefits of these transactions if the integration process takes longer, or is more costly, than expected. Potential difficulties we may encounter during the integration process with the assets acquired in MSR acquisitions involving servicing transfers include, but are not limited to, the following:

- the integration of the portfolio into our applicable subservicer's information technology platforms and servicing systems;
- the quality of servicing during any interim servicing period after we purchase the portfolio but before our applicable subservicer assumes servicing obligations from the seller or its agents;
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns;
- incomplete or inaccurate files and records;
- the retention of existing customers;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the occurrence of unanticipated expenses; and
- potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition.

Our failure to meet the challenges involved in successfully integrating the assets acquired in MSR acquisitions involving servicing transfers with our current business could impair our operations. For example, it is possible that the data our applicable subservicer acquires upon assuming the direct servicing obligations for the loans may not transfer from the seller's platform to its systems properly. This may result in data being lost, key information not being locatable on our applicable subservicer's systems, or the complete failure of the transfer. If our employees are unable to access customer information easily, or is unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and our subservicer may not be able to enforce its right to collect in some cases. Similarly, collections could be affected by any changes to our applicable subservicer's collections practices, the restructuring of any key servicing functions, transfer of files and other changes that occur as a result of the transfer of servicing obligations from the seller to our subservicer.

We could be materially and adversely affected by past events, conditions or actions with respect to HLSS or Ocwen.

HLSS acquired assets and assumed liabilities could be adversely affected as a result of events or conditions that occurred or existed before the closing of the HLSS Acquisition. Adverse changes in the assets or liabilities we have acquired or assumed, respectively, as part of the HLSS Acquisition, could occur or arise as a result of actions by HLSS or Ocwen, legal or regulatory developments, including the emergence or unfavorable resolution of pre-acquisition loss contingencies, deteriorating general business, market, industry or economic conditions, and other factors both within and beyond the control of HLSS or Ocwen. We are subject to a variety of risks as a result of our dependence on Servicing Partners, including, without limitation, the potential loss of all of the value of our Excess MSRs in the event that the servicer of the underlying loans is terminated by the mortgage loan owner or RMBS bondholders. A significant decline in the value of HLSS assets or a significant increase in HLSS liabilities we have acquired could adversely affect our future business, financial condition, cash flows and results of operations. HLSS is subject to a number of other risks and uncertainties, including regulatory investigations and legal proceedings against HLSS, and others with whom HLSS conducted business. Moreover, any insurance proceeds received with respect to such matters may be inadequate to cover the associated losses. Adverse developments at Ocwen, including liquidity issues, ratings downgrades, defaults under debt agreements, servicer rating downgrades, failure to comply with the terms of PSAs, termination under PSAs, Ocwen bankruptcy proceedings and additional regulatory issues and settlements, including those described above, could have a material adverse effect on us. See "—We rely heavily on our Servicing Partners to achieve our investment objective and have no direct ability to influence their performance."

Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under certain of our financing facilities by the credit agency providing the ratings.

Certain of our financing facilities are rated by one rating agency and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes backed by servicer advances, MSRs, Excess MSRs and our other investments at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, or amend or modify other financing facilities which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability.

A downgrade of certain of the notes issued under our financing facilities could cause such notes to become due and payable prior to their expected repayment date/maturity date, which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Regulatory scrutiny regarding foreclosure processes could lengthen foreclosure timelines, which could increase advances and materially and adversely affect our business, financial condition, results of operations and liquidity.

When a residential mortgage loan is in foreclosure, the servicer is generally required to continue to advance delinquent principal and interest to the securitization trust and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. These servicer advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances, lengthen the time it takes for reimbursement of such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities generally contain provisions that limit the eligibility of servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that need to be funded from the related servicer's own capital. Such increases in foreclosure timelines could increase the need for capital to fund servicer advances, which would increase our interest expense, delay the collection of interest income or servicing revenue until the foreclosure has been resolved and, therefore, reduce the cash that we have available to pay our operating expenses or to pay dividends. For more information, see "—We could be materially and adversely affected by past events, conditions or actions with respect to HLSS or Ocwen" above.

Certain of our Servicing Partners have triggered termination events or events of default under some PSAs underlying the MSRs with respect to which we are entitled to the basic fee component or Excess MSRs.

In certain of these circumstances, the related Servicing Partner may be terminated without any right to compensation for its loss, other than the right to be reimbursed for any outstanding servicer advances as the related loans are brought current, modified, liquidated or charged off. So long as we are in compliance with our obligations under our servicing agreements and purchase agreements, if we or one of our Servicing Partners is terminated as servicer, we may have the right to receive an indemnification payment from the applicable Servicing Partner, even if such termination related to servicer termination events or events of default existing at the time of any transaction with such Servicing Partner. If one of our Servicing Partners is terminated as servicer under a PSA, we will lose any investment related to such Servicing Partner's MSRs. If we or such Servicing Partner is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such Servicing Partner, or if such Servicing Partner is unable to make any resulting indemnification payments to us, if any such payment is due and payable, it may have a material adverse effect on our financial condition, results of operations, ability to make distributions, liquidity and financing arrangements, including our servicer advance financing facilities, and may make it more difficult for us to acquire additional interests in MSRs in the future.

Representations and warranties made by us in our collateralized borrowings and loan sale agreements may subject us to liability.

Our financing facilities require us to make certain representations and warranties regarding the assets that collateralize the borrowings. Although we perform due diligence on the assets that we acquire, certain representations and warranties that we make in respect of such assets may ultimately be determined to be inaccurate. In addition, our loan sale agreements require us to make representations and warranties to the purchaser regarding the loans that were sold. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans' compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien.

In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us or the contractual expiration thereof. A breach of a representation or warranty could adversely affect our results of operations and liquidity.

Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.

Certain servicing contracts permit more than one party to exercise a cleanup call—meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which these servicers acquired MSRs) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Finally, many of our call rights are not currently exercisable and may not become exercisable for a period of years. As a result, our ability to realize the benefits from these rights will depend on a number of factors at the time they become exercisable many of which are outside our control, including interest rates, conditions in the capital markets and conditions in the residential mortgage market.

The exercise of cleanup calls could negatively impact our interests in MSRs.

The exercise of cleanup call rights results in the termination of the MSRs on the loans held within the related securitization trusts. To the extent we own interests in MSRs with respect to loans held within securitization trusts where cleanup call rights are exercised, whether they are exercised by us or a third party, the value of our interests in those MSRs will likely be reduced to zero and we could incur losses and reduced cash flows from any such interests.

New Residential's subsidiaries, NRM and NewRez, are or may become subject to significant state and federal regulations.

Subsidiaries of New Residential, NRM and NewRez, have obtained applicable qualifications, licenses and approvals to own Non-Agency and certain Agency MSRs in the United States and certain other jurisdictions. As a result of NRM and NewRez's current and expected approvals, NRM and NewRez are subject to extensive and comprehensive regulation under federal, state and local laws in the United States. These laws and regulations do, and may in the future, significantly affect the way that NRM and NewRez do business, and subject NRM, NewRez and New Residential to additional costs and regulatory obligations, which could impact our financial results.

NRM and NewRez's business may become subject to increasing regulatory oversight and scrutiny in the future, which may lead to regulatory investigations or enforcement actions, including both formal and informal inquiries, from various state and federal agencies as part of those agencies' supervision of mortgage servicing and origination business activities. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect NRM, NewRez and our financial results or result in serious reputational harm. In addition, a number of participants in the mortgage servicing industry have been the subject of purported class action lawsuits and regulatory actions by state or federal regulators, and other industry participants have been the subject of actions by state Attorneys General.

Failure of New Residential's subsidiaries, NRM and NewRez, to obtain or maintain certain licenses and approvals required for NRM or NewRez to purchase and own MSRs could prevent us from purchasing or owning MSRs, which could limit our potential business activities.

State and federal laws require a business to hold certain state licenses prior to acquiring MSRs. NRM and NewRez are currently licensed or otherwise eligible to hold MSRs in each applicable state. As licensees in such states, NRM and NewRez may become subject to administrative actions in those states for failing to satisfy ongoing license requirements or for other state law violations, the consequences of which could include fines or suspensions or revocations of NRM or NewRez licenses by applicable state regulatory authorities, which could in turn result in NRM or NewRez becoming ineligible to hold MSRs in the related jurisdictions. We could be delayed or prohibited from conducting certain business activities if we do not maintain necessary licenses in certain jurisdictions. We cannot assure you that we will be able to maintain all of the required state licenses.

Additionally, NRM and NewRez have received approval from FHA to hold MSRs associated with FHA-insured mortgage loans, from Fannie Mae to hold MSRs associated with loans owned by Fannie Mae, and from Freddie Mac to hold MSRs associated with loans owned by Freddie Mac. As approved Fannie Mae Servicers, Freddie Mac Servicers and FHA Lenders, NRM and NewRez are required to conduct aspects of their respective operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. Should NRM or NewRez fail to maintain FHA, Fannie Mae or Freddie Mac approval, NRM or NewRez may be unable to purchase or hold MSRs associated with FHA-insured, Fannie Mae and/or Freddie Mac loans, which could limit our potential business activities.

In addition, NewRez is an approved issuer of mortgage-backed securities guaranteed by Ginnie Mae and services the mortgage loans related to such securities ("Ginnie Mae Issuer"). As an approved Ginnie Mae Issuer, NewRez is required to conduct aspects of its operations in accordance with applicable policies and guidelines published by Ginnie Mae in order to maintain its approvals. Should NewRez fail to maintain Ginnie Mae approval, we may be unable to purchase or hold MSRs associated with Ginnie Mae loans, which could limit our potential business activities.

NRM and NewRez are currently subject to various, and may become subject to additional information reporting and other regulatory requirements, and there is no assurance that we will be able to satisfy those requirements or other ongoing requirements applicable to mortgage loan servicers under applicable federal and state laws and regulations. Any failure by NRM or NewRez to comply with such state or federal regulatory requirements may expose us to administrative or enforcement actions, license or approval suspensions or revocations or other penalties that may restrict our business and investment options, any of which could adversely impact our business and financial results and damage our reputation.

We may become subject to fines or other penalties based on the conduct of mortgage loan originators and brokers that originate residential mortgage loans related to MSRs that we acquire, and the third-party servicers we may engage to subservice the loans underlying MSRs we acquire.

We have acquired MSRs and may in the future acquire additional MSRs from third-party mortgage loan originators, brokers or other sellers, and we therefore are or will become dependent on such third parties for the related mortgage loans' compliance with applicable law, and on third-party mortgage servicers, including our Servicing Partners, to perform the day-to-day servicing on the mortgage loans underlying any such MSRs. Mortgage loan originators and brokers are subject to strict and evolving consumer protection laws and other legal obligations with respect to the origination of residential mortgage loans. These laws and regulations include the residential mortgage servicing standards, "ability-to-repay" and "qualified mortgage" regulations promulgated by the CFPB, which became effective in 2014. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. These laws may be highly subjective and open to interpretation and, as a result, a regulator or court may determine that that there has been a violation where an originator or servicer of mortgage loans reasonably believed that the law or requirement had been satisfied. Failure or alleged failure by originators or servicers to comply with these laws and regulations could subject us to state or CFPB administrative proceedings, which could result in monetary penalties, license suspensions or revocations, or restrictions to our business, all of which could adversely impact our business and financial results and damage our reputation.

The final servicing rules promulgated by the CFPB to implement certain sections of the Dodd-Frank Act include provisions relating to, among other things, periodic billing statements and disclosures, responding to borrower inquiries and complaints, force-placed insurance, and adjustable rate mortgage interest rate adjustment notices. Further, the mortgage servicing rules require servicers to, among other things, make good faith early intervention efforts to notify delinquent borrowers of loss mitigation options, to implement specified loss mitigation procedures, and if feasible, exhaust all loss mitigation options before proceeding to foreclosure. Proposed updates to further refine these rules have been published and will likely lead to further changes in requirements applicable to servicing mortgage loans.

In addition to NewRez d/b/a Shellpoint Mortgage Servicing, we engage third-party servicers to subservice mortgage loans relating to any MSRs we acquire. It is therefore possible that a third-party servicer's failure to comply with the new and evolving servicing protocols could adversely affect the value of the MSRs we acquire. Additionally, we may become subject to fines, penalties or civil liability based upon the conduct of any third-party servicer who services mortgage loans related to MSRs that we have acquired or will acquire in the future.

Investments in MSRs may expose us to additional risks.

We hold investments in MSRs. Our investments in MSRs may subject us to certain additional risks, including the following:

- We have limited experience acquiring MSRs and operating a servicer. Although ownership of MSRs and the operation of a servicer includes many of the same risks as our other target assets and business activities, including risks related to prepayments, borrower credit, defaults, interest rates, hedging, and regulatory changes, there can be no assurance that we will be able to successfully operate a servicer subsidiary and integrate MSR investments into our business operations.
- As of today, we rely on subservicers to subservice the mortgage loans underlying our MSRs on our behalf. We are generally responsible under the applicable Servicing Guidelines for any subservicer's non-compliance with any such applicable Servicing Guideline. In addition, there is a risk that our current subservicers will be unwilling or unable to continue subservicing on our behalf on terms favorable to us in the future. In such a situation, we may be unable to locate a replacement subservicer on favorable terms.
- NRM and NewRez's existing approvals from government-related entities or federal agencies are subject to compliance with their respective servicing guidelines, minimum capital requirements, reporting requirements and other conditions that they may impose from time to time at their discretion. Failure to satisfy such guidelines or conditions could result in the unilateral termination of NRM's or NewRez's existing approvals or pending applications by one or more entities or agencies.
- NRM and NewRez are presently licensed, approved, or otherwise eligible to hold MSRs in all states within the United States and the District of Columbia. Such state licenses may be suspended or revoked by a state regulatory authority, and we may as a result lose the ability to own MSRs under the regulatory jurisdiction of such state regulatory authority.
- Changes in minimum servicing compensation for Agency loans could occur at any time and could negatively impact the value of the income derived from any MSRs that we hold or may acquire in the future.
- Investments in MSRs are highly illiquid and subject to numerous restrictions on transfer and, as a result, there is risk that we would be unable to locate a willing buyer or get approval to sell any MSRs in the future should we desire to do so.

Our business, results of operations, financial condition and reputation could be adversely impacted if we are not able to successfully manage these or other risks related to investing and managing MSR investments.

Risks Related to Our Manager

We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the Management Agreement.

None of our officers or other senior individuals who perform services for us (other than three part-time employees of NRM), is an employee of New Residential. Instead, these individuals are employees of our Manager. Accordingly, we are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation is partially or entirely dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations.

On December 27, 2017, SoftBank announced that it completed the SoftBank Merger. In connection with the SoftBank Merger, Fortress operates within SoftBank as an independent business headquartered in New York. There can be no assurance that the SoftBank Merger will not have an impact on us or our relationship with the Manager.

There are conflicts of interest in our relationship with our Manager.

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by the independent directors of New Residential as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates—including investment funds, private investment funds, or businesses managed by our Manager invest in real estate and other securities and loans, consumer loans and interests in MSRs and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of these other entities. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress for certain target assets. From time to time, affiliates of Fortress focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has two funds primarily focused on investing in Excess MSRs with approximately $0.7 billion in investments in aggregate. We have broad investment guidelines, and we have co-invested and may co-invest with Fortress funds or portfolio companies of private equity funds managed by our Manager (or an affiliate thereof) in a variety of investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund.

Our Management Agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives. Our Manager intends to engage in additional real estate related management and real estate and other investment opportunities in the future, which may compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of New Residential and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we have engaged and may in the future engage (subject to our investment guidelines) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, which may include, but are not limited to, certain financing arrangements, purchases of debt, co-investments in interests in MSRs, consumer loans, and other assets that present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of earnings, including through the use of leverage, at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our common equity offerings, our Manager may be incentivized to cause us to issue additional common stock, which could be dilutive to existing stockholders. In addition, our Manager's management fee is not tied to our performance and may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us.

It would be difficult and costly to terminate our Management Agreement with our Manager.

It would be difficult and costly for us to terminate our Management Agreement with our Manager. The Management Agreement may only be terminated annually upon (i) the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of a simple majority of the outstanding shares of our common stock, that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a determination by a simple majority of our independent directors that the management fee payable to our Manager is not fair, subject to our Manager's right to prevent such a termination by accepting a mutually acceptable reduction of fees. Our Manager will be provided 60 days' prior notice of any termination and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period preceding such termination. In addition, following any termination of the Management Agreement, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their fair market value (as determined by an appraisal, taking into account, among other things, the expected future performance of the underlying investments) or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Our directors have approved broad investment guidelines for our Manager and do not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager is authorized to follow broad investment guidelines. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our directors will periodically review our investment guidelines and our investment portfolio. However, our board does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, the directors rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by the directors, even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short or long-term basis. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions, and changes in market conditions may therefore result in changes in the investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity, results of operations or financial condition. A change in our investment strategy may also increase our exposure to interest rate, foreign currency, real estate market or credit market fluctuations and expose us to new legal and regulatory risks. In addition, a change in our investment strategy may increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations, liquidity and financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our board of directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement.

Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

The ownership by our executive officers and directors of shares of common stock, options, or other equity awards of entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager may create, or may create the appearance of, conflicts of interest.

Some of our directors, officers and other employees of our Manager hold positions with entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager and own such entities' common stock, options to purchase such entities' common stock or other equity awards. Such ownership may create, or may create the appearance of, conflicts of interest when these directors, officers and other employees are faced with decisions that could have different implications for such entities than they do for us.

Risks Related to the Financial Markets

The impact of legislative and regulatory changes on our business, as well as the market and industry in which we operate, are uncertain and may adversely affect our business.

The Dodd-Frank Act was enacted in July 2010, which affects almost every aspect of the U.S. financial services industry, including certain aspects of the markets in which we operate, and imposes new regulations on us and how we conduct our business. As we describe in more detail below, it affects our business in many ways but it is difficult at this time to know exactly how or what the cumulative impact will be.

Generally, the Dodd-Frank Act strengthens the regulatory oversight of securities and capital markets activities by the SEC and established the CFPB to enforce laws and regulations for consumer financial products and services. It requires market participants to undertake additional record-keeping activities and imposes many additional disclosure requirements for public companies.

Moreover, the Dodd-Frank Act contains a risk retention requirement for all asset-backed securities, which we issue. In October 2014, final rules were promulgated by a consortium of regulators implementing the final credit risk retention requirements of Section 941(b) of the Dodd-Frank Act. Under these "Risk Retention Rules," sponsors of both public and private securitization transactions or one of their majority owned affiliates are required to retain at least 5% of the credit risk of the assets collateralizing such securitization transactions. These regulations generally prohibit the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained interest for a specified period of time, depending on the type of asset that is securitized. Certain limited exemptions from these rules are available for certain types of assets, which may be of limited use under our current market practices. In any event, compliance with these new Risk Retention Rules has increased and will likely continue to increase the administrative and operational costs of asset securitization.

Further, the Dodd-Frank Act imposes mandatory clearing and exchange-trading requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives) in which we may engage. In addition, the Dodd-Frank Act is expected to increase the margin requirements for derivatives transactions that are not subject to mandatory clearing requirements, which may impact our activities. The Dodd-Frank Act also creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants," and subjects or may subject these regulated entities to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements that will give rise to new administrative costs.

Also, under the Dodd-Frank Act, financial regulators belonging to the Financial Stability Oversight Council are authorized to designate nonbank financial institutions and financial activities as systemically important to the economy and therefore subject to closer regulatory supervision. Such systemically important financial institutions, or "SIFIs," may be required to operate with greater safety margins, such as higher levels of capital, and may face further limitations on their activities. The determination of what constitutes a SIFI is evolving, and in time SIFIs may include large investment funds and even asset managers. There can be no assurance that we will not be deemed to be a SIFI or engage in activities later determined to be systemically important and thus subject to further regulation.

Even new requirements that are not directly applicable to us may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. For instance, if the exchange-trading and trade reporting requirements lead to reductions in the liquidity of derivative transactions we may experience higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Importantly, many key aspects of the changes imposed by the Dodd-Frank Act will continue to be established by various regulatory bodies and other groups over the next several years.

In addition, there is significant uncertainty regarding the legislative and regulatory outlook for the Dodd-Frank Act and related statutes governing financial services, which may include Dodd-Frank Act amendments, mortgage finance and housing policy in the U.S., and the future structure and responsibilities of regulatory agencies such as the CFPB and the FHFA. For example, in March 2018, the U.S. Senate approved banking reform legislation intended to ease some of the restrictions imposed by the Dodd-Frank Act. Due to this uncertainty, it is not possible for us to predict how future legislative or regulatory proposals by Congress and the Administration will affect us or the market and industry in which we operate, and there can be no assurance that the resulting changes will not have an adverse impact on our business, results of operations, or financial condition. It is possible that such regulatory changes could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.

The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. Ginnie Mae is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the U.S. Fannie Mae and Freddie Mac are GSEs, but their guarantees are not backed by the full faith and credit of the U.S. Government.

In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and the credit market disruption beginning in 2007, Congress and the U.S. Treasury undertook a series of actions to stabilize these GSEs and the financial markets, generally. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the FHFA, with enhanced regulatory authority over, among other things, the business activities of Fannie Mae and Freddie Mac and the size of their portfolio holdings. On September 7, 2008, FHFA placed Fannie Mae and Freddie Mac into federal conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae's and Freddie Mac's debt and Agency RMBS.

As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and may (1) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of the stockholders, the directors and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac; (2) collect all obligations and money due to Fannie Mae and Freddie Mac; (3) perform all functions of Fannie Mae and Freddie Mac which are consistent with the conservator's appointment; (4) preserve and conserve the assets and property of Fannie Mae and Freddie Mac; and (5) contract for assistance in fulfilling any function, activity, action or duty of the conservator.

Those efforts resulted in significant U.S. Government financial support and increased control of the GSEs.

The U.S. Federal Reserve (the "Fed") announced in November 2008 a program of large-scale purchases of Agency RMBS in an attempt to lower longer-term interest rates and contribute to an overall easing of adverse financial conditions. Subject to specified investment guidelines, the portfolios of Agency RMBS purchased through the programs established by the U.S. Treasury and the Fed may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency RMBS that we seek to acquire during the remaining term of these portfolios.

There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will be adequate for the longer-term viability of these GSEs. These uncertainties lead to questions about the availability of and trading market for, Agency RMBS. Accordingly, if these government actions are inadequate and the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency RMBS and our business, operations and financial condition could be materially and adversely affected.

Additionally, because of the financial problems faced by Fannie Mae and Freddie Mac that led to their federal conservatorships, the Administration and Congress have been examining reform of the GSEs, including the value of a federal mortgage guarantee and the appropriate role for the U.S. government in providing liquidity for residential mortgage loans. The respective chairmen of the Congressional committees of jurisdiction, as well as the Secretary of the Treasury, has each stated that GSE reform, including a possible wind down of the GSEs, is a priority. However, the final details of any plans, policies or proposals with respect to the housing GSEs are unknown at this time. Other bills have been introduced that change the GSEs' business charters and eliminate the entities or make other changes to the existing framework. We cannot predict whether or when such legislation may be enacted. If enacted, such legislation could materially and adversely affect the availability of, and trading market for, Agency RMBS and could, therefore, materially and adversely affect the value of our Agency RMBS and our business, operations and financial condition.

Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations.

The U.S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor's consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flow (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage backed securities and interests in MSRs. As a result, such loan modifications are negatively affecting our business, results of operations, liquidity and financial condition. In addition, certain market participants propose reducing the amount of paperwork required by a borrower to modify a loan, which could increase the likelihood of fraudulent modifications and materially harm the U.S. mortgage market and investors that have exposure to this market. Additional legislation intended to provide relief to borrowers may be enacted and could further harm our business, results of operations and financial condition.

In March 2020, the GSEs and HUD announced forbearance policies for GSE loans and government-insured loans for homeowners experiencing financial hardship associated with COVID-19. These announcements were followed by the signing of the CARES Act in March 2020. We may be obligated to make servicing advances to fund scheduled principal, interest, tax and insurance payments during forbearances when the borrower has failed to make such payments, and potentially various other amounts that may be required to preserve the assets being serviced, which could further harm our business, results of operations and financial condition.

Risks Related to Our Taxation as a REIT

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis. Monitoring and managing our REIT compliance has become challenging due to the increased size and complexity of the assets in our portfolio, a meaningful portion of which are not qualifying REIT assets. There can be no assurance that our Manager's personnel responsible for doing so will be able to successfully monitor our compliance or maintain our REIT status.

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.

We intend to operate in a manner intended to qualify us as a REIT for U.S. federal income tax purposes. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. See "—Risks Related to our Business—The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market," and "—Risks Related to Our Business—Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act." Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments (such as TBAs) may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the U.S. Internal Revenue Service ("IRS") will not contend that our investments violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and market price for, our stock. See also "—Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE."

Unless entitled to relief under certain provisions of the Internal Revenue Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT. The rule against re-electing REIT status following a loss of such status would also apply to us if Drive Shack failed to qualify as a REIT for any taxable year ended on or before December 31, 2014, and we were treated as a successor to Drive Shack for U.S. federal income tax purposes. Although Drive Shack (i) represented in the separation and distribution agreement that it entered into with us on April 26, 2013 (the "Separation and Distribution Agreement") that it has no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT and (ii) covenanted in the Separation and Distribution Agreement to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ended on or before December 31, 2014 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Drive Shack's failure to maintain its REIT status will not cause us to fail to qualify as a REIT under the successor REIT rule referred to above), no assurance can be given that such representation and covenant would prevent us from failing to qualify as a REIT. Although, in the event of a breach, we may be able to seek damages from Drive Shack, there can be no assurance that such damages, if any, would appropriately compensate us. In addition, if Drive Shack were to fail to qualify as a REIT despite its reasonable best efforts, we would have no claim against Drive Shack.

Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.

The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline.

If we were delisted as a result of losing our REIT status and desired to relist our shares on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE's listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE's listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our shares could not trade on the NYSE.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We enter into financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that, for purposes of the REIT asset and income tests, we should be treated as the owner of the assets that are the subject of any such sale and repurchase agreement, notwithstanding that those agreements generally transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we might fail to qualify as a REIT.

The failure of our Excess MSRs to qualify as real estate assets or the income from our Excess MSRs to qualify as mortgage interest could adversely affect our ability to qualify as a REIT.

We have received from the IRS a private letter ruling substantially to the effect that our Excess MSRs represent interests in mortgages on real property and thus are qualifying "real estate assets" for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. The ruling is based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we and Drive Shack have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some "qualified dividends."

Dividends payable to domestic stockholders that are individuals, trusts, and estates are generally taxed at reduced tax rates applicable to "qualified dividends." Dividends payable by REITs, however, generally are not eligible for those reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non-REIT corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

Based on IRS guidance concerning the classification of Excess MSRs, we intend to treat our Excess MSRs as ownership interests in the interest payments made on the underlying residential mortgage loans, akin to an "interest only" strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each Excess MSR is treated as a bond that was issued with original issue discount on the date we acquired such Excess MSR. In general, we will be required to accrue original issue discount based on the constant yield to maturity of each Excess MSR, and to treat such original issue discount as taxable income in accordance with the applicable U.S. federal income tax rules. The constant yield of an Excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the residential mortgage loans underlying the Excess MSR. If the residential mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize "phantom income" over the life of an Excess MSR.

Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSRs.

Under the Tax Cuts and Jobs Act ("TCJA") enacted in late 2017, we generally will be required to take certain amounts into income no later than the time such amounts are reflected on certain financial statements. The application of this rule may require the accrual of, among other categories of income, income with respect to certain debt instruments or mortgage-backed securities, such as original issue discount, earlier than would be the case under the general tax rules, although the precise application of this rule is unclear at this time.

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as “market discount” for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are “significant modifications” under the applicable U.S. Treasury regulations, the modified instrument will be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for U.S. federal tax purposes.

Finally, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income of an appropriate character in that later year or thereafter.

In any event, if our investments generate more taxable income than cash in any given year, we may have difficulty satisfying our annual REIT distribution requirement.

We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders.

As a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our net taxable income, subject to certain adjustments, although there can be no assurance that our operations will generate sufficient cash to make such distributions. Moreover, our ability to make distributions may be adversely affected by the risk factors described herein. See also “—Risks Related to our Stock—We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future.”

The stock ownership limit imposed by the Internal Revenue Code for REITs and our certificate of incorporation may inhibit market activity in our stock and restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Stockholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of capital stock. Our board may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if a REIT distributes less than 85% of its ordinary income and 95% of its capital gain net income plus any undistributed shortfall from the prior year (the "Required Distribution") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax on 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through TRSs. Such subsidiaries generally will be subject to corporate level income tax at regular rates and the payment of such taxes would reduce our return on the applicable investment. Currently, we hold some of our investments in TRSs, including Servicer Advance Investments and MSRs, and we may contribute other non-qualifying investments, such as our investment in consumer loans, to a TRS in the future.

Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to a TRS.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forgo otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Our ability to acquire and hold MSRs, interests in consumer loans, Servicer Advance Investments and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

Complying with the REIT requirements may limit our ability to hedge effectively.

The existing REIT provisions of the Internal Revenue Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions).

As a result, we may have to limit our use of certain hedging techniques or implement those hedges through TRSs. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U.S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax. See also "—Risks Related to Our Business—Any hedging transactions that we enter into may limit our gains or result in losses."

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; and
- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a real estate mortgage investment conduit ("REMIC"), a portion of the distributions paid to a tax exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of a securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income/gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT.

We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test. For a particular taxable year, we would treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75% gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying Agency RMBS. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact-based representations and covenants made by our management regarding such TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a "prohibited transaction" is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or Excess MSRs in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held-for-sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain sales of loans or Excess MSRs at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held-for-sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% prohibited transaction tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to prevent prohibited transaction characterization.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.

The present U.S. federal income tax treatment of REITs and their shareholders may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our shares. The U.S. federal income tax rules, including those dealing with REITs, are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations.

Risks Related to our Stock

There can be no assurance that the market for our stock will provide you with adequate liquidity.

Our common stock began trading on the NYSE in May 2013, and our preferred stock began trading on the NYSE in July 2019. There can be no assurance that an active trading market for our common and preferred stock will be sustained in the future, and the market price of our common and preferred stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- a shift in our investor base;
- our quarterly or annual earnings and cash flows, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions, dispositions or other transactions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- market performance of affiliates and other counterparties with whom we conduct business;
- the operating and stock price performance of other comparable companies;
- our failure to qualify as a REIT, maintain our exemption under the 1940 Act or satisfy the NYSE listing requirements;
- negative public perception of us, our competitors or industry;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common and preferred stock.

Sales or issuances of shares of our common stock could adversely affect the market price of our common stock.

Sales or issuances of substantial amounts of shares of our common stock, or the perception that such sales or issuances might occur, could adversely affect the market price of our common stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect on the market price of our common stock. We have an effective registration statement on file to sell common stock or convertible securities in public offerings.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We have made investments through joint ventures, such as our investment in consumer loans, and accounting for such investments can increase the complexity of maintaining effective internal control over financial reporting. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that our internal control over financial reporting was effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal control over financial reporting may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in the effectiveness of our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in our stock price and impairing our ability to raise capital.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted to our Manager, to the directors, officers and employees of our Manager who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. We have adopted a Nonqualified Stock Option and Incentive Award Plan, as amended (the "Plan"), which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisor of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We reserved 15 million shares of our common stock for issuance under the Plan. The term of the Plan expires in 2023. On the first day of each fiscal year beginning during the term of the Plan, that number will be increased by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year. In connection with any offering of our common or preferred stock, we will issue to our Manager options relating to shares of our common stock, representing 10% of the number of shares being offered. Our board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares relating to any options granted to the Manager in connection with an offering of our common stock would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock.

We may in the future incur or issue debt or issue equity or equity-related securities. In the event of our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Our preferred stock has, and any additional preferred stock issued by us would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

We have not established a minimum distribution payment level for our common stock, and we cannot assure you of our ability to pay distributions in the future.

We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including our actual and anticipated results of operations, liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our REIT taxable income, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, our operating expenses and other factors our directors deem relevant.

Our board of directors approved two increases in our quarterly dividends during 2017, which has resulted in reduced cash flows and we will begin making distributions on our preferred stock issued in July 2019, beginning in November 2019, which will further reduce our cash flows. Although we have other sources of liquidity, such as sales of and repayments from our investments, potential debt financing sources and the issuance of equity securities, there can be no assurance that we will generate sufficient cash or achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future.

Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under "—Risks Related to our Taxation as a REIT—We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders"), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively and materially affect our business, results of operations, liquidity and financial condition as well as the market price of our common stock. No assurance can be given that we will make any distributions on shares of our common stock in the future.

We may in the future choose to make distributions in our own stock, in which case you could be required to pay income taxes in excess of any cash distributions you receive.

We may in the future make taxable distributions that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash distributions received. If a U.S. stockholder sells the stock that it receives as a distribution in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on distributions, it may put downward pressure on the market price of our common stock.

The IRS has issued guidance authorizing elective cash/stock dividends to be made by public REITs where a cap of at least 20% (or, for dividends declared between April 1, 2020 and December 31, 2020, 10%) is placed on the amount of cash that may be paid as part of the dividend, provided that certain requirements are met. It is unclear whether and to what extent we would be able to or choose to pay taxable distributions in cash and stock. In addition, no assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease, as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our outstanding and future (variable and fixed) rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market price of our common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- provisions regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;
- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and
- a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

None.

Item 3. Legal Proceedings

We are or may become, from time to time, involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on our business, financial position or results of operations.

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

Item 4. Mine Safety Disclosures

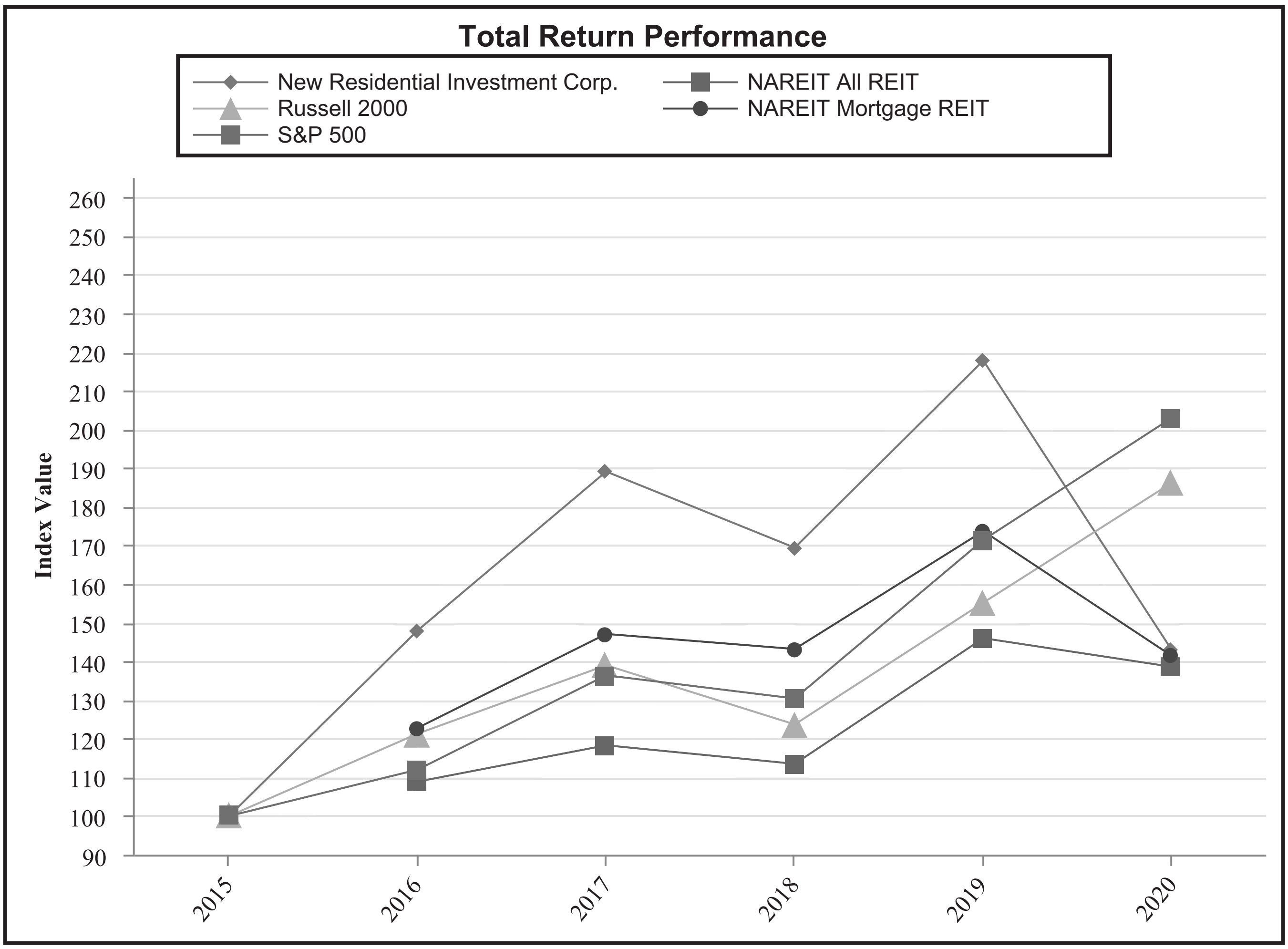
None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

We have one class of common stock, which is listed on the New York Stock Exchange (NYSE) under the symbol "NRZ." As of February 10, 2021, there were 28 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

The following graph compares the cumulative total return for our common stock (stock price change plus reinvested dividends) with the comparable return of four indices: NAREIT All REIT, Russell 2000, NAREIT Mortgage REIT, and S&P 500. The graph assumes an investment of $100 in our common stock and in each of the indices on December 31, 2015 through December 31, 2020. The past performance of our common stock is not an indication of future performance.



	Year Ended December 31,					
Index	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
New Residential Investment Corp.	100.0	148.0	189.1	169.4	217.8	142.9
NAREIT All REIT	100.0	108.9	118.3	113.5	146.0	138.6
Russell 2000	100.0	121.3	139.0	123.7	155.2	186.2
NAREIT Mortgage REIT	100.0	122.8	147.1	143.2	173.7	141.4
S&P 500	100.0	112.0	136.4	130.4	171.4	203.0

See Note 15 to our Consolidated Financial Statements for further information regarding distributions on our common stock. We may declare quarterly distributions on our common stock. No assurance, however, can be given that any future distributions will be made or, if made, as to the amounts or timing of any future distributions as such distributions are subject to our earnings, financial condition, liquidity, capital requirements, REIT requirements and such other factors as our board of directors deems relevant. In addition, such distributions may be subject to the receipt of sufficient funds from our servicer subsidiaries, NRM and NewRez, which are subject to regulatory restrictions on their ability to pay distributions.

Nonqualified Stock Option and Incentive Award Plan

On April 29, 2013, New Residential's board of directors adopted the Plan, which was amended and restated as of November 4, 2014. The Plan is intended to facilitate the use of long-term equity-based awards and incentives for the benefit of the service providers to New Residential and its Manager. All outstanding options granted under the Plan will be subject to the terms and conditions set forth in the agreements evidencing such options and the terms of the Plan. The maximum number of shares available for issuance in the aggregate over the ten-year term of the Plan is 15,000,000 shares. New Residential's board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

In connection with our separation from Drive Shack, each Drive Shack option held by our Manager or by the directors, officers, employees, service providers, consultants and advisors of our Manager at the date of the distribution of our common stock to Drive Shack's stockholders was converted into an adjusted Drive Shack option as well as a new New Residential option (a "Converted Option"). The exercise price of each adjusted Drive Shack option and Converted Option was set to collectively maintain the intrinsic value of the Drive Shack option immediately prior to the distribution and to maintain the ratio of the exercise price of the adjusted Drive Shack option and the Converted Option, respectively, to the fair market value of the underlying shares at the time the distribution was made. The terms and conditions applicable to each such Converted Option were substantially similar to the terms and condition otherwise applicable to the Drive Shack option as of the date of distribution. The grant of such Converted Options did not reduce the number of shares of our common stock otherwise available for issuance under the Plan. These options are contractually required to be settled in an amount of cash equal to the excess of the fair market value of a share on the date of exercise over the exercise price per share, unless a majority of the independent members of the board of directors (or, with respect to a tandem award, one of our authorized officers) determines to settle the option in shares. If the option is settled in shares, the independent members of the board of directors or an authorized officer, as applicable, will determine whether the exercise price will be payable in cash, by withholding from shares of our common stock otherwise issuable upon exercise of such option or through another method permitted under the plan.

The following table summarizes the total number of outstanding securities in the incentive plan and the number of securities remaining for future issuance, as well as the weighted average exercise price of all outstanding securities as of December 31, 2020.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under the 2013 Equity Compensation Plan
Equity Compensation Plans Approved by Security Holders:			
Nonqualified Stock Option and Incentive Award Plan	31,412,522	$ 15.05	14,733,234
Total	31,412,522	$ 15.05	14,733,234 (A)
Equity Compensation Plans Not Approved by Security Holders:			
None			

(A) No award shall be granted on or after May 15, 2023 (but awards granted may extend beyond this date). The number of securities remaining available for future issuance is net of an aggregate of 386,110 shares of our common stock and 7,000 options awarded to our directors, the shares being awarded in lieu of contractual cash compensation. The number of securities remaining available for future issuance is adjusted on the first day of each fiscal year beginning during the ten-year term of the plan and in and after calendar year 2014, by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year (and, in the case of fiscal year 2013, after the effective date of the Plan). No adjustment was made on January 1, 2014. On January 1, 2021, 2020, and 2019, 9,739 shares, 4,600,000 shares, and 5,799,166 shares, respectively, were added to the number of securities remaining available for future issuance; all of these amounts have been included in the table above.

Share Repurchase Program

For details regarding our share repurchase program, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations -Liquidity and Capital Resources -Stockholders' Equity-Common Stock.

Item 6. Selected Financial Data

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto, and with Part I, Item 1A, "Risk Factors."

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

This section generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2019 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

GENERAL

New Residential is an investment manager with a vertically integrated mortgage platform. We seek to generate long-term value for our investors by using our investment expertise to identify, manage and invest in mortgage related assets, including operating companies, that offer attractive risk-adjusted returns. Our investment strategy also involves opportunistically pursuing acquisitions and seeking to establish strategic partnerships that we believe enable us to maximize the value of the mortgage loans we originate and/or service by offering products and services to customers, servicers, and other parties through the lifecycle of transactions that affect each mortgage loan and underlying residential property. For more information about our investment guidelines, see "Item 1. Business — Investment Guidelines."

Our portfolio is currently composed of mortgage servicing related assets (including investments in operating entities consisting of servicing, origination, and related businesses), residential securities (and associated called rights) and loans, and consumer loans. Within our portfolio, we target complementary assets that generate stable long-term cash flows and employ conservative capital structures in an effort to generate returns across different interest rate environments. Our investment approach and capital allocation decisions combine a focus on asset selection, relative value, and risk management, taking into consideration relevant macroeconomic factors. In our efforts to identify and invest in target assets, we compete with banks, other REITs, non-bank mortgage lenders and servicers, private equity firms, hedge funds, and other large financial services companies. In the face of this competition, the experience of members of our management team and dedicated investment professionals provided by our manager provide us with a competitive advantage when pursuing attractive investment opportunities.

Our investments in operating entities include our mortgage origination and servicing subsidiary, NewRez, and its special servicing divisions, NewRez Servicing and SMS, as well as investments in related businesses, such as Avenue 365 and eStreet, that provide services that are complementary to our origination and servicing businesses and our other portfolios of mortgage related assets. Our origination business sources and originates loans through four distinct channels: Direct to Consumer, Joint Venture, Wholesale, and Correspondent. Our servicing platforms offer our subsidiaries and third-party clients performing and special servicing capabilities. Within our operating entities, we also have a title company called Avenue 365 and an appraisal company called eStreet. We also have investments in Guardian, and our non-controlling interest in, and partnerships with, Covius Holdings, Inc. (collectively with its subsidiaries, "Covius") and other entities that provide services that support the mortgage and housing industries.

We seek to protect book value and the value of our assets by actively managing and hedging our portfolio. Diversification of our overall portfolio, including our portfolio assets and operating entities, and a variety of hedging strategies, help contribute to book value stability. Both our portfolio composition (inclusive of long and short duration instruments and various operating businesses) as well as specific hedging instruments (including Agency MBS, interest rate swaps and others) are employed to mitigate book value volatility. We believe that the actions we have taken over the past number of years to diversify and grow our portfolio have allowed us to operate efficiently and perform dynamically across economic conditions.

We also attempt to protect our assets and reduce the impact of prepayments on our MSRs and Excess MSR investments through recapture agreements with our subservicers and through our origination and servicing operations. Under these agreements, New

Residential is generally entitled to the MSRs or a pro rata interest in the Excess MSRs on any initial or subsequent refinancing of loans relating to MSRs and Excess MSRs subserviced or serviced by PHH, LoanCare, Flagstar, Mr. Cooper, or SLS. In addition, we obtain new production MSRs associated with loans originated by NewRez, which partially offset prepayments of MSRs in our portfolio.

As of December 31, 2020, we had $33.3 billion in assets under management and 5,667 employees within our operating entities.

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

OUR MANAGER

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

On December 27, 2017, SoftBank Group Corp. ("SoftBank") acquired Fortress (the "SoftBank Merger") and Fortress operates within SoftBank as an independent business headquartered in New York.

CAPITAL ACTIVITIES

In July 2018, we entered into a Distribution Agreement to sell shares of our common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). On August 1, 2019, the Distribution Agreement was amended to, among other things, (i) add additional sales agents under the ATM Program, and (ii) restore the aggregate offering price under the ATM Program to the original amount of $500.0 million. During the year ended December 31, 2020, we sold 77.6 thousand shares through our ATM program at a weighted average price of $17.02.

In August 2019, we announced a share repurchase program authorizing the repurchase of up to $200.0 million of our common shares from time to time in the open market or in privately negotiated transactions through December 31, 2020. Repurchases may impact our financial results, including fees paid to our Manager. For the year ended December 31, 2020, we repurchased 1.0 million shares at a weighted average price of $7.44.

In February 2020, we raised approximately $402.5 million of gross proceeds in an underwritten public offering of 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Preferred Series C"). The net proceeds were for investments and general corporate purposes.

In May 2020, we entered into a three-year senior secured term loan facility agreement in principal amount of $600.0 million with a fixed annual rate of 11.00%.

In September 2020, we priced $550 million of 6.250% senior unsecured notes due 2025. The net proceeds from the offering were used, together with cash on hand, to prepay and retire the existing three-year senior secured term loan facility and to pay related fees and expenses.

In November 2020, we announced a preferred share repurchase program authorizing the repurchase of up to $100.0 million of our preferred shares, which includes our 7.500% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock and 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (collectively "preferred shares"), from time to time in the open market or in privately negotiated transactions through December 31, 2021. As of December 31, 2020, no preferred shares had been repurchased.

On February 8, 2021, our board of directors authorized the repurchase of up to $200.0 million of its common stock through December 31, 2021. Repurchases may be made from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 or by means of one or more tender offers, in each case, as permitted by securities laws and other legal requirements. The share repurchase program may be suspended or discontinued at any time. As of December 31, 2020, no shares had been repurchased.

During the year ended December 31, 2020, we declared an aggregate common stock dividend of $0.50 per common share, and declared aggregate preferred dividends of $1.875 per share of Preferred Series A, $1.781 per share of Preferred Series B, and $1.598 per share of Preferred Series C, respectively.

MARKET CONSIDERATIONS

Beginning in the first quarter of 2020, the emergence of the outbreak of the COVID-19 pandemic significantly impacted economies across the global. The World Health Organization subsequently designated COVID-19 as a pandemic, and numerous countries, including the United States, declared national emergencies with respect to COVID-19. Throughout 2020, the global impact of COVID-19 rapidly evolved, and many countries reacted by instituting quarantines and restrictions on travel, closing financial markets and/or restricting trading and limiting operations of non-essential offices and retail centers. Such actions created disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries.

As the COVID-19 pandemic unfolded in the U.S. in mid-March 2020, financial and mortgage-related asset markets experienced significant volatility. During March and April of 2020, the significant dislocation in the financial markets caused, among other things, credit spread widening, a sharp decrease in interest rates and unprecedented illiquidity in repurchase agreement financing and mortgage-backed securities markets. These conditions put significant pressure on the mortgage industry, including as related to financing operations, pricing mortgage assets and meeting liquidity needs.

In response to the market conditions created by the COVID-19 pandemic, the Federal Reserve took a number of proactive measures during 2020, including cutting its target benchmark interest rate to 0%-0.25%, instituting a quantitative easing program, including the purchase of an unconstrained amount of Agency RMBS, and establishing a commercial paper funding facility and term and overnight repurchase agreement financing facilities. These measures ultimately bolstered liquidity and promoted price stability and reduced volatility in the U.S. housing finance system. As of the end of 2020, the Fed had purchases of $1.5 trillion Agency MBS during the year.

As noted above, the Federal Reserve measures were intended to address the volatility in the Agency RMBS market. Without similar support from the Federal Reserve, in comparison, the Non-Agency market continued to experience unprecedented volatility and liquidity issues particularly with respect to financing of these assets with repurchase agreement financing facilities. As Non-Agency assets were sold in rapid fashion, the value of these assets dropped precipitously, resulting in lenders initiating margin calls on companies that financed these assets with repurchase agreements. A margin call requires the borrower to transfer additional cash or securities to the lender to get back to the contractual LTV of the trade. During this period of volatility, New Residential, like a number of others in the industry, experienced this phenomenon beginning in mid-March. We also during this period, observed a mark-down of a portion of our Non-Agency mortgage assets by the counterparties to our financing arrangements, resulting in our having to pay cash or securities to satisfy higher than historical levels of margin calls. In light of these events, we took a number of immediate and on-going actions to reduce our risk, increase our liquidity and stabilize financing sources, both as a means of strengthening our balance sheet and positioning our Company to take advantage of opportunities when market conditions stabilize. This included the sale of approximately $6.1 billion face value of Non-Agency residential mortgage-backed securities in April 2020, and raising $600.0 million through entry into a private senior secured loan agreement. As a result of the unprecedented illiquidity in repurchase agreement financing, we procured and continue to procure financing, such as securitizations and term financings, that provides less or no exposure to fluctuations in the daily collateral repricing determinations. We achieved this by securing longer-dated financing arrangements, moving more of our financing into the capital markets and negotiating margin holidays with regards to certain assets. While the cost of funds for such financings may be greater relative to repurchase agreement funding, we believe, given on-going market conditions, financing with more limited mark-to-market provisions allows us to better manage our liquidity risk and reduce exposures to events like those caused by the COVID-19 pandemic. We will continue in the near term to explore additional financing arrangements to further strengthen our balance sheet and position ourselves for future investment opportunities, including, without limitation, additional issuances of our equity and debt securities and longer-termed financing arrangements; however, there can be no assurance that we will be able to access any such financing or to successfully negotiate the size, timing or terms thereof. We continue to hold an increased amount of unrestricted cash due to the uncertainty surrounding the reopening of the economy and the continued spread of COVID-19.

The events created by the COVID-19 outbreak, such as elevated unemployment levels and changes in consumer behavior related to loans, as well as government policies and pronouncements, impacted borrowers' ability to meet their obligations or seek to forbear payment on their mortgage loans. On March 27, 2020, the U.S. government enacted the CARES Act, an approximately $2 trillion emergency economic stimulus package in response to the COVID-19 pandemic. The CARES Act, among other things, provided any homeowner with a federally-backed mortgage who is experiencing financial hardship the option of up to six months of forbearance on their mortgage payments, with a potential to extend that forbearance for another six months. During the forbearance period, no additional fees, penalties or interest could accrue on the homeowner's account. The CARES Act also established a 60-day moratorium on foreclosures.

In the aftermath of the CARES Act, requests for forbearances increased across the industry, peaking in June 2020 and then generally declining across the remainder of the year as borrowers remained active in their payments, worked through modifications or had their forbearance and COVID-19 related hardship end. Our servicer worked diligently with our borrowers during this time to help them find solutions to their COVID-19 related hardships. As hardships end, our servicing team members continue to work with borrowers and are focused on utilizing proprietary loss mitigation technology to help homeowners move into permanent solutions such as repayment plans, deferments, and loan modifications. As of December 31, 2020, 3.4% of borrowers in our servicing portfolio and 5.5% of our Full MSR portfolio are in active forbearance.

The COVID-19 pandemic also introduced unprecedented challenges for our operating investments, including the health and safety of our employees. To protect our employees, we took immediate action and enacted various precautions to mitigate the related health and safety risks, including moving a significant portion of our staff to work-from-home status, restricting non-essential travel and face-to-face meetings and enhancing sanitization of our facilities.

Beginning in May 2020, volatility somewhat subsided and U.S. stocks rallied to a number of new highs across the remainder of the year. Concerns around the length and scope of the COVID-19 pandemic as well as speculation on the outcome of the U.S. presidential election added volatility into the end of the year. During that time, the Federal Reserve continued to use all available tools to support markets, assist economic recovery and provide additional accommodation as needed. Ultimately the S&P 500 finished 2020 up 16% year over year and up approximately 78% from the lows of March. The rebound in stocks was largely driven by increased liquidity attributable to actions taken by the Federal Reserve to stabilize markets, hopeful sentiment about "reopening" of the economy and optimism around plans for a COVID-19 vaccine. During the third and fourth quarters of 2020, the financial markets continued their recovery largely due to continued support from the Federal Reserve and generally positive economic data. Indicative of the improvement in economic data, the unemployment rate ended 2020 at 6.7% down from a high of 14.7% in May 2020. To aid in the recovery, the Fed, in the months since the beginning of the pandemic, have maintained the Federal Funds Rate in the 0.00 – 0.25% range and reiterated its commitment to maintain accommodative financial conditions, stating that they will continue to keep rates at the zero lower bound until "labor market conditions have reached levels consistent with the Committee's assessment of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time."

Spreads for the mortgage-backed sectors extended their rebound from the first half of the year and continued to tighten further through year end but nonetheless remain wide compared to pre-COVID-19 levels, which we believe is due to the ongoing uncertainty regarding the sustainability of reopening plans, fears regarding any additional COVID-19 waves and the continued uncertainty regarding additional federal stimulus.

While global economic activity and consumer sentiment showed signs of significant advancement towards the end of 2020 and progress was made on the roll-out of an vaccine, consumer spending levels remain well below normal economic progress is still expected to suffer as COVID-19 case counts continue to rise in the U.S. In light of these on-going conditions, the new administration's proposals to pass a massive COVID-19 stimulus plan, addressing healthcare, economic and societal harms caused by the COVID-19 pandemic, will likely be crucial to the health of the overall economy.

To further support consumers and homeowners, on February 9, 2021, the FHFA announced that it was extending the maximum time a borrower can be in COVID-19 forbearance to 15 months, up from 12 months previously. The FHFA also announced that it had extended its moratorium on foreclosure on single-family homes through March 31, 2021. These announcements represented the first time that the agency extended the forbearance period but the sixth time it extended the foreclosure moratorium.

The results of our business operations are affected by a number of factors, many of which are beyond our control, and primarily depend on, among other things, the level of our net interest income, the market value of our assets, which is driven by numerous factors, including the supply and demand for mortgage, housing and credit assets in the marketplace, the ability of borrowers of loans that underlie our investments to meet their payment obligations, the terms and availability of adequate financing and capital, general economic and real estate conditions, the impact of government actions in the real estate, mortgage, credit and financial markets, and the credit performance of our credit sensitive assets.

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

The following table summarizes the annualized U.S. gross domestic product ("GDP") growth rate:

	Three Months Ended				
	December 31, 2020(A)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	(Percent change from the preceding quarter)				
Real GDP	4.0 %	33.4 %	(31.4)%	(5.0)%	2.1 %

(A) Annualized rate based on the advance estimate.

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

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Unemployment rate	6.7 %	7.9 %	11.1 %	4.4 %	3.5 %

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

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
10-year U.S. Treasury rate	0.93 %	0.69 %	0.66 %	0.70 %	1.92 %
30-year fixed mortgage rate	2.68 %	2.89 %	3.16 %	3.45 %	3.72 %

We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2020; however, uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of December 31, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results may materially differ from those estimates. The COVID-19 pandemic and its impact on the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our financial condition, results of operations, liquidity and ability to pay distributions.

PROPOSED CHANGES TO LIBOR

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

OUR PORTFOLIO

Our portfolio is currently composed of servicing and origination, including our subsidiary operating entities, residential securities and loans and other investments, as described in more detail below. The assets in our portfolio are described in more detail below (dollars in thousands), as of December 31, 2020.

	Servicing and Origination				Residential Securities and Loans				
	Origination	Servicing	MSR Related Investments	Total Servicing and Origination	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
December 31, 2020									
Investments	$ 2,947,113	$ —	$ 5,534,752	$ 8,481,865	$ 14,244,558	$ 3,029,339	$ 685,575	$ —	$ 26,441,337
Cash and cash equivalents	123,124	59,798	412,578	595,500	222,372	7,472	3,182	116,328	944,854
Restricted cash	14,826	49,913	28,128	92,867	15,652	96	27,004	—	135,619
Other assets	551,910	206,646	4,538,045	5,296,601	232,837	86,762	38,465	46,171	5,700,836
Goodwill	11,836	12,540	5,092	29,468	—	—	—	—	29,468
Total assets	$ 3,648,809	$ 328,897	$ 10,518,595	$ 14,496,301	$ 14,715,419	$ 3,123,669	$ 754,226	$ 162,499	$ 33,252,114
Debt	$ 2,700,962	$ 3,285	$ 5,998,711	$ 8,702,958	$ 13,473,239	$ 2,386,919	$ 628,759	$ 541,516	$ 25,733,391
Other liabilities	298,106	89,713	1,520,959	1,908,778	20,863	28,577	622	130,199	2,089,039
Total liabilities	2,999,068	92,998	7,519,670	10,611,736	13,494,102	2,415,496	629,381	671,715	27,822,430
Total equity	649,741	235,899	2,998,925	3,884,565	1,221,317	708,173	124,845	(509,216)	5,429,684
Noncontrolling interests in equity of consolidated subsidiaries	19,402	—	43,882	63,284	—	—	45,384	—	108,668
Total New Residential stockholders’ equity	$ 630,339	$ 235,899	$ 2,955,043	$ 3,821,281	$ 1,221,317	$ 708,173	$ 79,461	$ (509,216)	$ 5,321,016
Investments in equity method investees	$ —	$ —	$ 129,873	$ 129,873	$ —	$ —	$ —	$ —	$ 129,873

Operating Investments

Origination

Our origination business operates through the lending division of NewRez. NewRez has a multi-channel lending platform, offering purchase and refinance loan products. NewRez provides refinance opportunities to eligible existing servicing customers, primarily through the Direct to Consumer channel, and originates or purchases loans from brokers or originators through our Joint Venture, Wholesale, and Correspondent channels. We originate or purchase residential mortgage loans conforming to the underwriting standards of the Agencies, government-insured residential mortgage loans which are insured by the FHA, VA and USDA, and non-conforming loans, through our SMART Loan Series. NewRez’s non-conforming loan products provide a variety of options for highly qualified borrowers who fall outside the specific requirements of Agency mortgage loans. Through this platform, NewRez underwrites quality loans that meet its guidelines and pricing models for these borrowers. While NewRez’s origination of Non-QM loans paused at the onset of COVID-19 in the first quarter of 2020, the Company restarted production in the first quarter of 2021.

NewRez generates revenue through sales of residential mortgage loans, including, but not limited to, gain on loans originated and sold, the settlement of mortgage loan origination derivative instruments and the value of MSRs retained on transfer of the loans. Profit margins per loan vary by channel, with correspondent typically being the lowest and Joint Venture, a retail channel, being the highest. In 2020, gain on sale margins were particularly attractive driven by significant demand for loans amidst industry capacity constraints whereby demand for new loans exceeded the industry’s ability to fulfill the demand. NewRez sells conforming loans to the GSEs and Non-QM to another subsidiary of New Residential. NewRez relies on warehouse financing to fund loans at origination through the sale date.

For the full year ended December 31, 2020, NewRez’s funded loan origination volume was $61.6 billion, up from $22.3 billion in the year prior. During the year ended December 31, 2020, the continued lower interest rate environment, increased refinance activity by borrowers, integration of Ditech’s origination platform, and increased market share helped drive growth across all channels. 71% of 2020 funded volume was refinance, up from 55% for the full year 2019. For the full year 2020, 66% of funded production was Agency, 33% was Government, 0.5% was Non-Agency and 0.4% was Non-QM. Notably, NewRez increased its origination market share during 2020 to 1.54% from 0.95% relative to the full year 2019. Gain on sale margins for the full year ended December 31, 2020 was 1.85%, 29bps, or 19% higher than 1.56% for the same period in 2019. After pausing Wholesale and Correspondent channel originations to reduce pipeline, hedge, and margin risk in March 2020, we re-entered these channels in May 2020 and volumes from June through December 2020 significantly exceeded the pre-pause levels.

Direct to Consumer — For the full year ended December 31, 2020, we funded $12.8 billion in Direct to Consumer originations, representing 21% of our total funded origination volume and a 213% increase to 2019 volumes. Direct to Consumer pull through adjusted lock volume for the full year 2020 was $17.3 billion, a 240% increase to 2019 volumes.

Joint Venture — As of December 31, 2020, Shelter had 18 joint venture footprints across 30 states in the U.S, an increase of new joint ventures from 2019. For the full year ended December 31, 2020, we funded $4.0 billion in Joint Venture originations, representing 6% of our total funded origination volume and a 78% increase to 2019 volumes.

Wholesale — For the full year ended December 31, 2020, we funded $7.2 billion in Wholesale originations, representing 12% of our total funded origination volume and a 45% increase to 2019 volumes.

Correspondent — For the full year ended December 31, 2020, we originated $37.5 billion in Correspondent originations, representing 61% of our total funded origination volume and a 227% increase to 2019 volumes.

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

In the second quarter of 2020 we announced a strategic relationship with Salesforce, a global leader in Customer Relationship Management (CRM). This strategic relationship is focused on developing a more integrated experience for customers across our origination and servicing operations. NewRez will also serve as an industry design advisor to Salesforce for its mortgage solutions platform. The partnership is a key initiative that will further the organization's focus on growing recapture volume.

The charts below provide selected operating statistics for our Origination segment:

	Unpaid Principal Balance for the Year Ended December 31, 2020	2019	Increase (Decrease) Amount	%
Production by Channel (in millions)				
Joint Venture	$ 3,999	$ 2,240	$ 1,759	78.5 %
Direct to Consumer	12,847	4,100	8,747	213.3 %
Wholesale	7,223	4,973	2,250	45.2 %
Correspondent	37,535	11,022	26,513	240.5 %
Total Production by Channel	$ 61,604	$ 22,335	$ 39,269	175.8 %
Production by Product (in millions)				
Agency	$ 40,424	11,810	28,614	242.3 %
Government	20,279	8,346	11,933	143.0 %
Non-QM	365	1,499	(1,134)	(75.7)%
Non-Agency	454	597	(143)	(24.0)%
Other	82	83	(1)	(1.2)%
Total Production by Product	$ 61,604	$ 22,335	$ 39,269	175.8 %
% Purchase	29 %	45 %		
% Refinance	71 %	55 %		

	Year Ended December 31, 2020	2019	Increase (Decrease) Amount	%
Origination Revenue (in thousands)				
Gain on loans originated and sold(A)	$ 773,246	$ 3,091	$ 770,155	24916.0 %
Gain (loss) on settlement of mortgage loan derivative instruments(B)	(396,262)	(52,878)	(343,384)	649.4 %
MSRs retained on transfer of loans(C)	630,004	365,974	264,030	72.1 %
Other(D)	53,023	21,733	31,290	144.0 %
Realized gain on sale of originated mortgage loans, net	$1,060,011	$ 337,920	$ 722,091	213.7 %
Change in fair value of loans	$ 101,621	$ 25,010	$ 76,611	306.3 %
Change in fair value of interest rate lock commitments	249,183	26,151	223,032	852.9 %
Change in fair value of derivative instruments	(121,231)	1,900	(123,131)	(6480.6)%
Unrealized origination revenue	$ 229,573	$ 53,061	$ 176,512	332.7 %
Gain on originated mortgage loans, held-for-sale, net(E)(F)	$1,289,584	$ 390,981	$ 898,603	229.8 %
Pull through adjusted lock volume	$69,795,637	$25,079,573	$44,716,064	178.3 %
Gain on originated mortgage loans, as a percentage of pull through adjusted lock volume, by channel:				
Direct to Consumer	3.61 %	2.65 %		
Joint Venture	4.57 %	3.94 %		
Wholesale	2.38 %	1.36 %		
Correspondent	0.56 %	0.55 %		
Total gain on originated mortgage loans, as a percentage of pull through adjusted lock volume	1.85 %	1.56 %		

(A) Includes loan origination fees of $1,658.6 million and $421.3 million in December 31, 2020 and 2019, respectively.

(B) Represents settlement of forward securities delivery commitments utilized as an economic hedge for mortgage loans not included within forward loan sale commitments.

(C) Represents the initial fair value of the capitalized mortgage servicing rights upon loan sales with servicing retained.

(D) Includes fees for services associated with the loan origination process, and the provision for repurchase reserves, net of release.

(E) Excludes $109.5 million and $69.1 million of gain on originated mortgage loans, held-for-sale, net for the year ended December 31, 2020 and 2019, respectively, related to the MSR Related Investments, Servicing, and Residential Securities and Loans segments, as well as intercompany eliminations (Note 4 to our Consolidated Financial Statements).

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

Servicing

Our servicing business operates through a performing loan servicing division, NewRez Servicing and a special servicing division, Shellpoint Mortgage Servicing ("SMS"). NewRez Servicing services performing Agency and government-insured loans. SMS services delinquent Agency loans and Non-Agency loans on behalf of the owners of the underlying mortgage loans.

As of December 31, 2020, NewRez Servicing serviced $204.4 billion UPB of loans and SMS serviced $93.3 billion UPB of loans, for a total servicing portfolio of $297.8 billion UPB, representing a 35.7% increase from December 31, 2019. The combined servicing portfolio represented 1,733,197 customers, an increase of 55.8% from 1,112,332 customers as of December 31, 2019. The increase in the portfolio year over year was primarily a result of increased origination activity from NewRez, transfer of loans from the Ditech acquisition and transfer of loans from PHH during the year.

Third-party servicing, or servicing on behalf of third-party clients, is an important part of SMS' platform. As of December 31, 2020, SMS has over 61 third-party clients, compared to 52 third party clients as of the end of 2019. These institutional clients include, but are not limited to, GSEs, money center banks and whole loan investors.

As of year end December 31, 2020, approximately 210,309 homeowners serviced by NewRez Servicing and SMS had indicated during the year that they are or were impacted by COVID-19. As of December 31, 2020, only 59,701 of the forbearance plans remained active. While the number of forbearances is elevated relative to non-COVID-19 related periods, SMS has seen a significant decrease in the number of active forbearances from the peak in the second quarter of 2020. As of December 31, 2020, active forbearances in our Full MSR portfolio had declined to 5.5% of loans from 8.6% relative to the second quarter of 2020. As of December 31, 2020, active forbearances in our servicing portfolio had declined to 3.4% of loans from 10.5% relative to the second quarter of 2020.

SMS is generally entitled to receive incentive fees, including fees paid in connection with the completion of a repayment plan or payment deferral plan. Incentives are expected to range from $500 to a maximum of $1,000 per loan, subject to certain conditions, based upon the final form of the forbearance resolution.

During the year ended December 31, 2020, we boarded approximately 1.1 million loans, completing the remaining Ditech acquisition transfers and additional transfers from PHH. Prior to the impact of COVID-19, our cost to service declined as we achieved the benefits of scale and created efficiencies. Since March 2020 our cost to service increased in connection with supporting performing homeowners navigate forbearance programs and due to a rise in delinquencies. However, annualized direct cost to service per loan declined approximately 18.6% to $139.5 per loan in 2020 from $171.4 per loan for the same time period in the prior year. Higher costs are expected to be offset by incentive and performance fees in the future as delinquencies are resolved. Direct cost to service is comprised of costs associated with administering loans and does not include corporate overhead allocations.

The table below provides the mix of our serviced assets portfolio between subserviced performing servicing on behalf of New Residential, NRM or NewRez (labeled as "Performing Servicing") and subserviced non-performing, or special servicing (labeled as "Special Servicing") for third parties and delinquent loans subserviced for other New Residential subsidiaries as of December 31, 2020 and 2019.

	Unpaid Principal Balance as of December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Performing Servicing (in millions)				
MSR Assets	$ 199,405	$ 136,409	$ 62,996	46.2 %
Acquired Residential Whole Loans	5,041	2,322	2,719	117.1 %
Total Performing Servicing	204,446	138,731	65,715	47.4 %
Special Servicing (in millions)				
MSR Assets	$ 21,475	$ 3,835	$ 17,640	460.0 %
Acquired Residential Whole Loans	4,952	5,597	(645)	(11.5)%
Third Party	66,892	71,264	(4,372)	(6.1)%
Total Special Servicing	93,319	80,696	12,623	15.6 %
Total Servicing Portfolio	$ 297,765	$ 219,427	$ 78,338	35.7 %
Agency Servicing (in millions)				
MSR Assets	$ 157,210	$ 110,493	$ 46,717	42.3 %
Acquired Residential Whole Loans	—	—	—	— %
Third Party	15,566	19,995	(4,429)	(22.2)%
Total Agency Servicing	172,776	130,488	42,288	32.4 %
Government Servicing (in millions)				
MSR Assets	$ 57,148	$ 29,213	$ 27,935	95.6 %
Acquired Residential Whole Loans	—	—	—	— %
Third Party	—	1,771	(1,771)	(100.0)%
Total Government Servicing	57,148	30,984	26,164	84.4 %
Non-Agency (Private Label) Servicing (in millions)				
MSR Assets	$ 6,522	$ 538	$ 5,984	1112.3 %
Acquired Residential Whole Loans	9,993	7,919	2,074	26.2 %
Third Party	51,326	49,498	1,828	3.7 %
Total Non-Agency (Private Label) Servicing	67,841	57,955	9,886	17.1 %
Total Servicing Portfolio	$ 297,765	$ 219,427	$ 78,338	35.7 %

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Base Servicing Fees (in thousands):				
MSR Assets	$ 137,916	$ 52,297	$ 85,619	163.7 %
Acquired Residential Whole Loans	16,081	8,074	8,007	99.2 %
Third Party	139,480	71,145	68,335	96.1 %
Total Base Servicing Fees	$ 293,477	$ 131,516	$ 161,961	123.1 %
Other Fees (in thousands):				
Incentive fees	$ 53,195	$ 35,866	$ 17,329	48.3 %
Ancillary fees	41,076	30,161	10,915	36.2 %
Boarding fees	12,018	8,111	3,907	48.2 %
Other fees	17,672	4,328	13,344	308.3 %
Total Other Fees	$ 123,961	$ 78,466	$ 45,495	58.0 %
Total Servicing Fees	$ 417,438	$ 209,982	$ 207,456	98.8 %

(A) Includes other fees earned from third parties of $62.1 million and $68.4 million for the year ended December 31, 2020 and 2019, respectively.

MSR Related Investments

MSRs and MSR Financing Receivables

As of December 31, 2020, we had \$4.6 billion carrying value of MSRs and MSR financing receivables. For the year ended December 31, 2020 our Full and Excess MSR portfolio decreased to \$536 billion UPB from \$627 billion UPB as of December 31, 2019. Full MSRs decreased to \$435 billion UPB as of December 31, 2020 from \$505 billion UPB as of December 31, 2019. Excess MSRs decreased to \$101 billion UPB as of December 31, 2020 from \$122 billion UPB as of December 31, 2019. While there were numerous transfers of MSRs to New Residential from NewRez throughout the year, the decrease in portfolio size during the year was predominantly a result of elevated prepayments.

We finance our investments in MSRs and MSR financing receivables with short- and medium-term bank and public capital markets notes. These borrowings are primarily recourse debt and bear both fixed and variable interest rates offered by the counterparty for the term of the notes of a specified margin over LIBOR. The capital markets notes are typically issued with a collateral coverage percentage, which is a quotient expressed as a percentage equal to the aggregate note amount divided by the market value of the underlying collateral. The market value of the underlying collateral is generally updated on a quarterly basis and if the collateral coverage percentage becomes greater than or equal to a collateral trigger, generally 90%, we may be required to add funds, pay down principal on the notes, or add additional collateral to bring the collateral coverage percentage below 90%. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday." During the year ended December 30, 2020, we increased the percentage of our MSR portfolio that is financed through capital markets term notes through various transactions. We priced four MSR capital markets term notes in 2020 for \$1.4 billion. As a result, 60.6% of our MSR portfolio was financed with capital markets term notes as of December 31, 2020 compared to 57.5% as of December 31, 2019.

See Note 12 to our Consolidated Financial Statements for further information regarding financing of our MSRs and MSR financing receivables.

We have contracted with certain subservicers to perform the related servicing duties on the residential mortgage loans underlying our MSRs.As of December 31, 2020, these subservicers include LoanCare, Nationstar, PHH and Flagstar, which subservice 17.5%, 16.2%, 15.4%, and 0.7%of the underlying UPB of the related mortgages, respectively (includes both MSRs and MSR Financing Receivables). The remaining 50.2% of the underlying UPB of the related mortgages is subserviced by NewRez. We have entered into agreements with certain subservicers pursuant to which we are entitled to receive the MSR on any refinancing by the subservicer or by NewRez of a loan in the related original portfolio.

We are, generally, obligated to fund all future servicer advances related to the underlying pools of mortgages on our MSRs and MSR financing receivables. Generally, we will advance funds when the borrower fails to meet contractual payments (e.g., principal, interest, property taxes, insurance). We will also advance funds to maintain and report foreclosed real estate properties on behalf of investors. Advances are recovered through claims to the related investor and subservicers. Per the servicing agreements, we are obligated to make certain advances on mortgages to be in compliance with applicable requirements. In certain instances, the subservicer is required to reimburse us for any advances that were deemed nonrecoverable or advances that were not made in accordance with the related servicing contract.

We finance our servicer advances with short- and medium-term collateralized borrowings. These borrowings are non-recourse committed facilities that are not subject to margin calls and bear both fixed and variable interest rates offered by the counterparty for the term of the notes, generally less than one year, of a specified margin over LIBOR. See Note 12 to our Consolidated Financial Statements for further information regarding financing of our servicer advances.

See Note 6 to our Consolidated Financial Statements for further information regarding our MSR financing receivables. See "Results of Operations-Change in Fair Value of MSR Financing Receivables" below for further information regarding the impact of the economic uncertainties resulting from COVID-19 and the associated impacted on our MSR investments.

The table below summarizes our MSRs and MSR financing receivables as of December 31, 2020.

	Current UPB (millions)	Weighted Average MSR (bps)	Carrying Value (millions)
MSRs			
GSE	$ 300,200.8	28 bps	$ 2,799.7
Non-Agency	5,962.2	55	17.5
Ginnie Mae	57,106.9	45	672.4
MSR Financing Receivables			
GSE	5,517.7	25	49.3
Non-Agency	66,648.2	48	1,046.9
Total	$ 435,435.8	34 bps	$ 4,585.8

The following tables summarize the collateral characteristics of the loans underlying our investments in MSRs and MSR financing receivables as of December 31, 2020 (dollars in thousands):

		Collateral Characteristics										
	Current Carrying Amount	Current Principal Balance	Number of Loans	WA FICO Score(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %(B)	Three Month Average CPR(C)	Three Month Average CRR(D)	Three Month Average CDR(E)	Three Month Average Recapture Rate
MSRs												
GSE	$ 2,799,728	$ 300,200,826	1,936,462	745	4.1 %	264	69	2.8 %	34.8 %	34.6 %	0.2 %	10.6 %
Non-Agency	17,512	5,962,225	124,280	671	6.7 %	197	157	3.6 %	23.8 %	20.4 %	4.2 %	1.9 %
Ginnie Mae	672,435	57,106,825	286,615	687	3.7 %	323	33	2.2 %	30.0 %	29.8 %	0.2 %	25.8 %
MSR Financing Receivables												
GSE	49,275	5,517,730	28,307	747	4.0 %	268	47	— %	33.7 %	33.3 %	0.5 %	25.5 %
Non-Agency	1,046,891	66,648,221	496,493	641	4.2 %	303	179	13.3 %	11.2 %	9.4 %	1.8 %	3.3 %
Total	$ 4,585,841	$ 435,435,827	2,872,157	720	4.1 %	277	82	4.3 %	30.4 %	29.9 %	0.5 %	11.6 %

	Collateral Characteristics					
	Delinquency 30 Days(F)	Delinquency 60 Days(F)	Delinquency 90+ Days(F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
MSRs						
GSE	1.5 %	0.5 %	3.9 %	0.3 %	— %	0.3 %
Non-Agency	3.7 %	1.4 %	3.4 %	4.4 %	0.6 %	2.7 %
Ginnie Mae	3.2 %	1.3 %	7.8 %	0.8 %	— %	0.9 %
MSR Financing Receivables						
GSE	1.0 %	0.4 %	4.3 %	— %	— %	— %
Non-Agency	5.7 %	2.1 %	2.3 %	6.8 %	0.9 %	2.4 %
Total	2.4 %	0.8 %	4.1 %	1.4 %	0.2 %	0.7 %

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

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

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

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

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

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

Excess MSRs

The tables below summarize the terms of our Excess MSRs:

Summary of Direct Excess MSR Investments as of December 31, 2020

	Current UPB (billions)	MSR Component[A] Weighted Average MSR (bps)	MSR Component[A] Weighted Average Excess MSR (bps)	Interest in Excess MSR (%)	Excess MSR Carrying Value (millions)
Agency	$ 34.6	30	21	32.5% - 66.7%	$ 162.6
Non-Agency[B]	38.1	35	15	33.3% - 100%	148.3
Total/Weighted Average	$ 72.7	33 bps	18 bps		$ 310.9

(A) The MSR is a weighted average as of December 31, 2020, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) Serviced by Mr. Cooper and SLS, we also invested in related Servicer Advance Investments, including the basic fee component of the related MSR (Note 7 to our Consolidated Financial Statements) on $26.1 billion UPB underlying these Excess MSRs.

Summary of Excess MSR Investments Through Equity Method Investees as of December 31, 2020

	Current UPB (billions)	MSR Component[A] Weighted Average MSR (bps)	MSR Component[A] Weighted Average Excess MSR (bps)	New Residential Interest in Investee (%)	Investee Interest in Excess MSR (%)	New Residential Effective Ownership (%)	Investee Carrying Value (millions)
Agency	$ 28.5	33	22	50.0 %	66.7 %	33.3 %	$ 179.8

(A) The MSR is a weighted average as of December 31, 2020, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

The following tables summarize the collateral characteristics of the loans underlying our direct Excess MSR investments as of December 31, 2020 (dollars in thousands):

	Collateral Characteristics											
	Current Carrying Amount	Current Principal Balance	Number of Loans	WA FICO Score[A]	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %[B]	Three Month Average CPR[C]	Three Month Average CRR[D]	Three Month Average CDR[E]	Three Month Average Recapture Rate
Agency												
Original Pools	$ 110,030	$ 23,676.332	185,673	722	4.5 %	232	130	1.7 %	25.5 %	25.1 %	0.6 %	13.5 %
Recaptured Loans	52,615	10,917.074	67,681	725	4.2 %	268	49	— %	25.3 %	25.0 %	0.4 %	31.7 %
	$ 162,645	$ 34,593.406	253,354	723	4.4 %	244	103	1.2 %	25.4 %	25.1 %	0.5 %	19.4 %
Non-Agency[F]												
Mr. Cooper and SLS Serviced:												
Original Pools	$ 125,248	$ 34,468.703	198,936	668	4.3 %	271	177	9.2 %	14.7 %	12.5 %	2.6 %	10.0 %
Recaptured Loans	23,045	3,626.796	17,214	736	4.0 %	276	32	0.1 %	32.6 %	32.7 %	— %	33.6 %
	$ 148,293	$ 38,095.499	216,150	674	4.3 %	272	164	7.8 %	16.3 %	14.2 %	2.4 %	14.8 %
Total/Weighted Average[I]	$ 310,938	$ 72,688.905	469,504	697	4.4 %	259	136	4.3 %	20.6 %	19.4 %	1.5 %	17.6 %

	Collateral Characteristics					
	Delinquency 30 Days[G]	Delinquency 60 Days[G]	Delinquency 90+ Days[G]	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency						
Original Pools	2.0 %	0.7 %	6.2 %	0.4 %	0.1 %	0.1 %
Recaptured Loans	1.5 %	0.6 %	5.5 %	0.1 %	— %	— %
	1.8 %	0.7 %	6.0 %	0.3 %	0.1 %	0.1 %
Non-Agency[F]						
Mr. Cooper and SLS Serviced:						
Original Pools	10.9 %	5.9 %	4.7 %	5.2 %	0.6 %	1.5 %
Recaptured Loans	1.7 %	0.3 %	4.6 %	0.1 %	— %	— %
	10.1 %	5.4 %	4.7 %	4.7 %	0.5 %	1.4 %
Total/Weighted Average[H]	6.3 %	3.2 %	5.3 %	2.7 %	0.3 %	0.8 %

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

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

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

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

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

(F) We also invested in related Servicer Advance Investments, including the basic fee component of the related MSR (Note 7 to our Consolidated Financial Statements) on $26.1 billion UPB underlying these Excess MSRs.

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

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

The following tables summarize the collateral characteristics as of December 31, 2020 of the loans underlying Excess MSR investments made through joint ventures accounted for as equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 66.7% interest in the Excess MSRs.

	Collateral Characteristics												
	Current Carrying Amount	Current Principal Balance	New Residential Effective Ownership (%)	Number of Loans	WA FICO Score(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %(B)	Three Month Average CPR(C)	Three Month Average CRR(D)	Three Month Average CDR(E)	Three Month Average Recapture Rate
Agency													
Original Pools	$ 94,727	$15,994,267	33.3 %	168,177	704	5.2 %	223	150	1.3 %	20.6 %	19.7 %	1.0 %	17.7 %
Recaptured Loans	85,035	12,459,245	33.3 %	92,376	710	4.2 %	262	56	— %	23.8 %	23.4 %	0.7 %	36.7 %
Total/Weighted Average	$179,762	$28,453,512		260,553	706	4.7 %	241	109	1.3 %	22.0 %	21.3 %	0.9 %	26.8 %

	Collateral Characteristics					
	Delinquency 30 Days(F)	Delinquency 60 Days(F)	Delinquency 90+ Days(F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency						
Original Pools	2.9 %	1.0 %	5.8 %	0.7 %	0.1 %	0.2 %
Recaptured Loans	2.0 %	0.8 %	5.6 %	0.2 %	— %	0.1 %
Total/Weighted Average(G)	2.5 %	0.9 %	5.7 %	0.4 %	0.1 %	0.1 %

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

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

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

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

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

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

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

Servicer Advance Investments

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

	December 31, 2020				
	Amortized Cost Basis	Carrying Value(A)	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans
Servicer Advance Investments					
Mr. Cooper and SLS serviced pools	$ 512,958	$ 538,056	$ 26,061,499	$ 449,150	1.7 %

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

The following is additional information regarding our Servicer Advance Investments, and related financing, as of and for the year ended, December 31, 2020 (dollars in thousands):

			Year Ended December 31, 2020		Loan-to-Value ("LTV")(A)		Cost of Funds(B)	
	Weighted Average Discount Rate	Weighted Average Life (Years)(C)	Change in Fair Value	Face Amount of Secured Notes and Bonds Payable	Gross	Net(D)	Gross	Net
Servicer Advance Investments(E)	5.2 %	6.0	$ 763	$ 423,144	88.4 %	88.6 %	1.5 %	1.3 %

(A) Based on outstanding servicer advances, excluding purchased but unsettled servicer advances.
(B) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
(C) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.
(D) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.
(E) The following types of advances are included in Servicer Advance Investments:

	December 31, 2020
Principal and interest advances	$ 84,976
Escrow advances (taxes and insurance advances)	186,426
Foreclosure advances	177,748
Total	$ 449,150

The Buyer

We, through a wholly owned subsidiary, are the managing member of the Buyer. As of December 31, 2020, we owned an approximately 73.2% interest in the Buyer.

In the event that any member of the Buyer does not fund its capital contribution, each other member has the right, but not the obligation, to make pro rata capital contributions in excess of its stated commitment, provided that any member's decision not to fund any such capital contribution will result in a reduction of its membership percentage.

Servicing Fee

Mr. Cooper and SLS remain the named servicers under the applicable servicing agreements and will continue to perform all servicing duties for the related residential mortgage loans. The Buyer, or the related New Residential subsidiary, as applicable, has the right, but not the obligation, to become the named servicer with respect to its investments, subject to obtaining consents and ratings agency approvals required for a formal change of the named servicer. In exchange for their services, we pay Mr. Cooper and SLS a monthly servicing fee representing a portion of the amounts from the purchased basic fee.

The Mr. Cooper Servicing Fee is equal to a fixed percentage of the amounts from the purchased basic fee. This percentage was equal to approximately 9.2%, which is equal to (i) 2 bps divided by (ii) the basic fee, which is 21.8 bps, on a weighted average basis as of December 31, 2020. The SLS servicing fee is equal to 10.75 bps, based on the servicing fee collections of the underlying loans.

<u>Targeted Return/Incentive Fee</u>

The Buyer Targeted Return and the Mr. Cooper Performance Fee, with respect to Mr. Cooper, are designed to achieve three objectives (i) provide a reasonable risk-adjusted return to the Buyer based on the expected amount and timing of estimated cash flows from the purchased basic fee and advances, with both upside and downside based on the performance of the investment, (ii) provide Mr. Cooper with a sufficient fee to compensate it for acting as servicer, and (iii) provide Mr. Cooper with an incentive to effectively service the underlying loans. The Buyer Targeted Return implements these objectives by allocating payments in respect of the purchased basic fee between the Buyer and Mr. Cooper. The SLS Incentive Fee functions in the same fashion with respect to the SLS Transaction (See Note 7 to our Consolidated Financial Statements).

The amount available to satisfy the Buyer Targeted Return is equal to (i) the amounts from the purchased basic fee, minus (ii) the Mr. Cooper Servicing Fee ("Mr. Cooper Net Collections"). The Buyer will retain the amount of Mr. Cooper Net Collections necessary to achieve the Buyer Targeted Return. Amounts in excess of the Buyer Targeted Return will be used to pay the Mr. Cooper Performance Fee.

The Buyer Targeted Return, which is payable monthly, is generally equal to (i) 14% multiplied by (ii) the Buyer's total invested capital. Total invested capital is generally equal to the sum of the Buyer's (i) equity in advances as of the beginning of the prior month, plus (ii) working capital (equal to a percentage of the equity as of the beginning of the prior month), plus (iii) equity and working capital contributed during the course of the prior month.

The Buyer Targeted Return is calculated after giving effect to (i) interest expense on the advance financing, (ii) other expenses and fees of the Buyer and its subsidiaries related to financing facilities, (iii) write-offs on account of any non-recoverable servicer advances, and (iv) any shortfall with respect to a prior month in the satisfaction of the Buyer Targeted Return.

The Mr. Cooper Performance Fee is calculated as follows. Pursuant to a Master Servicing Rights Purchase Agreement and related sale supplements, Mr. Cooper Net Collections is divided into two subsets: the "Retained Amount" and the "Surplus Amount." If the amount necessary to achieve the Buyer Targeted Return is equal to or less than the Retained Amount, then 50% of the excess Retained Amount (if any) and 100% of the Surplus Amount is paid to Mr. Cooper as the Mr. Cooper Performance Fee. If the amount necessary to achieve the Buyer Targeted Return is greater than the Retained Amount but less than Mr. Cooper Net Collections, then 100% of the excess Surplus Amount is paid to Mr. Cooper as a Mr. Cooper Performance Fee. Mr. Cooper Performance Fee payments were made to Mr. Cooper in the amounts of $21.9 million, $26.8 million and $33.9 million during the year ended December 31, 2020, 2019 and 2018, respectively.

The SLS Incentive Fee is equal to up to 4.0 bps on the UPB of the underlying loans, depending on the ratio of the outstanding servicer advances to the UPB of the underlying loans.

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

MSR Related Ancillary Business

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

Residential Securities and Loans

Real Estate Securities

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of December 31, 2020 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Count	Weighted Average Life (Years)	3-Month CPR(B)	Outstanding Repurchase Agreements
Agency RMBS	$ 12,491,152	$ 12,951,608	100.0 %	$ 112,026	$ —	$ 13,063,634	58	0.1	5.4 %	$ 12,288,861

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

The following table summarizes the net interest spread of our Agency RMBS portfolio as of December 31, 2020:

Net Interest Spread(A)	
Weighted Average Asset Yield	2.22 %
Weighted Average Funding Cost	0.24 %
Net Interest Spread	1.98 %

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

We largely employ our Agency RMBS position as a hedge to our MSR portfolio. While we reduced our Agency RMBS position during the first quarter of 2020 due to COVID-19 related market factors, we ultimately maintained an elevated Agency RMBS portfolio, with a portfolio of $12.5 billion as of December 31, 2020 compared to $11.3 billion as of December 31, 2019. We finance our Agency RMBS with short-term borrowings under master repurchase agreements. These borrowings generally bear interest rates offered by the counterparty for the term of the proposed repurchase transaction (e.g., 30 days, 60 days, etc.) of a specified margin over one-month LIBOR. The repurchase agreements represent uncommitted financing. At December 31, 2020 and 2019, the Company pledged Agency RMBS with a carrying value of approximately $13.8 billion and $15.9 billion, respectively, as collateral for borrowings under repurchase agreements. To the extent available on desirable terms, we expect to continue to finance our acquisitions of Agency RMBS with repurchase agreement financing. See Note 12 to our Consolidated Financial Statements for further information regarding financing of our Agency RMBS.

Non-Agency RMBS

During the first and second quarters of 2020, markets for mortgage-backed securities and other credit-related assets experienced significant volatility, widening credit spreads and sharp declines in liquidity. These factors had a material impact on our investment portfolio. Prior to the onset of COVID-19, a significant portion of our Non-Agency RMBS portfolio was financed with repurchase agreements. Fluctuations in the value of our portfolio of Non-Agency RMBS during March 2020, including as a result of changes in credit spreads, resulted in our being required to post additional collateral with our counterparties under these repurchase agreements. These fluctuations and requirements to post additional collateral were material. In an effort to mitigate the impact to our business from these developments and improve our liquidity, we sold a substantial portion of our Non-Agency RMBS portfolio in March 2020, for which we recorded significant realized losses. Refer to Note 17 to our Consolidated Financial Statements for further information regarding Non-Agency RMBS sales with affiliates. During 2020, we sold in aggregate $5.3 billion of Non-Agency RMBS. During 2020, we also significantly altered the composition of the financing profile of our Non-Agency RMBS portfolio. As of December 31, 2020, 17.7% of our Non-Agency RMBS portfolio was financed with non-daily mark-to-market financing, compared to 92.8% as of December 31, 2019.

Within our Non-Agency RMBS portfolio we retain and own risk retention bonds from our securitizations in conjunction with risk retention regulations under the Dodd-Frank Act. As of December 31, 2020, 49.3% of our Non-Agency RMBS portfolio was related to bonds retained pursuant to required risk retention regulations.

The following table summarizes our Non-Agency RMBS portfolio as of December 31, 2020 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value(A)	Outstanding Repurchase Agreements
Non-Agency RMBS	$ 19,378,530	$ 1,153,643	$ 88,098	$ (60,817)	$ 1,180,924	$ 705,713

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

The following tables summarize the characteristics of our Non-Agency RMBS portfolio and of the collateral underlying our Non-Agency RMBS as of December 31, 2020 (dollars in thousands):

Non- Agency RMBS Characteristics(A)

Vintage(B)	Average Minimum Rating(C)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Principal Subordination(D)	Excess Spread(E)	Weighted Average Life (Years)	Weighted Average Coupon(F)
Pre 2006	NR	96	$ 88,110	$ 16,728	1.5 %	$ 16,519	— %	— %	6.0	6.9 %
2006	NR	15	91,603	—	— %	1	— %	— %	—	0.1 %
2007	NR	16	170,240	3,043	0.2 %	5,052	— %	— %	2.8	0.1 %
2008 and later	BBB-	455	19,015,055	1,121,012	98.3 %	1,145,967	20.0 %	— %	4.9	2.8 %
Total/Weighted Average	BBB-	582	$ 19,365,008	$ 1,140,783	100.0 %	$ 1,167,539	19.6 %	— %	4.9	2.8 %

Collateral Characteristics(A) (G)

Vintage(B)	Average Loan Age (years)	Collateral Factor(H)	3-Month CPR(I)	Delinquency(J)	Cumulative Losses to Date
Pre 2006	18.2	0.1	8.4 %	13.1 %	11.0 %
2006	14.3	0.2	11.8 %	— %	93.5 %
2007	13.5	0.2	13.7 %	16.1 %	25.6 %
2008 and later	13.6	0.7	16.5 %	5.4 %	0.4 %
Total/Weighted Average	13.7	0.7	16.3 %	5.6 %	0.7 %

(A) Excludes $13.0 million face amount of bonds backed by consumer loans and $0.5 million face amount of bonds backed by corporate debt.
(B) The year in which the securities were issued.
(C) Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current. This excludes the ratings of the collateral underlying 289 bonds with a carrying value of $432.5 million which either have never been rated or for which rating information is no

longer provided. We had no assets that were on negative watch for possible downgrade by at least one rating agency as of December 31, 2020.

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

(E) The current amount of interest received on the underlying loans in excess of the interest paid on the securities, as a percentage of the outstanding collateral balance for the quarter ended December 31, 2020.

(F) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $27.4 million and $2.6 million, respectively, for which no coupon payment is expected.

(G) The weighted average loan size of the underlying collateral is $242.5 thousand.

(H) The ratio of original UPB of loans still outstanding.

(I) Three month average constant prepayment rate and default rates.

(J) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

The following table summarizes the net interest spread of our Non-Agency RMBS portfolio as of December 31, 2020:

Net Interest Spread[(A)]

Weighted Average Asset Yield	4.08 %
Weighted Average Funding Cost	3.48 %
Net Interest Spread	0.60 %

(A) The Non-Agency RMBS portfolio consists of 30.3% floating rate securities and 69.7% fixed rate securities (based on amortized cost basis).

We finance our Non-Agency RMBS with short-term borrowings under master repurchase agreements. These borrowings generally bear interest rates offered by the counterparty for the term of the proposed repurchase transaction (e.g., 30 days, 60 days, etc.) of a specified margin over one-month LIBOR. The repurchase agreements represent uncommitted financing. At December 31, 2020 and 2019, the Company pledged Non-Agency RMBS with a carrying value of approximately $1.5 billion and $8.0 billion, respectively, as collateral for borrowings under repurchase agreements. A portion of collateral for borrowings under repurchase agreements is subject to daily mark-to-market fluctuations and margin calls. In addition, a portion of collateral for borrowings under repurchase agreements is not subject to daily margin calls unless the collateral coverage percentage, a quotient expressed as a percentage equal to the current carrying value of outstanding debt divided by the market value of the underlying collateral, becomes greater than or equal to a collateral trigger. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday." See Note 12 to our Consolidated Financial Statements for further information regarding financing of our Non-Agency RMBS.

Call Rights

We hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Mr. Cooper whereby, when the UPB of the underlying residential mortgage loans falls below a pre-determined threshold, we can effectively purchase the underlying residential mortgage loans at par, plus unreimbursed servicer advances, resulting in the repayment of all of the outstanding securitization financing at par, in exchange for a fee of 0.75% of UPB paid to Mr. Cooper at the time of exercise. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts master serviced by SLS for no fee, and also with respect to certain securitization trusts serviced or master serviced by Ocwen subject to a fee of 0.5% of UPB on loans that are current or thirty (30) days or less delinquent, paid to Ocwen at the time of exercise. The aggregate UPB of the underlying residential mortgage loans within these various securitization trusts is approximately $80.0 billion.

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

We have exercised our call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, we sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, we received par on the securities issued by the called trusts which we owned prior to such trusts' termination. Refer to Note 9 in our Consolidated Financial Statements for further details on these transactions.

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

Refer to Note 17 in our Consolidated Financial Statements for further details on these transactions for additional discussion regarding call rights and transactions with affiliates.

Residential Mortgage Loans

In March 2020, we began selling assets to manage and generate liquidity and de-risk our balance sheet. During 2020, we sold in aggregate $65.5 billion of residential mortgage loans. To realign our balance sheet in reaction to increased market risk and raise liquidity as a result of the COVID-19 pandemic, we reduced our exposure to loan pools financed using repurchase agreements. Furthermore, while typically more expensive, to the extent possible, the Company has been opportunistically seeking long-term financing arrangements rather than short-term repurchase agreements to reduce volatility risk associated with assets valuations and margin calls. As of December 31, 2020, 100% of our Non-Agency Residential Mortgage Loan portfolio was financed with non-daily mark-to-market financing, compared to 5.4% as of December 31, 2019.

As of December 31, 2020, we had approximately $6.1 billion outstanding face amount of residential mortgage loans. These investments were financed with secured financing agreements with an aggregate face amount of approximately $4.0 billion and secured notes and bonds payable with an aggregate face amount of approximately $1.0 billion.

The following table presents the total residential mortgage loans outstanding by loan type at December 31, 2020 (dollars in thousands).

	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)[(A)]
Total residential mortgage loans, held-for-investment, at fair value	$ 769,348	$ 674,179	12,353	6.6 %	5.6
Acquired reverse mortgage loans[(E)(F)]	$ 12,007	$ 5,884	28	7.8 %	3.8
Acquired performing loans[(G)(I)]	138,109	129,345	3,278	6.7 %	4.5
Acquired non-performing loans[(H)(I)]	487,022	374,658	3,253	7.5 %	3.3
Total residential mortgage loans, held-for-sale, at lower of cost or market	$ 637,138	$ 509,887	6,559	7.3 %	3.6
Acquired performing loans[(G)(I)]	$ 1,446,457	$ 1,423,159	7,189	3.8 %	6.6
Acquired non-performing loans	428,079	335,544	2,798	7.5 %	3.3
Originated loans	2,801,297	2,947,113	10,797	2.8 %	27.7
Total residential mortgage loans, held-for-sale, at fair value	$ 4,675,833	$ 4,705,816	20,784	3.5 %	18.9

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
(C) Represents the percentage of the total principal balance that is 60+ days delinquent.
(D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.
(E) Represents a 70% participation interest we hold in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB was $0.6 million at December 31, 2020. Approximately 47.8% of these loans outstanding have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.
(F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
(G) Performing loans are generally placed on nonaccrual status when principal or interest is 120 days or more past due.
(H) As of December 31, 2020, we have placed all Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (I) below.

(I) Includes $798.1 million and $20.5 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

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

We finance a significant portion of our residential mortgage loans with borrowings under repurchase agreements. These recourse borrowings bear variable interest rates offered by the counterparty for the term of the proposed repurchase transaction, generally less than one year, of a specified margin over the one-month LIBOR. At December 31, 2020 and 2019, the Company pledged mortgage loans with a carrying value of approximately $4.5 billion and $5.1 billion, respectively, as collateral for borrowings under repurchase agreements. A portion of collateral for borrowings under repurchase agreements are subject to daily mark-to-market fluctuations and margin calls. A portion of collateral for borrowings under repurchase agreements is not subject to daily margin calls unless the collateral coverage percentage, a quotient expressed as a percentage equal to the current carrying value of outstanding debt divided by the market value of the underlying collateral, becomes greater than or equal to a collateral trigger. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday." See Note 12 to our Consolidated Financial Statements for further information regarding financing of our mortgage loans.

Other

Consumer Loans

The table below summarizes the collateral characteristics of the consumer loans, including those held in the Consumer Loan Companies and those acquired from the Consumer Loan Seller, as of December 31, 2020 (dollars in thousands):

	Collateral Characteristics													
	UPB	Personal Unsecured Loans %	Personal Homeowner Loans %	Number of Loans	Weighted Average Original FICO Score(A)	Weighted Average Coupon	Adjustable Rate Loan %	Average Loan Age (months)	Average Expected Life (Years)	Delinquency 30 Days(B)	Delinquency 60 Days(B)	Delinquency 90+ Days(B)	12-Month CRR(C)	12-Month CDR(D)
Consumer loans, held-for-investment	$ 620,983	61.0 %	39.0 %	90,068	682	17.5 %	12.3 %	189	3.6	1.4 %	0.9 %	1.3 %	19.8 %	4.6 %

(A) Weighted average original FICO score represents the FICO score at the time the loan was originated.
(B) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30-59 days, 60-89 days or 90 or more days, respectively.
(C) 12-Month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the three months as a percentage of the total principal balance of the pool.
(D) 12-Month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the three months as a percentage of the total principal balance of the pool.

In addition, as of December 31, 2019, our investments in PF LoanCo Funding LLC ("LoanCo") and PF WarrantCo Holdings, LP ("WarrantCo") had been fully distributed to us. The final distribution resulted in a gain of $3.6 million on the investment.

We have financed our investments in consumer loans with securitized non-recourse long-term notes with a stated maturity date of May 2036. During 2020, we refinanced our previous SpringCastle securitization with a new $663 million securitization, ultimately lowering cost of funds. Furthermore, the notes are non-mark-to-market and not subject to margin calls. See Note 12 to our Consolidated Financial Statements for further information regarding financing of our consumer loans.

TAXES

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

We hold certain assets, including Servicer Advance Investments and MSRs, in taxable REIT subsidiaries ("TRSs") that are subject to federal, state and local income tax because these assets either do not qualify under the REIT requirements or the status of these assets is uncertain. We also operate our securitization program, servicing, origination, and ancillary businesses through TRSs.

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

As of December 31, 2020, our net deferred tax liability of $7.9 million was primarily composed of deferred tax liabilities generated through the deferral of gains from loans sold by our origination business with servicing retained by the Company, offset by deferred tax assets generated from changes in fair value of loans and MSRs.

For the year ended December 31, 2020, we recognized total tax expense (benefit) of $16.9 million driven primarily by deferred tax benefits resulting from changes in the fair value of loans and MSRs during the first quarter of 2020, offset by tax expense generated from income in our servicing and origination business segments in subsequent quarters. The taxable income of the operating businesses is largely absorbed by our historical net operating losses, reducing current taxable income in our TRSs.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The Company's accounting policies are more fully described in Note 2 of the Consolidated Financial Statements. As disclosed in Note 2, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments.

We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2020; however, uncertainty over the ultimate impact COVID-19 will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of December 31, 2020 inherently less certain than they would be absent the current and potential impacts of COVID-19. Actual results may materially differ from those estimates.

MSRs and MSR Financing Receivables

Classification and valuation — As an approved owner of MSRs, upon acquisition, we account for our MSRs as servicing assets or servicing liabilities as we have undertaken an obligation to service financial assets. We measure our MSRs at fair value at acquisition and elect to subsequently measure at fair value at each reporting date using the fair value measurement method. Our MSRs are categorized as Level 3 under the GAAP fair value hierarchy, as described in Note 13 to our Consolidated Financial Statements. The inputs used in the valuation of MSRs include prepayment rate, delinquency rate, recapture rate, mortgage servicing amount, discount rate, and estimated market level future costs to service. These inputs are primarily based on current market data obtained from servicers and other third parties, which may be adjusted based on our expectations for the future, and requires significant judgement. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not result in an amount that is indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value.

In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our MSRs. The independent valuation firm determines an estimated fair value range based on its own models. We compare the range provided by the independent valuation firm to the values generated by our internal models. To date, we have not made any significant valuation adjustments as a result of the values provided by the third-party valuation adjustments.

In certain cases, we have legally purchased MSRs or the right to the economic interest in MSRs, however, we determined that the respective purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSRs, we have recorded an investment in MSR financing receivables. We have elected to measure the investment at fair value, with changes in fair value reflected within Change in fair value of investments in the Consolidated Statements of Income. In order to evaluate the reasonableness of our fair value determinations, similar to MSRs, we engage an independent valuation firm to separately measure the fair value of our MSR Financing Receivables.

Revenue and interest income recognition — We recognize income from investment in MSRs as Servicing revenue, net which comprises (i) income from the MSRs, plus or minus (ii) the mark-to-market on the MSRs including change in fair value due to realization of cash flows.

We recognize income from MSR financing receivables as interest income net of subservicing fees.

Servicer Advance Investments

Classification and valuation — We have elected to account for the Servicer advance investments at fair value. Accordingly, we estimate the fair value of the Servicer advance investments at each financial reporting date and reflect changes in the fair value of the Servicer advance investments as gains or losses.

We categorize Servicer advance investments under Level 3 of the GAAP hierarchy because we use internal pricing models to estimate the future cash flows related to the Servicer advance investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our Servicer advance investments. The independent valuation firm determines an estimated fair value range based on its own models.

Our estimations of future cash flows include the combined cash flows of all of the components that comprise the Servicer advance investments: existing advances, the requirement to purchase future advances and the right to the basic fee component of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the servicer advance balance declines, (ii) the duration of outstanding servicer advances, which we estimate is approximately nine months on average for an advance balance at a given point in time (not taking into account new advances made with respect to the pool), and (iii) the UPB of the underlying loans with respect to which we have the obligation to make advances and own the basic fee component.

Interest income and expense recognition — We recognize income from Servicer advance investments in the form of interest income. Interest income is calculated using the interest method, with adjustments to the yield applied based upon changes in actual or expected cash flows under the retrospective method. The servicer advances are not interest-bearing, but we accrete the effective rate of interest applied to the aggregate cash flows from the servicer advances and the basic fee component of the related MSR.

We remit to our servicers a portion of the basic fee component of the MSR related to our Servicer advance investments as compensation for acting as servicer, as described in more detail under "—Our Portfolio—Servicing Related Assets—Servicer Advances." Our interest income is recorded net of the servicing fees owed to our servicers.

Real Estate Securities

Classification and valuation — Our securities portfolio primarily consists of Agency and Non-Agency RMBS. Agency RMBS are securities issued or guaranteed as to principal and/or interest by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae. Non-Agency RMBS are not issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae and are therefore subject to credit risk. RMBS investments are classified as either available-for-sale or accounted for under the fair value option. We determine the appropriate classification of our securities at the time they are acquired and evaluate the appropriateness of such classifications at each balance sheet date. If classified as available-for-sale, investments are carried at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income. If classified under the fair value option, changes in fair value are recorded in the Consolidated Statements of Income as a component of Change in fair value of investments.

We generally categorize Agency RMBS under Level 2 and Non-Agency as Level 3 of the GAAP hierarchy. We estimate the fair value of the majority of our RMBS based upon broker quotations, counterparty quotations or pricing service quotations. Pricing services generally develop their pricing of RMBS based on transaction prices of recent trades for similar financial instruments, when available. When recent trades for similar financial instruments are not available, cash flow models or other pricing models are used. The significant inputs used in the valuation of our securities include the discount rate, prepayment rates, default rates and loss severities, as well as other variables.

The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not be indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value.

Impairment — Periods after January 1, 2020 — For periods subsequent to the application of ASU 2016-13, *Financial Instruments - Credit Losses ("CECL")*, we evaluate the cost basis of investments in securities not accounted for under the fair value option on at least a quarterly basis under ASC 326-30, *Financial Instruments-Credit Losses: Available-for-Sale Debt*

Securities. When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. We must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In our assessment of whether a credit loss exists, we compare the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in Provision (reversal) for credit losses on securities in the Consolidated Statements of Income. If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then we will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in Gain (loss) on settlement of investments, net in the Consolidated Statements of Income.

Periods prior to January 1, 2020 — We must assess whether unrealized losses on securities, if any, reflect a decline in value that is other-than-temporary and, if so, record an other-than-temporary impairment through earnings. A decline in value is deemed to be other-than-temporary if (i) it is probable that we will be unable to collect all amounts due according to the contractual terms of a security that was not impaired at acquisition (there is an expected credit loss), or (ii) if we have the intent to sell a security in an unrealized loss position or it is more likely than not that we will be required to sell a security in an unrealized loss position prior to its anticipated recovery (if any). For the purposes of performing this analysis, we will assume the anticipated recovery period is until the expected maturity of the applicable security. Also, for securities that represent beneficial interests in securitized financial assets within the scope of ASC 325-40, whenever there is a probable adverse change in the timing or amounts of estimated cash flows of a security from the cash flows previously projected, an other-than-temporary impairment will be deemed to have occurred. Our Non-Agency RMBS acquired with evidence of deteriorated credit quality for which it was probable, at acquisition, that we would be unable to collect all contractually required payments receivable, fall within the scope of ASC 310-30, as opposed to ASC No. 325-40. All of our other Non-Agency RMBS, those not acquired with evidence of deteriorated credit quality, fall within the scope of ASC 325-40.

Interest income recognition — There are several different accounting models that may be applicable for purposes of the recognition of interest income on RMBS depending on whether the security is designated as available-for-sale or fair value option.

The following accounting models apply to RMBS classified as available-for-sale:

(i) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, we expect to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that we would not recover substantially all of our recorded investment.

(ii) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that we would not recover substantially all of our recorded investment.

For RMBS of high credit quality accounted for under (i) above, we recognize interest income by applying the permitted "interest method," whereby purchase premiums and discounts are amortized and accreted, respectively, as an adjustment to contractual interest income accrued at each security's stated coupon rate. The interest method is applied at the individual security level based upon each security's effective interest rate. We calculate each security's effective interest rate at the time of purchase by solving for the discount rate that equates the present value of that security's remaining contractual cash flows (assuming no principal prepayments) to its purchase price. Because each security's effective interest rate does not reflect an estimate of future prepayments, we refer to this manner of applying the interest method as the "contractual effective interest method." When applying the contractual effective interest method to its investments in RMBS, as principal prepayments occur, a proportional amount of the unamortized premium or discount is recognized in interest income such that the contractual effective interest rate on the remaining security balance is unaffected.

For Non-Agency RMBS accounted for under (ii) above, we recognize interest income by applying the required prospective level-yield methodology. Interest income under this methodology is impacted by management judgments around both the amount and timing of credit losses (defaults) and prepayments. Consequently, interest income on these Non-Agency RMBS is recognized based on the timing and amount of cash flows expected to be collected, as opposed to being based on contractual cash flows. These securities are generally purchased at a discount to the principal amount. At the original acquisition date, we estimate the timing and amount of cash flows expected to be collected and calculate the present value of those amounts to our purchase price. In each subsequent balance sheet date, we revise our estimates of the remaining timing and amount of cash flows expected to be collected. If there is a positive change in the amount and timing of future cash flows expected to be collected from the previous estimate, the effective interest rate in future accounting periods may increase resulting in an increase in the reported amount of interest income in future periods. A positive change in the amount and timing of future cash flows expected to be collected is considered to have occurred when the net present value of future cash flows expected to be collected has increased from the previous estimate. This can occur from a change in either the timing of when cash flows are expected to be collected (i.e., from changes in prepayment speeds or the timing of estimated defaults) or in the amount of cash flows expected to be collected (i.e., from reductions in estimates of future defaults). If there is a negative or adverse change in the amount and timing of future cash flows expected to be collected from the previous estimate, and the security's fair value is below its amortized cost, an impairment loss equal to the adverse change in cash flows expected to be collected, discounted using the security's effective rate before impairment, is required to be recorded in current period earnings. Additionally, while the effective interest rate used to accrete interest income after an impairment has been recognized will generally be the same, the amount of interest income recorded in future periods will decline because of the reduced balance of the amortized cost basis of the investment to which such effective interest rate is applied.

The following accounting models apply to RMBS accounted for under the fair value option:

(iii) RMBS of high credit quality rated ‘AA’ or higher that, at the time of purchase, we expect to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that we would not recover substantially all of our recorded investment.

(iv) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that we would not recover substantially all of our recorded investment.

Interest income on RMBS accounted for in (iii) above is recognized based on the stated coupon rate and the outstanding principal amount. The original purchase premium or discount is not amortized or accreted as part of interest income but rather reflected as part of the security’s fair value.

Interest income on Non-Agency RMBS accounted for in (iv) above is recognized in accordance with the model described in (ii) above.

Residential Mortgage Loans

Classification and valuation — Loans are classified as (i) held-for-investment at fair value, (ii) held-for-sale at fair value or (iii) held-for-sale at lower of cost or fair value. Loans are also eligible to be accounted for under the fair value option which are recorded on the Consolidated Balance Sheets at fair value and the periodic changes in fair value is recorded as a component of Change in fair value of investments in the Statements of Income. When we have the intent and ability to hold loans for the foreseeable future or to maturity/payoff, such loans are classified as held for investment. When we have the intent to sell loans, such loans are classified as held for sale.

Our loans are generally categorized as Level 3 under the GAAP fair value hierarchy, as described in Note 13 to our Consolidated Financial Statements. The fair value of loans is affected by, among other things, changes in interest rates, credit performance, prepayments, and market liquidity. To the extent interest rates change or market liquidity and or credit conditions materially change, the value of these loans could decline, which could have a material effect on reported earnings.

For originated residential mortgage loans measured at fair value, the fair value is generally determined using a market approach by utilizing either (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics.

For acquired residential mortgage loans measured at fair value, the fair value is generally determined by discounting the expected future cash flows using inputs such as default rates, prepayment speeds and discount rates.

For loans measured at the lower of cost or fair value, we account for any excess of cost over fair value as a valuation allowance and include changes in the valuation allowance in in the period in which the change occurs. Purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred discounts or premiums are an adjustment to the basis of the loan and are included in the quarterly determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Interest income recognition — Interest earned on residential mortgage loans measured at fair value are reported in Interest income in the Consolidated Statements of Income.

Impairment — Subsequent to the adoption of CECL on January 1, 2020, all residential mortgage loans are carried at fair value or the lower of cost or fair value. As a result, these loans are not subject to an allowance for credit losses under the CECL impairment model.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans, are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when principal or interest is 120 days or more past due unless the loan is both well secured and in the process of collection. Loans held-for-sale are subject to the nonaccrual policy. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan. Our ability to recognize interest income on nonaccrual loans as cash interest payments are received rather than as a reduction of the carrying value of the loans is based on the recorded loan balance being deemed fully collectible.

Investment Consolidation

The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered are the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders, the relation of the equity holders to each other and a determination of the primary beneficiary in entities in which we have a variable interest. These analyses involve estimates, based on our assumptions, as well as judgments regarding significance and the design of entities.

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

Our investments and certain other interests in Non-Agency RMBS are variable interests. We monitor these investments and analyze the potential need to consolidate the related securitization entities pursuant to the VIE consolidation requirements.

These analyses require considerable judgment in determining whether an entity is a VIE and determining the primary beneficiary of a VIE since they involve subjective determinations of significance, with respect to both power and economics. The result could be the consolidation of an entity that otherwise would not have been consolidated or the de-consolidation of an entity that otherwise would have been consolidated.

Unless stated otherwise, we have not consolidated the securitization entities that issued our Non-Agency RMBS. This determination is based, in part, on our assessment that we do not have the power to direct the activities that most significantly impact the economic performance of these entities, such as if we owned a majority of the currently controlling class. In addition, we are not obligated to provide, and have not provided, any financial support to these entities.

We have not consolidated the entities in which we hold a 50% interest that made an investment in Excess MSRs. We have determined that the decisions that most significantly impact the economic performance of these entities will be made collectively by us and the other investor in the entities. In addition, these entities have sufficient equity to permit the entities to finance their activities without additional subordinated financial support. Based on our analysis, these entities do not meet any of the VIE criteria.

We have invested in Mr. Cooper serviced Servicer Advance Investments, including the basic fee component of the related MSRs, through the Buyer, of which we are the managing member. The Buyer was formed through cash contributions by us and third-parties in exchange for membership interests. As of December 31, 2020, we owned an approximately 73.2% interest in the Buyer, and the third-party investors owned the remaining membership interests. Through our managing member interest, we direct substantially all of the day-to-day activities of the Buyer. The third-party investors do not possess substantive participating rights or the power to direct the day-to-day activities that most directly affect the operations of the Buyer. In addition, no single third-party investor, or group of third-party investors, possesses the substantive ability to remove us as the managing member of the Buyer. We have determined that the Buyer is a voting interest entity. As a result of our managing member interest, which represents a controlling financial interest, we consolidate the Buyer and its wholly owned subsidiaries and reflect membership interests in the Buyer held by third parties as noncontrolling interests.

In July 2018, as a result of our acquisition of Shellpoint Partners LLC ("Shellpoint"), we consolidate Shellpoint Asset Funding Trust 2013-1 ("SAFT 2013-1") and the Shelter retail mortgage origination joint ventures ("Shelter JVs").

A wholly owned subsidiary of Shellpoint, NewRez, was deemed to be the primary beneficiary of the SAFT 2013-1 securitization entity as a result of its ability to direct activities that most significantly impact the economic performance of the entity in its role as servicer and its ownership of subordinate retained interests.

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

In October 2019, as a result of our acquisition of servicing assets from Ditech and our pre existing ownership of the equity, we consolidate Mid-State Capital Corporation 2004-1 Trust ("MDST 2004-1"), Mid-State Trust VII ("MDST VII"), Mid-State Trust VIII ("MDST VIII") and Mid-State Capital Trust 2010-1 ("MDST 2010-1") and collectively ("MDST Trusts"). Our determination to consolidate the MDST Trust is a result of our ownership of the equity in these trusts in conjunction with the ability to direct activities that most significantly impact the economic performance of the entities with the acquisition of the servicing by NewRez.

Income Taxes

We intend to operate in a manner that allows us to qualify for taxation as a REIT. As a result of our expected REIT qualification, we do not generally expect to pay U.S. federal or state and local corporate level taxes on income earned outside of our Taxable REIT Subsidiaries ("TRSs"). Many of the REIT requirements, however, are highly technical and complex. If we were to fail to meet the REIT requirements, we would be subject to U.S. federal, state and local income and franchise taxes, and we would face a variety of adverse consequences. See "Risk Factors—Risks Related to Our Taxation as a REIT." New Residential operates various business segments, including servicing, origination, and MSR related investments, through TRSs that are subject to regular corporate income taxes.

Recent Accounting Pronouncements

See Note 2 to our Consolidated Financial Statements.

Accounting Impact of Valuation Changes

New Residential's assets fall into three general categories as disclosed in the table below. These categories are:

Marked to Market Assets ("MTM Assets") — Assets that are marked to market through the Consolidated Statements of Income. Changes in the value of these assets (i) are recorded in the Consolidated Statement of Income, as unrealized gains or losses that impact net income, and (ii) impact our Total New Residential Stockholders' Equity (net book value).

Other Comprehensive Income Assets ("OCI Assets") — Assets that are marked to market through the Consolidated Statements of Comprehensive Income. Changes in the value of these assets (i) are recorded in the Consolidated Statements of Comprehensive Income as unrealized gains or losses, and therefore do not impact net income on the Consolidated Statement of Income, and (ii) impact our Total New Residential Stockholders' Equity (net book value).

Cost Assets — Assets that are not marked to market. Changes in value of these assets do not impact net income in the Consolidated Statement of Income nor do they impact our Total New Residential Stockholders' Equity (net book value).

An exception to these descriptions results from changes in value that represent impairment. Any such change (i) is recorded in the Consolidated Statements of Income, as impairment that impacts net income, and (ii) impacts our Total New Residential Stockholders' Equity (net book value). In the case of Residential mortgage loans, held-for-sale, at lower of cost or fair value, any reductions in value are considered impairment. Impairment on loans and REO as well as securities subsequent to the adoption of CECL on January 1, 2020 is subject to reversal if values subsequently increase.

All of New Residential’s liabilities, with the exception of derivatives, residential mortgage loan repurchase liability, and contingent consideration liabilities (which are marked to market through the Consolidated Statements of Income), are recorded at their amortized cost basis.

The table below summarizes New Residential’s assets by category as of December 31, 2020:

MTM Assets	OCI Assets	Cost Assets
Real estate and other securities accounted for under the fair value option	Real estate and other securities, available-for-sale	Residential mortgage loans, held-for-sale, at lower of cost or fair value
Excess MSRs		Real estate owned (REO)
Excess MSRs, equity method investees		Servicer advances receivable
MSRs		Trades receivable
MSR financing receivables		Deferred tax asset, net
Servicer advance investments		Other assets, except as described above
Certain assets within Other assets, primarily derivatives and equity investments		
Residential mortgage loans, held-for-sale at fair value		
Residential mortgage loans, held-for-investment, at fair value		
Consumer loans		

RESULTS OF OPERATIONS

The following tables summarize the changes in our results of operations for the year ended December 31, 2020 compared to 2019 year-to-year (dollars in thousands). Our results of operations are not necessarily indicative of our future performance.

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Revenues				
Interest income	$ 1,102,537	$ 1,766,130	$ (663,593)	(37.6)%
Servicing revenue, net of change in fair value of mortgage servicing rights of $(1,889,741) and $(712,950), respectively	(555,041)	385,159	(940,200)	(244.1)%
Gain on originated mortgage loans, held-for-sale, net	1,399,092	460,107	938,985	204.1 %
	1,946,588	2,611,396	(664,808)	(25.5)%
Expenses				
Interest expense	584,469	933,751	(349,282)	(37.4)%
General and administrative expenses	1,120,087	781,971	338,116	43.2 %
Management fee to affiliate	89,134	79,472	9,662	12.2 %
Incentive compensation to affiliate	—	91,892	(91,892)	(100.0)%
	1,793,690	1,887,086	(93,396)	(4.9)%
Other income (loss)				
Change in fair value of investments	(437,126)	(307,396)	(129,730)	42.2 %
Gain (loss) on settlement of investments, net	(930,131)	227,981	(1,158,112)	(508.0)%
Earnings from investments in consumer loans, equity method investees	—	(1,438)	1,438	(100.0)%
Other income (loss), net	(2,797)	39,819	(42,616)	(107.0)%
	(1,370,054)	(41,034)	(1,329,020)	3238.8 %
Impairment				
Provision (reversal) for credit losses on securities	13,404	25,174	(11,770)	(46.8)%
Valuation and credit loss provision (reversal) on loans and real estate owned (“REO”)	110,208	10,403	99,805	959.4 %
	123,612	35,577	88,035	247.4 %
Income (Loss) Before Income Taxes	(1,340,768)	647,699	(1,988,467)	(307.0)%
Income tax expense (benefit)	16,916	41,766	(24,850)	(59.5)%
Net Income (Loss)	$ (1,357,684)	$ 605,933	$ (1,963,617)	(324.1)%
Noncontrolling Interests in Income of Consolidated Subsidiaries	52,674	42,637	10,037	23.5 %
Dividends on Preferred Stock	54,295	13,281	41,014	308.8 %
Net Income (Loss) Attributable to Common Stockholders	$ (1,464,653)	$ 550,015	$ (2,014,668)	(366.3)%

Interest Income

Prior to the onset of the COVID-19 pandemic in mid-March 2020, we financed a significant portion of our interest-earning assets with repurchase agreements. As the COVID-19 pandemic began to unfold, financial and mortgage-related asset markets experienced significant volatility, causing, among other things, credit spread widening, a sharp decrease in interest rates and unprecedented illiquidity in repurchase agreement financing. These conditions put significant pressure on financing assets with repurchase agreements resulting in lenders initiating margin calls. In March 2020, we began selling assets to manage and generate liquidity and de-risk our balance sheet. We sold a substantial portion of our Non-Agency RMBS portfolio in March 2020 and realized significant losses as a result of these sales. Refer to Gain (loss) on investment of securities, net for further details. We also reduced our exposure to loan pools financed using repurchase agreements.

As a result of the factors discussed above, our total interest income for the year ended December 31, 2020 decreased by $663.6 million, of which $388.2 million was attributable to a smaller average size bond portfolio. The remainder of the decrease was driven by (i) a $181.3 million decrease from MSR related investments and servicing primarily due to MSR financing receivables transferring to investments in MSRs during the third quarter of 2020 (the revenue associated with these transferred

MSRs is reported as Servicing revenue, net rather than Interest income in our Consolidated Statements of Income), portfolio runoff, less REO referral commission due to lower volume, and decrease in ancillary and other fees due to lower interest rates, as well as (ii) a $115.1 million decrease largely attributable $3.0 billion of residential mortgage loan sales in April 2020 in response to COVID-19.

Servicing Revenue, Net

Servicing revenue, net recognized by New Residential related to its MSRs comprises the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Servicing fee revenue	$ 1,224,060	$ 899,623	$ 324,437	36.1 %
Ancillary and other fees	110,640	198,486	(87,846)	(44.3)%
Servicing fee revenue and fees	1,334,700	1,098,109	236,591	21.5 %
Change in fair value due to:				
Realization of cash flows	(1,360,954)	(530,031)	(830,923)	156.8 %
Change in valuation inputs and assumptions[(A)]	(531,183)	(186,204)	(344,979)	185.3 %
(Gain) loss on realized	2,396	3,285	(889)	(27.1)%
Servicing revenue, net	$ (555,041)	$ 385,159	$ (940,200)	(244.1)%

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

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Changes in interest rates and prepayment rates	$ (573,674)	$ (433,098)	$ (140,576)	32.5 %
Changes in discount rates	(1,705)	127,314	(129,019)	(101.3)%
Changes in other factors	44,196	119,580	(75,384)	(63.0)%
Total	$ (531,183)	$ (186,204)	$ (344,979)	185.3 %

Servicing revenue, net decreased $940.2 million for the year ended December 31, 2020 primarily driven by (i) a $830.9 million decline in fair value resulting from the realization of cash flows as a result of MSR acquisitions subsequent to December 31, 2019 and historically low mortgage rates which resulted in faster prepayments, (ii) a $345.0 million increase in negative mark-to-market adjustments, (iii) a $87.8 million decrease in ancillary and other fees due to lower interest rates, specifically lower interest earned on custodial accounts, partially offset by (iv) a $324.4 million increase in servicing collections as a result of MSR acquisitions that closed subsequent to December 31, 2019. The negative mark-to-market adjustments of $345.0 million for the year ended December 31, 2020 were primarily driven by changes in interest rates resulting in lower custodial earnings, faster prepayment rates, and higher delinquency rates due to changes in estimates regarding the economic outlook caused by COVID-19.

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

Gain on originated mortgage loans, held-for-sale, net increased $939.0 million for the year ended December 31, 2020 primarily driven by an increase in loan origination volume and higher gain on sales margins. As noted in the "Our Portfolio" section, during the year ended December 31, 2020, loan origination volume at NewRez was $61.6 billion, up from $22.3 billion in the year prior. During the twelve months ended December 31, 2020, the continued lower interest rate environment, increased refinance activity by borrowers, integration of Ditech's platform, and increased market share helped drive volume growth across all origination channels. Gain on sale margins during the year ended December 31, 2020 was 1.85%, 19% higher than 1.56% for the same period in 2019. The increase in margin was driven by higher investor demand for Agency securities during the first half of the year due to increased volatility caused by the onset of COVID-19 in mid-March 2020. Margins also benefited from decreasing interest rates throughout the year, resulting in higher volumes of loan refinancing.

Interest Expense

Interest expense decreased by $349.3 million for the year ended December 31, 2020 primarily attributable to (i) a $296.2 million decrease in the average size of our bond portfolio, (ii) an $80.3 million decrease largely driven by $3.0 billion of residential mortgage loan sales in April 2020 in response to COVID-19, and (iii) a $13.2 million decrease in interest expense due to runoff of MSR related investments, partially offset by (iv) a $36.8 million increase in interest expense as a result of entering into a three-year senior secured term loan facility for $600.0 million at 11.0% in May 2020 and subsequently refinanced in September 2020 with proceeds from the $550.0 million of 6.250% senior unsecured notes due 2025. Refer to the "Liquidity and Capital Resources" section for further details.

General and Administrative Expenses

General and administrative expenses is composed of the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Compensation and benefits expense	$ 230,009	$ 121,004	$ 109,005	90.1 %
Compensation and benefits expense, origination	341,637	164,485	177,152	107.7 %
Legal and professional expense	70,502	89,489	(18,987)	(21.2)%
Loan origination expense	92,081	45,483	46,598	102.5 %
Occupancy expense	36,799	19,388	17,411	89.8 %
Subservicing expense	201,444	227,482	(26,038)	(11.4)%
Loan servicing expense	14,126	31,737	(17,611)	(55.5)%
Property and maintenance expense	42,508	8,112	34,396	424.0 %
Other	90,981	74,791	16,190	21.6 %
	$ 1,120,087	$ 781,971	$ 338,116	43.2 %

General and administrative expenses increased $338.1 million for the year ended December 31, 2020 primarily attributable to increases in NewRez origination and servicing volumes. As noted in the "Our Portfolio" section, during the year, loan origination volume at NewRez was $61.6 billion, up from $22.3 billion in the year prior and loans serviced at NewRez was $297.8 billion UPB, up from $219.4 billion UPB in the year prior. Higher origination and servicing volumes resulted in higher headcount and the associated compensation and benefits expense, loan origination expense, and property and maintenance expense. Additionally, growth in Guardian Asset Management inspection and property management contracts resulted in the increase of $34.4 million of expenses incurred related to performing such services, accompanied with an increase in compensation and benefits due to higher employee headcount.

Management Fee to Affiliate

Management fee to affiliate increased $9.7 million for the year ended December 31, 2020 primarily as a result of the preferred share offering in the first quarter of 2020.

Incentive Compensation to Affiliate

Incentive compensation to affiliate decreased $91.9 million for the year ended December 31, 2020 due to the fact that the incentive calculation determined in accordance with the management agreement was in a cumulative net loss position.

Change in Fair Value of Investments

Change in fair value of investments is composed of the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Excess mortgage servicing rights	$ (16,232)	$ (10,505)	$ (5,727)	54.5 %
Excess mortgage servicing rights, equity method investees	(3,489)	6,800	(10,289)	(151.3)%
Mortgage servicing rights financing receivables	(279,168)	(189,023)	(90,145)	47.7 %
Servicer advance investments	763	10,288	(9,525)	(92.6)%
Real estate and other securities	28,455	2,101	26,354	1254.4 %
Residential mortgage loans	(107,604)	(70,914)	(36,690)	51.7 %
Consumer loans held-for-investment	(6,384)	—	(6,384)	— %
Derivative instruments	(53,467)	(56,143)	2,676	(4.8)%
Total	$ (437,126)	$ (307,396)	$ (129,730)	42.2 %

Change in Fair Value of Excess Mortgage Servicing Rights

Changes in the fair value of Excess MSRs related to the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Changes in interest rates and prepayment rates	$ 1,357	$ (18,279)	$ 19,636	(107.4)%
Changes in discount rates	(365)	13,446	(13,811)	(102.7)%
Changes in other factors	(17,224)	(5,672)	(11,552)	203.7 %
Total	$ (16,232)	$ (10,505)	$ (5,727)	54.5 %

The unfavorable mark-to-market adjustments for the year ended December 31, 2020 were primarily driven by increases in delinquency rates from higher forbearance in our conventional, Agency, and PLS Excess MSR pools. Lower recapture rates were also a key contributor to the negative mark-to-market adjustments seen during the year. The unfavorable mark-to-market fair value adjustments during the year ended December 31, 2019 were primarily driven by increased interest rates and prepayment rates, partially offset by a decrease in discount rates during the year.

Change in Fair Value of Excess Mortgage Servicing Rights, Equity Method Investees

Changes in the fair value of Excess MSRs, equity method investees related to the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Changes in interest rates and prepayment rates	$ (151)	$ (7,659)	$ 7,508	(98.0)%
Changes in discount rates	(82)	3,939	(4,021)	(102.1)%
Changes in other factors	(3,256)	10,520	(13,776)	(131.0)%
Total	$ (3,489)	$ 6,800	$ (10,289)	(151.3)%

The unfavorable mark-to-market adjustments during the year ended December 31, 2020 were primarily driven by increases in delinquency from higher forbearance in our conventional, Agency, and PLS Excess MSR pools. Lower recapture rates were also a key contributor to the negative mark-to-market adjustments seen during the year. The favorable mark-to-market adjustments for the year ended December 31, 2019 were primarily driven by interest income, net of expenses recorded at the investee level, a decrease in discount rates and delinquency rates, partially offset by increases in interest rates and prepayment rates.

Change in Fair Value of MSR Financing Receivables

The component of changes in the fair value of MSR financing receivables related to the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Realization of cash flows	$ (222,674)	$ (203,732)	$ (18,942)	9.3 %
Change in valuation inputs and assumptions[(A)]	(54,745)	21,094	(75,839)	(359.5)%
(Gain) loss on sales	(1,749)	(6,385)	4,636	(72.6)%
Total	$ (279,168)	$ (189,023)	$ (90,145)	47.7 %

(A) The following table summarizes the components of changes in the fair value of MSR financing receivables related to changes in valuation inputs and assumptions:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Changes in interest rates and prepayment rates	$ 29,334	$ (112,269)	$ 141,603	(126.1)%
Changes in discount rates	10,950	99,674	(88,724)	(89.0)%
Changes in other factors	(95,029)	33,689	(128,718)	(382.1)%
Total	$ (54,745)	$ 21,094	$ (75,839)	(359.5)%

The change in fair value of investments in MSR Financing Receivables decreased $90.1 million for the year ended December 31, 2020, of which $75.8 million was attributable to changes in valuation inputs and assumptions. The change in fair value for the year ended December 31, 2020 was primarily due to higher delinquency rates, partially offset by a decrease in discount rates and changes in interest rates. These changes resulted mainly from changes in estimates regarding the economic outlook caused by COVID-19. The remaining decrease was primarily due to an $18.9 million increase in realization of cash flows as a result of faster prepayments in 2020, partially offset by transfers from investments in MSR Financing Receivables to MSRs during the third quarter of 2020.

Change in Fair Value of Servicer Advance Investments

Changes in the fair value of Servicer Advance Investments related to the following:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Changes in interest rates and prepayment rates	$ (1,866)	$ 628	$ (2,494)	(397.1)%
Changes in discount rates	2,219	17,786	(15,567)	(87.5)%
Changes in other factors	410	(8,126)	8,536	(105.0)%
Total	$ 763	$ 10,288	$ (9,525)	(92.6)%

The positive mark-to-market adjustments during the year ended December 31, 2020 were mainly driven by a decrease in discount rates, partially offset by increased prepayment speeds. The positive mark-to-market adjustments during the year ended December 31, 2019 were mainly driven by a decrease in discount rates.

Change in Fair Value of Real Estate and Other Securities

The change in fair value of real estate and other securities increased $26.4 million for the year ended December 31, 2020 primarily due to higher purchases of Agency RMBS made throughout the year accounted for under the fair value option.

Change in Fair Value of Residential Mortgage Loans

The change in fair value of residential mortgage loans decreased $36.7 million for the year ended December 31, 2020 primarily due to (i) a $239.6 million decrease related to changes in valuation inputs and assumptions largely driven by the economic outlook caused by COVID-19, offset by (ii) $276.3 million of higher unrealized losses on loans compared to the prior year.

Change in Fair Value of Consumer Loans

Change in fair value of consumer loans decreased $6.4 million for the year ended December 31, 2020 due to unfavorable changes in inputs and assumptions largely driven by the economic outlook caused by COVID-19.

Change in Fair Value of Derivative Instruments

Change in fair value of derivative instruments increased $2.7 million for the year ended December 31, 2020 primarily due to a decrease in unrealized loss on interest rate swaps largely resulting from changes in the forward LIBOR curve during the year.

Gain (Loss) on Settlement of Investments, Net

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

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Gain (loss) on sale of real estate securities	$ (753,713)	$ 205,989	$ (959,702)	(466)%
Gain (loss) on sale of acquired residential mortgage loans	(5,662)	153,174	(158,836)	(104)%
Gain (loss) on settlement of derivatives	(74,812)	(129,923)	55,111	(42)%
Gain (loss) on liquidated residential mortgage loans	4,644	(4,872)	9,516	(195)%
Gain (loss) on sale of REO	(21,925)	(11,521)	(10,404)	90 %
Gain (loss) on extinguishment of debt	(66,233)	(8,532)	(57,701)	676 %
Gain (loss) on Excess MSR recapture agreements	—	—	—	— %
Other gains (losses)	(12,430)	23,666	(36,096)	(153)%
	$ (930,131)	$ 227,981	$ (1,158,112)	(508)%

Gain (loss) on settlement of investments, net decreased $1,158.1 million for the year ended December 31, 2020 primarily due to (i) $959.7 million of losses incurred on sales of Non-Agency RMBS during March 2020 in order to generate liquidity and de-risk our balance sheet in response to the increased market volatility attributable to the onset of the COVID-19 pandemic, (ii) a

$121.0 million decrease in gains realized on collapse transactions due to lower collapse volume during the year, (iii) a $57.7 million loss on extinguishment of debt primarily attributable to the 2020 term loan refinancing in the third quarter, (iv) a $41.6 million loss on loan sales during the year, (v) a $22.9 million increase in loss on sales of MSRs, (vi) a $10.4 million increase in loss on REO sales related to legacy receivable write-offs during the fourth quarter of 2020, partially offset by (vii) a $50.2 million decrease in losses on TBAs, and (viii) a $4.9 million increase in gain on settlement of derivatives.

Other Income (Loss), Net

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

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Amount	%
Unrealized gain (loss) on secured notes and bonds payable	$ (966)	$ (1,236)	$ 270	(21.8)%
Unrealized gain (loss) on contingent consideration	(6,568)	(10,487)	3,919	(37.4)%
Unrealized gain (loss) on equity investments	(54,455)	(3,096)	(51,359)	1658.9 %
Gain (loss) on transfer of loans to REO	7,945	11,842	(3,897)	(32.9)%
Gain (loss) on transfer of loans to other assets	(939)	(1,144)	205	(17.9)%
Gain (loss) on Ocwen common stock	3,235	174	3,061	1759.2 %
Provision for servicing losses	(15,330)	(9,102)	(6,228)	68.4 %
Bargain Purchase Gain	—	49,539	(49,539)	(100.0)%
Rental and ancillary revenue	25,409	6,732	18,677	277.4 %
Property and maintenance revenue	70,527	14,449	56,078	388.1 %
Other income (loss)	(31,655)	(17,852)	(13,803)	77.3 %
	$ (2,797)	$ 39,819	$ (42,616)	(107.0)%

As summarized in the table above, Other income decreased $42.6 million for the year ended December 31, 2020 primarily due to an increase in unrealized losses on our equity method investments (TSX and Covius), one time gains in 2019 related to the Ditech purchase, Springcastle acquisition, partially offset by an increase of property inspection and maintenance revenue at Guardian, as well as a $16.4 million increase of recovery income.

Provision (Reversal) for Credit Losses on Securities

The provision for credit losses on securities decreased $11.8 million for the year ended December 31, 2020 primarily due to a smaller average bond portfolio due to sales of securities during the year in response to COVID-19, newly acquired securities accounted for under the fair value election, and improved credit spreads throughout the year on our Non-Agency RMBS.

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

Valuation and credit loss provision (reversal) on loans and real estate owned increased $99.8 million primarily due to (i) a $133.2 million increase in impairment on residential mortgage loans related to the economic outlook caused by COVID-19, partially offset by (ii) a $31.0 million decrease in the provision due to the application of the fair value election on consumer loans in conjunction with the adoption of CECL on January 1, 2020.

Income Tax Expense (Benefit)

Income tax expense (benefit) decreased $24.9 million for the year ended December 31, 2020 primarily driven by deferred tax benefits from changes in the fair value of loans and MSRs during the first quarter of 2020, offset by deferred tax expense generated from income in our servicing and origination segments in subsequent quarters. The taxable income of the operating businesses is largely absorbed by our historical net operating losses, reducing current taxable income in our TRSs.

Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries

Noncontrolling interests ("NCI") in income of consolidated subsidiaries increased by $10.0 million primarily due to (i) a $9.4 million increase in NCI at the Shelter JVs, driven by higher earnings from originations, and (ii) a $4.0 million increase in NCI related to our Consumer Loan Companies, which are 46.5% owned by third parties, partially offset by (iii) a $3.4 million decrease in other's interest in the net income of the Buyer as a result of lower fair value adjustments and interest income during the twelve months ended December 31, 2020.

Dividends on Preferred Stock

The dividends on preferred stock is related to our 7.500% Preferred Series A, 7.125% Preferred Series B, and 6.375% Preferred Series C. There was a $41.0 million increase in dividends on our preferred stock during the year ended December 31, 2020 attributable to the issuance of the Preferred Series A, Preferred Series B, and Preferred Series C in July 2019, August 2019, and February 2020, respectively.

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

Our primary uses of funds are the payment of interest, management fees, incentive compensation, servicing and subservicing expenses, outstanding commitments (including margins and mortgage loan originations), other operating expenses, repayment of borrowings and hedge obligations, dividends and funding of future servicer advances. The ongoing economic impact of the COVID-19 pandemic has resulted in an increase in servicing advances and liquidity demands related to the utilization of forbearance programs offered by the CARES Act. Since April 2020, we expanded our committed advance facilities capacity by $1.4 billion, which we believe will be adequate for our needs. In addition, in May 2020, we entered into a three-year senior secured term loan facility agreement in principal amount of $600.0 million with a fixed annual rate of 11.00%. In September 2020, we priced $550 million of 6.250% senior unsecured notes due 2025. The net proceeds from the offering were used, together with cash on hand, to prepay and retire the existing three-year senior secured term loan facility. The issuance of term debt during 2020 increased our cash on hand to higher than normal relative to historical periods and we continue to hold an increased amount of unrestricted cash due to the uncertainty surrounding the reopening of the economy and the continued spread of COVID-19. Total cash and cash equivalents at December 31, 2020 was $944.9 million compared to $528.7 million at December 31, 2019.

Our ability to utilize funds generated by the MSRs held in our servicer subsidiaries, NRM and NewRez, is subject to and limited by certain regulatory requirements, including maintaining excess capital and related tangible net worth. As of December 31, 2020, approximately $580.6 million of our cash and cash equivalents was held at NRM and NewRez, of which $412.6 million was in excess of regulatory liquidity requirements. NRM and NewRez are expected to maintain compliance with applicable net worth requirements throughout the year.

Currently, our primary sources of financing are secured financing agreements, secured notes and bonds payable, securitizations and unsecured term loan. As of December 31, 2020, we had outstanding secured financing agreements with an aggregate face amount of approximately $17.6 billion to finance our investments. The financing of our entire RMBS portfolio, which generally has 30- to 90-day terms, is subject to margin calls. Under secured financing agreements, we sell a security to a counterparty and concurrently agree to repurchase the same security at a later date for a higher specified price. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the financing. The price at which the security is sold generally represents the market value of the security less a discount or "haircut," which can range broadly, for example from 3%-12% for Agency RMBS, 12%-80% for Non-Agency RMBS, and 5%-25% for residential mortgage loans. During the term of the secured financing agreement, the counterparty holds the security as collateral. If the agreement is subject to margin calls, the counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the agreement. If this value declines by more than a de minimis threshold, the counterparty could require us to post additional collateral (or "margin") in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that may be subject to margin calls based on the value of such instruments. In addition, $3.0 billion face amount of our MSR and Excess MSR financing is subject to mandatory monthly repayment to the extent that the outstanding balance exceeds the market value (as defined in the related agreement) of the financed asset multiplied by the contractual maximum loan-to-value ratio. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls or related requirements resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates.

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

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

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

As the COVID-19 pandemic unfolded in the U.S. in mid-March 2020, financial and mortgage-related asset markets experienced significant volatility. During March and April of 2020, the significant dislocation in the financial markets caused, among other things, credit spread widening, a sharp decrease in interest rates and unprecedented illiquidity in repurchase agreement financing and mortgage-backed securities markets. These conditions put significant pressure on the mortgage REIT industry, including as related to financing operations, pricing mortgage assets and meeting liquidity needs. With respect to repurchase agreements, we observed (i) an increase in haircuts and (ii) a mark-down of our mortgage assets held as collateral by our financing counterparties, which resulted in us having to provide additional cash or securities to satisfy higher than historical levels of margin calls. As a response, we used our cash on hand, a portion of the approximately $389.5 million proceeds from our underwritten public offering of 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock in February 2020 and the proceeds from asset sales to meet margin calls. Furthermore, in the aftermath of these events, we took a number of immediate and on-going actions to increase our liquidity and stabilize financing sources, both as a means of strengthening our balance sheet. As a result of the unprecedented illiquidity in repurchase agreement financing, we procured and continue to procure financing, such as securitizations and term financings, that provides less or no exposure to fluctuations in the daily collateral repricing determinations. We achieved this by securing longer-dated financing arrangements such as the aforementioned three-year senior secured term loan facility agreement in principal amount of $600.0 million with a fixed annual rate of 11.00% (subsequently refinanced with a $550 million of 6.250% senior unsecured notes due 2025), moving more of our financing into the capital markets and negotiating margin holidays with regards to certain assets. While the cost of funds for such financings may be greater relative to repurchase agreement funding, we believe, given on-going market conditions, financing with more limited mark-to-market provisions allows us to better manage our liquidity risk and reduce exposures to events like those caused by the COVID-19 pandemic. We will continue in the near term to explore additional financing arrangements to further strengthen our balance sheet and position ourselves for future investment opportunities. Refer to "Our Portfolio" section for further discussion regarding changes to our financing structure.

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

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

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

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

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

Debt Obligations

The following table presents certain information regarding New Residential's secured financing agreements and secured notes and bonds payable debt obligations:

	December 31, 2020									December 31, 2019
						Collateral				
Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value[A]	Final Stated Maturity[B]	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)	Carrying Value[A]
Secured Financing Agreements[C]										
Repurchase Agreements:										
Warehouse Credit Facilities-Residential Mortgage Loans[F]	$ 4,043,156	$ 4,039,564	Feb-21 to Dec-22	2.18 %	0.6	$ 4,370,264	$ 4,496,831	$ 4,465,054	19.5	$ 5,053,207
Agency RMBS[D]	12,682,427	12,682,427	Jan-21	0.24 %	0.2	12,929,057	13,715,013	13,800,351	0.9	15,481,677
Non-Agency RMBS[E]	818,063	817,209	Jan-21 to Mar-21	3.48 %	0.3	17,183,226	1,534,798	1,548,351	0.7	7,317,519
Real Estate Owned[G] [H]	8,480	8,480	Feb-21 to Dec-22	3.13 %	1.9	N/A	N/A	11,098	N/A	63,822
Total Secured Financing Agreements	17,552,126	17,547,680		0.84 %	0.3					27,916,225
Secured Notes and Bonds Payable										
Excess MSRs[I]	275,088	275,088	Aug-24	4.36 %	3.7	101,142,417	317,234	398,969	6.1	217,300
MSRs[J]	2,704,923	2,691,791	Jul-22 to Dec-25	4.52 %	3.5	416,212,194	4,457,541	4,400,657	5.6	2,640,036
Servicer Advance Investments[K]	423,144	423,144	Apr-21 to Dec-22	1.45 %	1.5	449,150	512,958	538,056	6.0	443,248
Servicer Advances[K]	2,593,643	2,585,575	Apr-21 to Sep-23	2.42 %	1.8	2,970,329	3,002,267	3,002,267	0.7	2,738,424
Residential Mortgage Loans[L]	1,045,275	1,039,838	Apr-21 to Aug-60	4.25 %	30.2	1,602,289	1,535,095	1,365,250	4.8	864,451
Consumer Loans[M]	625,166	628,759	Sep -37	2.03 %	3.6	618,055	682,866	682,866	3.6	816,689
Total Secured Notes and Bonds Payable	7,667,239	7,644,195		3.39 %	6.5					7,720,148
Total/Weighted Average	$ 25,219,365	$ 25,191,875		1.61 %	2.2					$ 35,636,373

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity through the date of issuance were refinanced, extended or repaid.

(C) These secured financing agreements had approximately $48.5 million of associated accrued interest payable as of December 31, 2020.

(D) All Agency RMBS repurchase agreements have a fixed rate.

(E) All Non-Agency RMBS secured financing agreements have LIBOR-based floating interest rates. This also includes repurchase agreements and related collateral of $25.2 million and $35.1 million, respectively, on retained bonds collateralized by Agency MSRs.

(F) Includes $258.0 million of repurchase agreements which bear interest at a fixed rate of 4.4%. All remaining repurchase agreements have LIBOR-based floating interest rates.

(G) All repurchase agreements have LIBOR-based floating interest rates.

(H) Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

(I) Includes $275.1 million of corporate loans which bear interest at a fixed rate of 4.4%.

(J) Includes $425.1 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.5%; $329.9 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.5%; and $1,950.0 million of capital markets notes with fixed interest rates ranging 3.8% to 5.4%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and MSR financing receivables that secure these notes.

(K) $2.0 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.2% to 1.9%. Collateral includes Servicer Advance Investments, as well as servicer advances receivable related to the MSRs and MSR financing receivables owned by NRM.

(L) Represents (i) a $5.7 million note payable to Mr. Cooper which includes a $1.5 million receivable from government agency and bears interest equal to one-month LIBOR plus 2.9%, (ii) $58.3 million of SAFT 2013-1 mortgage-backed securities issued with fixed interest rate of 3.7% (see Note 13 for fair value details), (iii) $150.9 million of MDST Trusts asset-backed notes held by third parties which bear interest equal to 6.6% (see Note 13 for fair value details), and (iv) $947.5 million of bonds held by third parties which bear interest at a fixed rate ranging from 3.2% to 5.0%.

(M) Includes the SpringCastle debt, which is composed of the following classes of asset-backed notes held by third parties: \$572.1 million UPB of Class A notes with a coupon of 2.0% and a stated maturity date in September 2037 and \$53.0 million UPB of Class B notes with a coupon of 2.7% and a stated maturity date in May 2036.

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

We have margin exposure on \$17.6 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, we may be required to post margin, which could significantly impact our liquidity.

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

		Year Ended December 31, 2020		
	Outstanding Balance at December 31, 2020	Average Daily Amount Outstanding(A)	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
Secured Financing Agreements				
Agency RMBS	$ 12,682,427	$ 8,707,956	$ 31,770,128	0.89 %
Non-Agency RMBS	818,063	2,911,348	8,235,316	3.19 %
Residential mortgage loans	3,679,978	3,649,004	6,668,812	2.31 %
Real estate owned	438	39,074	110,442	2.76 %
Secured Notes and Bonds Payable				
Excess MSRs	—	50,000	50,000	4.16 %
MSRs	—	1,233,560	2,059,551	3.65 %
Servicer advances	882,761	748,098	1,263,003	2.71 %
Residential mortgage loans	5,744	79,747	210,877	3.37 %
Total/Weighted Average	$ 18,069,411	$ 17,418,787		1.38 %

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

	Average Daily Amount Outstanding(A)			
	Three Months Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Secured Financing Agreements				
Agency RMBS	11,391,397	6,899,998	1,175,803	15,250,971
Non-Agency RMBS	447,824	1,459,942	2,092,963	7,216,191
Residential mortgage loans	3,655,906	3,112,376	3,180,499	4,869,240
Real estate owned	2,581	3,222	76,763	75,173

	Average Daily Amount Outstanding(A)			
	Three Months Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Secured Financing Agreements				
Agency RMBS	14,939,907	10,544,720	6,846,716	5,364,480
Non-Agency RMBS	7,403,488	7,986,868	7,675,607	7,399,226
Residential mortgage loans	2,644,559	3,432,062	2,681,220	2,155,752
Real estate owned	66,317	58,390	48,247	91,025

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

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

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

In conjunction with the issuance of the 2020 Term Loan, we issued warrants providing the lenders with the right to acquire, subject to anti-dilution adjustments, up to 43.4 million shares of the Company's common stock in the aggregate. The 2020 Warrants are exercisable in cash or on a cashless basis and expire on May 19, 2023 and are exercisable, in whole or in part, at any time or from time to time after September 19, 2020 at the following prices: approximately 24.6 million shares of common stock at $6.11 per share and approximately 18.9 million shares of common stock at $7.94 per share.

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

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

Year	**Price**
2022	103.125%
2023	101.563%
2024 and thereafter	100.000%

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

For additional information on our debt activities, see Note 12 to our Consolidated Financial Statements.

Repurchase Agreements

New Residential has outstanding repurchase agreements with terms that generally conform to the terms of the standard master repurchase agreement published by the Securities Industry and Financial Markets Association as to repayment, margin requirements and segregation of all securities sold under any repurchase transactions. In addition, each counterparty typically requires additional terms and conditions to the standard master repurchase agreement, including changes to the margin maintenance requirements, required haircuts, purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default provisions. These provisions may differ by counterparty and are not determined until New Residential engages in a specific repurchase transaction.

Servicer Advance Notes Payable (the "Servicer Advance Notes")

Following their revolving period, principal will be paid on the Servicer Advance Notes to the extent of available funds and in accordance with the priorities of payments set forth in the related transaction documents. The following table sets forth information regarding these revolving periods as of December 31, 2020 (dollars in thousands):

Servicer Advance Note Amount	Revolving Period Ends(A)
$ 755,801	April 2021
115,118	May 2021
11,842	August 2021
134,026	August 2022
500,000	October 2022
300,000	December 2022
600,000	August 2023
600,000	September 2023
$ 3,016,787	

(A) On the earlier of this date or the occurrence of an early amortization event or a target amortization event.

Upon the occurrence of an early amortization event or a target amortization event, there is either an interest rate increase on the Servicer Advance Notes, a rapid amortization of the Servicer Advance Notes or an acceleration of principal repayment, or all of the foregoing.

The early amortization and target amortization events under the Servicer Advance Notes include (i) the occurrence of an event of default under the transaction documents, (ii) failure to satisfy an interest coverage test, (iii) the occurrence of any servicer default or termination event for pooling and servicing agreements representing 15% or more (by mortgage loan balance as of the date of termination) of all the pooling and servicing agreements related to the purchased basic fee subject to certain exceptions, (iv) failure to satisfy a collateral performance test measuring the ratio of collected advance reimbursements to the balance of advances, (v) for certain Servicer Advance Notes, failure to satisfy minimum tangible net worth requirements for the applicable servicer, the Buyer or New Residential, (vi) for certain Servicer Advance Notes, failure to satisfy minimum liquidity requirements for the applicable servicer and the Buyer, (vii) for certain Servicer Advance Notes, failure to satisfy leverage tests for the applicable servicer, the Buyer or New Residential, (viii) for certain Servicer Advance Notes, a change of control of the Buyer or New Residential, (ix) for certain Servicer Advance Notes, a change of control of the applicable servicer, (x) for certain Servicer Advance Notes, the failure of the applicable servicer to maintain minimum servicer ratings, (xi) for certain Servicer Advance Notes, certain judgments against the Buyer or certain other subsidiaries of New Residential in excess of certain thresholds, (xii) for certain Servicer Advance Notes, payment default under, or an acceleration of, other debt of the Buyer or certain other subsidiaries of New Residential, (xiii) failure to deliver certain reports, and (xiv) material breaches of any of the transaction documents.

Certain of the Servicer Advance Notes accrue interest based on a floating rate of interest. Servicer advances and deferred servicing fees are non-interest bearing assets. The interest obligations in respect of certain of the Servicer Advance Notes are not supported by any interest rate hedging instrument or arrangement. If the applicable index rate for purposes of determining the interest rates on the Servicer Advance Notes rises, there may not be sufficient collections on the servicer advances and deferred servicing fees and a target amortization event or an event of default could occur in respect of certain Servicer Advance Notes. This could result in a partial or total loss on our investment.

Maturities

Our debt obligations as of December 31, 2020, as summarized in Note 12 to our Consolidated Financial Statements, had contractual maturities as follows (in thousands):

Year Ending	Nonrecourse(A)	Recourse(B)	Total
2021	$ 882,761	$ 17,186,206	$ 18,068,967
2022	800,000	1,260,621	2,060,621
2023	1,200,000	302,851	1,502,851
2024	—	583,801	583,801
2025	257,468	1,888,428	2,145,896
2026 and thereafter	1,407,229	—	1,407,229
	$ 4,547,458	$ 21,221,907	$ 25,769,365

(A) Includes secured notes and bonds payable of $4.5 billion.
(B) Includes secured financing agreements and secured notes and bonds payable of $17.7 billion and $3.5 billion, respectively.

The weighted average differences between the fair value of the assets and the face amount of available financing for the Agency RMBS repurchase agreements (including amounts related to Trades Receivable) and Non-Agency RMBS repurchase agreements were 8.1% and 47.2%, respectively, and for Residential Mortgage Loans and Real Estate Owned were 9.4% and 23.6%, respectively, during the year ended December 31, 2020.

Borrowing Capacity

The following table represents our borrowing capacity as of December 31, 2020 (in thousands):

Debt Obligations/ Collateral	Borrowing Capacity	Balance Outstanding	Available Financing(A)
<u>Secured Financing Agreements</u>			
Residential mortgage loans and REO	$ 4,913,746	$ 1,254,198	$ 3,659,548
New Loan Origination	6,823,000	2,797,437	4,025,563
<u>Secured Notes and Bonds Payable</u>			
Excess MSRs	286,380	275,088	11,292
MSRs(B)	3,689,991	2,704,923	985,068
Servicer advances(A)(B)	4,365,000	3,016,787	1,348,213
	$ 20,078,117	$ 10,048,433	$ 10,029,684

(A) Our unused borrowing capacity is available to us if we have additional eligible collateral to pledge and meet other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate.
(B) The borrowing capacity for servicing advance and MSR capital notes is equal to the current outstanding principal note balance at December 31,2020.

Covenants

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in our equity or failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. We were in compliance with all of our debt covenants as of December 31, 2020.

Stockholders' Equity

Preferred Stock

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

The table below summarizes Preferred Shares:

Series	Number of Shares December 31, 2020	2019	Liquidation Preference(A) December 31, 2020	2019	Issuance Discount	Carrying Value	Dividends Declared per Share Year Ended December 31, 2020	2019	2018
Fixed-to-floating rate cumulative redeemable preferred:									
Series A, 7.50% issued July 2019	6,210	6,210	$ 155,250	$ 155,250	3.15 %	$ 150,026	$ 1.88	$ 1.16	$ —
Series B, 7.125% issued August 2019	11,300	11,300	282,500	282,500	3.15 %	273,418	1.78	0.89	—
Series C, 6.375% issued February 2020	16,100	—	402,500	—	3.15 %	389,548	1.60	—	—
Total	33,610	17,510	$ 840,250	$ 437,750		$ 812,992	$ 5.26	$ 2.05	$ —

(A) Each series has a liquidation preference of $25.00 per share.

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

From and including, July 2, 2019, August 15, 2019, and February 14, 2020 but excluding, August 15, 2024 and February 15, 2025, holders of shares of our Preferred Series A, Preferred Series B, and Preferred Series C are entitled to receive cumulative cash dividends at a rate of 7.50%, 7.125%, and 6.375% per annum of the $25.00 liquidation preference per share (equivalent to $1.875, $1.781, and $1.600 per annum per share), respectively, and from and including August 15, 2024 and February 15, 2025, at a floating rate per annum equal to the three-month LIBOR plus a spread of 5.802%, 5.640%, and 4.969% per annum, respectively. Dividends are payable quarterly in arrears on or about the 15th day of each February, May, August and November.

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

Common Stock

Our certificate of incorporation authorizes 2,000,000,000 shares of common stock, par value $0.01 per share.

Approximately 2.4 million shares of our common stock were held by Fortress, through its affiliates, and its principals as of December 31, 2020.

In February 2019, we issued 46.0 million shares of our common stock in a public offering at a price to the public of $16.50 per share for net proceeds of approximately $751.7 million. To compensate the Manager for its successful efforts in raising capital for us, in connection with this offering, we granted options to the Manager relating to 4.6 million shares of our common stock at the public offering price, which had a fair value of approximately $3.8 million as of the grant date. The assumptions used in valuing the options were: a 2.40% risk-free rate, a 9.30% dividend yield, 19.26% volatility and a 10-year term.

On August 20, 2019, we announced that our board of directors had authorized the repurchase of up to $200.0 million of our common stock through December 31, 2020. Repurchases may be made at any time and from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Exchange Act, by means of one or more tender offers, or otherwise, in each case, as permitted by securities laws and other legal and contractual requirements. The amount and timing of the purchases will depend on a number of factors including the price and availability of our shares, trading volume, capital availability, our performance and general economic and market conditions. The share repurchase program may be suspended or discontinued at any time. No share repurchases have been made as of the filing of this report. Repurchases may impact our financial results, including fees paid to our Manager.

As of December 31, 2020, our outstanding options had a weighted average exercise price of $16.30. Our outstanding options as of December 31, 2020 were summarized as follows:

Held by the Manager	11,991,622
Issued to the Manager and subsequently assigned to certain of the Manager's employees	2,430,033
Issued to the independent directors	7,000
Total	14,428,655

Accumulated Other Comprehensive Income (Loss)

During the year ended December 31, 2020, our accumulated other comprehensive income changed due to the following factors (in thousands):

	Total Accumulated Other Comprehensive Income
Balance at December 31, 2019	$ 682,151
Net unrealized gain (loss) on securities	123,855
Reclassification of net realized (gain) loss on securities into earnings	(740,309)
Balance at December 31, 2020	$ 65,697

Our GAAP equity changes as our real estate securities portfolio is marked to market each quarter, among other factors. The primary causes of mark to market changes are changes in interest rates and credit spreads. During the year ended December 31, 2020, we recorded unrealized losses on our real estate securities primarily caused by performance, liquidity and other factors related specifically to certain investments, coupled with a net widening of credit spreads. We recorded credit impairment charges of $13.4 million with respect to real estate securities and realized gains of $753.7 million on sales of real estate securities.

See "—Market Considerations" above for a further discussion of recent trends and events affecting our unrealized gains and losses as well as our liquidity.

Common Dividends

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

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

Consistent with our intention to enhance our liquidity and strengthen our cash position in response to COVID-19, during the first quarter of 2020, our board of directors adjusted the quarterly cash dividend on our shares of common stock to $0.05 per share from $0.50 per share. During the second quarter of 2020, our board of directors adjusted the quarterly cash dividend on our shares of common stock to $0.10 per share from $0.05 per share. During the third quarter of 2020, our board of directors increased the quarterly cash dividend on our shares of common stock to $0.15 per share from $0.10 per share. During the fourth quarter of 2020, our board of directors increased the quarterly cash dividend on our shares of common stock to $0.20 per share from $0.15 per share.

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

Cash Flow

Operating Activities

Net cash flows provided by operating activities increased approximately $3.5 billion for the year ended December 31, 2020 as compared to the year ended December 31, 2019. Operating cash inflows for the year ended December 31, 2020 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale of $65.2 billion, servicing fees received of $1.4 billion, net interest income received of $852.0 million, and net recoveries of servicer advances receivable of $336.6 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of $3.4 billion, loan originations of $61.0 billion, incentive compensation and management fees paid to the Manager of $180.6 million, income taxes paid of $0.1 million, subservicing fees paid of $416.3 million, and other outflows of approximately $1.2 billion including general and administrative costs and loan servicing fees.

Investing Activities

Cash flows provided by (used in) investing activities were $8.6 billion, ($10.9 billion) and ($5.2 billion) for the years ended December 31, 2020, 2019 and 2018, respectively. Investing activities consisted primarily of the acquisition of MSRs, real estate securities, and the funding of servicer advances, net of principal repayments from Servicer Advance Investments, MSRs, real estate securities and loans as well as proceeds from the sale of real estate securities, loans and REO, and derivative cash flows.

Financing Activities

Cash flows provided by (used in) financing activities were approximately ($10.1 billion), $12.8 billion and $6.4 billion during the years ended December 31, 2020, 2019 and 2018, respectively. Financing activities consisted primarily of borrowings net of repayments under debt obligations, margin deposits net of returns, equity offerings, capital contributions net of distributions from noncontrolling interests in the equity of consolidated subsidiaries, and payment of dividends.

INTEREST RATE, CREDIT AND SPREAD RISK

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

OFF-BALANCE SHEET ARRANGEMENTS

We have material off-balance sheet arrangements related to our non-consolidated securitizations of residential mortgage loans treated as sales in which we retained certain interests. We believe that these off-balance sheet structures presented the most efficient and least expensive form of financing for these assets at the time they were entered, and represented the most common market-accepted method for financing such assets. Our exposure to credit losses related to these non-recourse, off-balance sheet financings is limited to $1.4 billion. As of December 31, 2020, there was $14.2 billion in total outstanding unpaid principal balance of residential mortgage loans underlying such securitization trusts that represent off-balance sheet financings.

We did not have any other off-balance sheet arrangements as of December 31, 2020. We did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes, other than the entities described above. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment and do not intend to provide additional funding to any such entities.

CONTRACTUAL OBLIGATIONS

As of December 31, 2020, we had the following material contractual obligations:

<u>Contract</u>	<u>Terms</u>
<u>Debt Obligations</u>	
Secured Financing Agreements	Described under Note 12 to our Consolidated Financial Statements.
Secured Notes and Bonds Payable	Described under Note 12 to our Consolidated Financial Statements.
Unsecured Senior Notes	Described under Note 12 to our Consolidated Financial Statements.
<u>Other Contractual Obligations</u>	
Management Agreement	For its services, our Manager is entitled to management fees, incentive fees, and reimbursement for certain expenses, as defined in, and in accordance with the terms of, the Management Agreement. Such terms are described in Note 17 to our Consolidated Financial Statements.
Interest Rate Swaps	Described under Note 11 to our Consolidated Financial Statements.

See Notes 16 and 20 to our Consolidated Financial Statements for information regarding commitments and material contracts entered into subsequent to December 31, 2020, if any. As described in Note 16, we have committed to purchase certain future servicer advances. The actual amount of future advances is subject to significant uncertainty. However, we currently expect that net recoveries of servicer advances will exceed net fundings for the foreseeable future. This expectation is based on judgments, estimates and assumptions, all of which are subject to significant uncertainty as further described in "—Critical Accounting Policies and Use of Estimates—Servicer Advance Investments." In addition, the Consumer Loan Companies have invested in loans with an aggregate of $23.2 million of unfunded and available revolving credit privileges as of December 31, 2020. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at management's discretion.

INFLATION

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

CORE EARNINGS

New Residential has five primary variables that impact its operating performance: (i) the current yield earned on the Company's investments, (ii) the interest expense under the debt incurred to finance the Company's investments, (iii) the Company's operating expenses and taxes, (iv) the Company's realized and unrealized gains or losses on the Company's investments, including any impairment or reserve for expected credit losses and (v) income from its origination and servicing businesses. "Core earnings" is a non-GAAP measure of the Company's operating performance, excluding the fourth variable above and adjusts the earnings from the consumer loan investment to a level yield basis. Core earnings is used by management to evaluate the Company's performance without taking into account: (i) realized and unrealized gains and losses, which although they represent a part of the Company's recurring operations, are subject to significant variability and are generally limited to a potential indicator of future economic performance; (ii) incentive compensation paid to the Company's manager; (iii) non-capitalized transaction-related expenses; and (iv) deferred taxes, which are not representative of current operations.

The Company's definition of core earnings includes accretion on held-for-sale loans as if they continued to be held-for-investment. Although the Company intends to sell such loans, there is no guarantee that such loans will be sold or that they will be sold within any expected timeframe. During the period prior to sale, the Company continues to receive cash flows from such loans and believes that it is appropriate to record a yield thereon. In addition, the Company's definition of core earnings excludes all deferred taxes, rather than just deferred taxes related to unrealized gains or losses, because the Company believes deferred taxes are not representative of current operations. The Company's definition of core earnings also limits accreted interest income on RMBS where the Company receives par upon the exercise of associated call rights based on the estimated value of the underlying collateral, net of related costs including advances. The Company created this limit in order to be able to accrete to the lower of par or the net value of the underlying collateral, in instances where the net value of the underlying collateral is lower than par. The Company believes this amount represents the amount of accretion the Company would have expected to earn on such bonds had the call rights not been exercised.

Beginning January 1, 2020, the Company's investments in consumer loans are accounted for under the fair value option. Core Earnings adjusts earnings on the consumer loans to a level yield to present income recognition across the consumer loan portfolio in the manner in which it is economically earned, to avoid potential delays in loss recognition, and align it with the Company's overall portfolio of mortgage-related assets which generally record income on a level yield basis. With respect to consumer loans classified as held-for-sale, the level yield is computed through the expected sale date. With respect to the gains recorded under GAAP in 2014 and 2016 as a result of a refinancing of, and consolidation of, the debt related to the Company's investments in consumer loans, and the consolidation of entities that own the Company's investments in consumer loans, respectively, the Company continues to record a level yield on those assets based on their original purchase price.

While incentive compensation paid to the Company's manager may be a material operating expense, the Company excludes it from core earnings because (i) from time to time, a component of the computation of this expense will relate to items (such as gains or losses) that are excluded from core earnings, and (ii) it is impractical to determine the portion of the expense related to core earnings and non-core earnings, and the type of earnings (loss) that created an excess (deficit) above or below, as applicable, the incentive compensation threshold. To illustrate why it is impractical to determine the portion of incentive compensation expense that should be allocated to core earnings, the Company notes that, as an example, in a given period, it may have core earnings in excess of the incentive compensation threshold but incur losses (which are excluded from core earnings) that reduce total earnings below the incentive compensation threshold. In such case, the Company would either need to (a) allocate zero incentive compensation expense to core earnings, even though core earnings exceeded the incentive compensation threshold, or (b) assign a "pro forma" amount of incentive compensation expense to core earnings, even though no incentive compensation was actually incurred. The Company believes that neither of these allocation methodologies achieves a logical result. Accordingly, the exclusion of incentive compensation facilitates comparability between periods and avoids the distortion to the Company's non-GAAP operating measure that would result from the inclusion of incentive compensation that relates to non-core earnings.

With regard to non-capitalized transaction-related expenses, management does not view these costs as part of the Company's core operations, as they are considered by management to be similar to realized losses incurred at acquisition. Non-capitalized transaction-related expenses are generally legal and valuation service costs, as well as other professional service fees, incurred when the Company acquires certain investments, as well as costs associated with the acquisition and integration of acquired businesses.

Since the third quarter of 2018, as a result of the Shellpoint Partners LLC ("Shellpoint") acquisition, the Company, through its wholly owned subsidiary, NewRez, originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. In connection with the transfer of loans to the GSEs or mortgage investors, the Company reports realized gains or losses on the sale of originated residential mortgage loans and retention of mortgage servicing rights, which the Company believes is an indicator of performance for the Servicing and Origination segments and therefore included in core earnings. Realized gains or losses on the sale of originated residential mortgage loans had no impact on core earnings in any prior period, but may impact core earnings in future periods.

Beginning with the third quarter of 2019, as a result of the continued evaluation of how Shellpoint operates its business and its impact on the Company's operating performance, core earnings includes Shellpoint's GAAP net income with the exception of the unrealized gains or losses due to changes in valuation inputs and assumptions on MSRs owned by NewRez, and non-capitalized transaction-related expenses. This change was not material to core earnings for the quarter ended September 30, 2019.

Management believes that the adjustments to compute "core earnings" specified above allow investors and analysts to readily identify and track the operating performance of the assets that form the core of the Company's activity, assist in comparing the core operating results between periods, and enable investors to evaluate the Company's current core performance using the same measure that management uses to operate the business. Management also utilizes core earnings as a measure in its decision-making process relating to improvements to the underlying fundamental operations of the Company's investments, as well as the allocation of resources between those investments, and management also relies on core earnings as an indicator of the results of such decisions. Core earnings excludes certain recurring items, such as gains and losses (including impairment and reserves, as well as derivative activities) and non-capitalized transaction-related expenses, because they are not considered by management to be part of the Company's core operations for the reasons described herein. As such, core earnings is not intended to reflect all of the Company's activity and should be considered as only one of the factors used by management in assessing the Company's performance, along with GAAP net income which is inclusive of all of the Company's activities.

The primary differences between core earnings and the measure the Company uses to calculate incentive compensation relate to (i) realized gains and losses (including impairments and reserves for expected credit losses), (ii) non-capitalized transaction-related expenses and (iii) deferred taxes (other than those related to unrealized gains and losses). Each are excluded from core earnings and included in the Company's incentive compensation measure (either immediately or through amortization). In addition, the Company's incentive compensation measure does not include accretion on held-for-sale loans and the timing of recognition of income from consumer loans is different. Unlike core earnings, the Company's incentive compensation measure is intended to reflect all realized results of operations. The Gain on Remeasurement of Consumer Loans Investment was treated as an unrealized gain for the purposes of calculating incentive compensation and was therefore excluded from such calculation.

Core earnings does not represent and should not be considered as a substitute for, or superior to, net income or as a substitute for, or superior to, cash flows from operating activities, each as determined in accordance with U.S. GAAP, and the Company's calculation of this measure may not be comparable to similarly entitled measures reported by other companies. For a further description of the difference between cash flows provided by operations and net income, see "Management's Discussion and Analysis of Financial Consolidation and Results of Operations—Liquidity and Capital Resources." Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (dollars in thousands, except share and per share data):

	Year Ended December 31,		
	2020	2019	2018
Net (loss) income attributable to common stockholders	$ (1,464,653)	$ 550,015	$ 963,967
Adjustments for Non-Core Earnings:			
Impairment	123,612	35,344	90,641
Change in fair value of investments	743,239	254,335	(115,896)
(Gain) loss on settlement of investments, net	947,316	(188,381)	(96,319)
Other (income) loss	132,741	1,756	11,425
Other income and impairment attributable to non-controlling interests	(5,585)	(13,548)	(22,247)
Non-capitalized transaction-related expenses	56,522	56,289	21,946
Incentive compensation to affiliate	—	91,892	94,900
Preferred stock management fee to affiliate	11,439	2,642	—
Deferred taxes	15,029	38,207	(80,054)
Interest income on residential mortgage loans, held-for-sale	37,246	60,689	13,374
Limit on RMBS discount accretion related to called deals	—	(19,590)	(58,581)
Adjust consumer loans to level yield	(1,147)	5,239	(21,181)
Core earnings of equity method investees:			
Excess mortgage servicing rights	11,415	11,905	13,183
Core Earnings	$ 607,174	$ 886,794	$ 815,158
Net (Loss) Income Per Diluted Share	$ (3.52)	$ 1.34	$ 2.81
Core Earnings Per Diluted Share	$ 1.46	$ 2.17	$ 2.38
Weighted Average Number of Shares of Common Stock Outstanding, Diluted	415,513,187	408,990,107	343,137,361

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

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

Fair Value Impact

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

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

Changes in interest rates can also have ancillary impacts on our investments. Generally, in a declining interest rate environment, residential mortgage loan prepayment rates increase which in turn would cause the value of MSRs, MSR financing receivables, Excess MSRs and the rights to the basic fee components of MSRs to decrease, because the duration of the cash flows we are entitled to receive becomes shortened, and the value of loans and Non-Agency RMBS to increase, because we generally acquired these investments at a discount whose recovery would be accelerated. With respect to a significant portion of our MSRs and Excess MSRs, we have recapture agreements, as described in Notes 5 and 6 to our Consolidated Financial Statements. These recapture agreements help to protect these investments from the impact of increasing prepayment rates. In addition, to the extent that the loans underlying our MSRs, MSR financing receivables, Excess MSRs and the rights to the basic fee components of MSRs are well-seasoned with credit-impaired borrowers who may have limited refinancing options, we believe the impact of interest rates on prepayments would be reduced. Conversely, in an increasing interest rate environment, prepayment rates decrease which in turn would cause the value of MSRs, MSR financing receivables, Excess MSRs and the rights to the basic fee components of MSRs to increase and the value of loans and Non-Agency RMBS to decrease. To the extent we do not hedge against changes in interest rates, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, our investments as interest rates change. However, rising interest rates could result from more robust market conditions, which could reduce the credit risk associated with our investments. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed below under “—Prepayment Rate Exposure.”

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

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

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

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

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

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

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

Amounts in millions	December 31, 2020	December 31, 2019
Interest rate change (bps)	**Estimated Change in Fair Value**	**Estimated Change in Fair Value**
+50bps	+191.0	+12.4
+25bps	+98.0	+13.7
-25bps	-98.0	-28.7
-50bps	-199.0	-72.4

Mortgage Basis Spread Risk

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

Amounts in millions	December 31, 2020	December 31, 2019
Mortgage Basis change (bps)	**Estimated Change in Fair Value**	**Estimated Change in Fair Valu**
+20bps	-10.6	+31.4
+10bps	-5.3	+15.8
-10bps	+5.3	-16.1
-20bps	+10.6	-32.6

Prepayment Rate Exposure

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Investment Specific Sensitivity Analyses

Excess MSRs

The following table summarizes the estimated change in fair value of our interests in the Agency Excess MSRs owned directly as of December 31, 2020 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2020	$ 162,645			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 173,340	$ 167,817	$ 157,794	$ 153,235
Change in estimated fair value:				
Amount	$ 10,695	$ 5,172	$ (4,851)	$ (9,410)
%	6.6 %	3.2 %	(3.0)%	(5.8)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 172,659	$ 167,361	$ 158,393	$ 154,532
Change in estimated fair value:				
Amount	$ 10,014	$ 4,716	$ (4,252)	$ (8,113)
%	6.2 %	2.9 %	(2.6)%	(5.0)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 163,021	$ 162,833	$ 162,457	$ 162,269
Change in estimated fair value:				
Amount	$ 376	$ 188	$ (188)	$ (376)
%	0.2 %	0.1 %	(0.1)%	(0.2)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 160,234	$ 161,440	$ 163,851	$ 165,056
Change in estimated fair value:				
Amount	$ (2,411)	$ (1,205)	$ 1,206	$ 2,411
%	(1.5)%	(0.7)%	0.7 %	1.5 %

The following table summarizes the estimated change in fair value of our interests in the Non-Agency Excess MSRs owned directly as of December 31, 2020 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2020	$ 148,293			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 159,021	$ 153,468	$ 143,462	$ 138,944
Change in estimated fair value:				
Amount	$ 10,728	$ 5,175	$ (4,831)	$ (9,349)
%	7.2 %	3.5 %	(3.3)%	(6.3)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 157,766	$ 152,798	$ 144,175	$ 140,393
Change in estimated fair value:				
Amount	$ 9,473	$ 4,505	$ (4,118)	$ (7,900)
%	6.4 %	3.0 %	(2.8)%	(5.3)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 148,302	$ 148,298	$ 148,289	$ 148,284
Change in estimated fair value:				
Amount	$ 9	$ 5	$ (4)	$ (9)
%	— %	— %	— %	— %
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 146,917	$ 147,605	$ 148,981	$ 149,670
Change in estimated fair value:				
Amount	$ (1,376)	$ (688)	$ 688	$ 1,377
%	(0.9)%	(0.5)%	0.5 %	0.9 %

The following table summarizes the estimated change in fair value of our interests in the Agency Excess MSRs owned through equity method investees as of December 31, 2020 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2020	$	99,917

Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 105,804	$ 102,766	$ 97,242	$ 94,726
Change in estimated fair value:				
Amount	$ 5,887	$ 2,849	$ (2,675)	$ (5,191)
%	5.9 %	2.9 %	(2.7)%	(5.2)%

Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 105,850	$ 102,709	$ 97,402	$ 95,123
Change in estimated fair value:				
Amount	$ 5,933	$ 2,792	$ (2,515)	$ (4,794)
%	5.9 %	2.8 %	(2.5)%	(4.8)%

Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 100,198	$ 100,057	$ 99,776	$ 99,636
Change in estimated fair value:				
Amount	$ 281	$ 140	$ (141)	$ (281)
%	0.3 %	0.1 %	(0.1)%	(0.3)%

Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 98,747	$ 99,332	$ 100,502	$ 101,087
Change in estimated fair value:				
Amount	$ (1,170)	$ (585)	$ 585	$ 1,170
%	(1.2)%	(0.6)%	0.6 %	1.2 %

MSRs

The following table summarizes the estimated change in fair value of our interests in the Agency MSRs, including MSR financing receivables, owned as of December 31, 2020 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2020	$ 2,849,003			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 3,028,566	$ 2,935,850	$ 2,767,516	$ 2,690,932
Change in estimated fair value:				
Amount	$ 179,563	$ 86,847	$ (81,487)	$ (158,071)
%	6.3 %	3.0 %	(2.9)%	(5.5)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 3,074,398	$ 2,954,729	$ 2,754,786	$ 2,670,254
Change in estimated fair value:				
Amount	$ 225,395	$ 105,726	$ (94,217)	$ (178,749)
%	7.9 %	3.7 %	(3.3)%	(6.3)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 2,870,233	$ 2,859,618	$ 2,838,387	$ 2,827,772
Change in estimated fair value:				
Amount	$ 21,230	$ 10,615	$ (10,616)	$ (21,231)
%	0.7 %	0.4 %	(0.4)%	(0.7)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 2,755,463	$ 2,802,233	$ 2,895,773	$ 2,942,542
Change in estimated fair value:				
Amount	$ (93,540)	$ (46,770)	$ 46,770	$ 93,539
%	(3.3)%	(1.6)%	1.6 %	3.3 %

The following table summarizes the estimated change in fair value of our interests in the Non-Agency MSRs, including MSR financing receivables, owned as of December 31, 2020 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2020	$ 1,064,403			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 1,159,432	$ 1,109,868	$ 1,022,574	$ 983,977
Change in estimated fair value:				
Amount	$ 95,029	$ 45,465	$ (41,829)	$ (80,426)
%	8.9 %	4.3 %	(3.9)%	(7.6)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 1,105,970	$ 1,083,952	$ 1,047,138	$ 1,032,863
Change in estimated fair value:				
Amount	$ 41,567	$ 19,549	$ (17,265)	$ (31,540)
%	3.9 %	1.8 %	(1.6)%	(3.0)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 1,112,086	$ 1,081,628	$ 1,020,691	$ 990,215
Change in estimated fair value:				
Amount	$ 47,683	$ 17,225	$ (43,712)	$ (74,188)
%	4.5 %	1.6 %	(4.1)%	(7.0)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 1,052,568	$ 1,058,486	$ 1,070,322	$ 1,076,239
Change in estimated fair value:				
Amount	$ (11,835)	$ (5,917)	$ 5,919	$ 11,836
%	(1.1)%	(0.6)%	0.6 %	1.1 %

The following table summarizes the estimated change in fair value of our interests in the Ginnie Mae MSRs, owned as of December 31, 2020 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at December 31, 2020	$ 672,435			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 715,292	$ 693,107	$ 653,132	$ 635,074
Change in estimated fair value:				
Amount	$ 42,857	$ 20,672	$ (19,303)	$ (37,361)
%	6.4 %	3.1 %	(2.9)%	(5.6)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 755,091	$ 711,057	$ 638,262	$ 607,804
Change in estimated fair value:				
Amount	$ 82,656	$ 38,622	$ (34,173)	$ (64,631)
%	12.3 %	5.7 %	(5.1)%	(9.6)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 688,048	$ 680,241	$ 664,628	$ 656,822
Change in estimated fair value:				
Amount	$ 15,613	$ 7,806	$ (7,807)	$ (15,613)
%	2.3 %	1.2 %	(1.2)%	(2.3)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 635,577	$ 654,006	$ 690,863	$ 709,292
Change in estimated fair value:				
Amount	$ (36,858)	$ (18,429)	$ 18,428	$ 36,857
%	(5.5)%	(2.7)%	2.7 %	5.5 %

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

Item 8. Financial Statements

Index to Financial Statements:

All schedules have been omitted because either the required information is included in the Company’s consolidated financial statements and notes thereto or it is not applicable.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of New Residential Investment Corp. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Residential Investment Corp. and Subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of servicing related assets

Description of the Matter

The Company invests in servicing related assets comprising of Excess Mortgage Servicing Rights ("EMSR"), Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables (collectively "MSR") totaling $411 million and $4,586 million, respectively, as of December 31, 2020 as included in Notes 5 and 6 to the consolidated financial statements. The Company records servicing related assets at fair value on a recurring basis with changes in fair value recognized in the income statement. These fair value estimates are based on valuation techniques used to estimate future cash flows that incorporate significant unobservable inputs and assumptions which include discount rates, servicing costs, prepayment rates and recapture rates.

Auditing management's fair value of the servicing related assets and related changes in fair value is complex because the valuation is driven by significant assumptions that are judgmental and are unobservable in nature. Additionally, selecting and applying audit procedures to address the estimation uncertainty involves auditor subjectivity and industry-specific knowledge of servicing related assets including the current market conditions considered by a market participant.

How We Addressed the Matter in Our Audit

We evaluated and tested the Company's processes and the design and operating effectiveness of internal controls addressing the valuation of servicing related assets. This included, among others, management's independent review of significant assumptions including discount rates, servicing costs, prepayment speeds, and recapture rates against historical results and available market information, management's review of internally developed fair values in comparison to independent fair value ranges obtained from an independent valuation firm to evaluate the reasonableness of the fair values developed by the Company and management's review of model functionality and changes. We also tested management's controls to validate that the data used in the valuation was complete and accurate.

In order to test the valuation of servicing related assets, our audit procedures included testing significant assumptions by comparing them to historical results, current industry, market and economic trends, evaluating the Company's use of the discounted cash flow valuation technique, validating the accuracy and completeness of model objective inputs by agreeing these inputs to the Company's underlying mortgage records and evaluating the competence and objectivity of management's independent valuation firm engaged to evaluate the reasonableness of the fair values developed by the Company. We also performed a sensitivity analysis of the significant assumptions to evaluate the changes in fair value of the servicing related assets resulting from changes in these assumptions. We involved an internal valuation specialist to test management's assumptions and identify potential sources of contrary information. We evaluated the Company's fair value disclosures included in Note 13 for consistency with US GAAP.

Valuation of Non-Agency Real Estate Securities

Description of the Matter	The Company invests in non-agency Residential Mortgage Backed Securities ("RMBS") which are measured at fair value on a recurring basis. As disclosed in Note 8 to the consolidated financial statements, the Company determined that the fair value of these non-agency RMBS approximates $1,181 million, as of December 31, 2020. As explained in Note 13 to the consolidated financial statements, the Company utilizes pricing service quotations or broker quotations obtained from third-party pricing services and brokers engaged by New Residential (collectively "valuation providers") in the fair value measurement of these Level 3 assets. Significant unobservable inputs are used in these fair value measurements which include discount rates, expected prepayment rates, expected default rates and expected loss severities. Auditing management's fair value of the non-agency RMBS is complex because determining the fair value is judgmental and involves using assumptions that are not directly observable in the market, including discount rates, expected prepayment rates, expected default rates and expected loss severities. Additionally, selecting and applying audit procedures to address the estimation uncertainty involves auditor subjectivity and industry-specific knowledge of non-agency RMBS including the current market conditions considered by a market participant.
How We Addressed the Matter in Our Audit	We evaluated and tested the Company's processes and the design and operating effectiveness of internal controls addressing the valuation of non-agency RMBS. This included controls over the review of valuation methodologies used by the valuation providers, management's fair value analysis applied to select one of the multiple quotes obtained from the valuation providers which is believed to most accurately reflect fair value and management's evaluation of the pricing information obtained from the valuation providers. As management used valuation providers to develop its fair value estimate, our audit procedures included selecting a sample of securities to determine whether the final price provided by the valuation provider agrees to the price used by management. With the support of an internal valuation specialist, we independently developed a range of fair value for a sample of securities and compared management's estimates to our ranges. We developed the ranges of fair value by using a cash flow model and inputting cash flow and yield assumptions based on our independently obtained information. We also considered market transaction data for similar securities, if available, to develop our independent ranges to be compared to management's fair value estimate. We evaluated the Company's fair value disclosures included in Note 13 for consistency with US GAAP.

Valuation of Residential Mortgage Loans (RMLs)

Description of the Matter

The Company holds acquired conforming and nonconforming mortgage loans which are measured at fair value on a recurring basis or, for those measured at the lower of cost or fair value, are measured at fair value on a non-recurring basis as described in Note 9 to the consolidated financial statements. As included in Note 13 to the consolidated financial statements, RMLs with a carrying value of $2,830 million as of December 31, 2020 are valued using internal pricing models to forecast loan level cash flows using subjective inputs such as default rates, prepayments speeds and discount rates. As the internal pricing model is based on these subjective, unobservable inputs, the Company classifies these valuations as Level 3 in the fair value hierarchy.

Auditing management’s fair value of the RMLs classified as Level 3 in the fair value hierarchy was complex because valuation is driven by significant assumptions that are judgmental and are unobservable in nature. Additionally, selecting and applying audit procedures to address the estimation uncertainty involves auditor subjectivity and industry-specific knowledge of RMLs including the current market conditions considered by a market participant.

How We Addressed the Matter in Our Audit

We evaluated and tested the Company's processes and the design and operating effectiveness of internal controls addressing the valuation of RMLs. This included, among others, management’s independent review of significant assumptions including default rates, prepayments speeds, loss severities and discount rates against historical results and available market information, management’s review of internally developed fair values in comparison to independent fair value marks obtained from third parties to evaluate the reasonableness of the fair values developed by the Company, and management’s review of model functionality and changes. We also tested management’s controls to validate that the data used in the valuation was complete and accurate.

In order to test the valuation of RMLs, our audit procedures included, among others, testing significant assumptions by comparing to historical results, current industry, market and economic trends, evaluating the Company’s use of the discounted cash flow valuation technique and validating the accuracy and completeness of model objective inputs. With the support of an internal valuation specialist, we independently developed a range of fair value for a sample of loan pools and compared management’s estimates to our ranges. We developed the ranges based on collateral characteristics of the pools selected for testing and consideration of market transaction data for similar collateral, where available. We evaluated the Company’s fair value disclosures included in Note 13 for consistency with US GAAP.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2012.

New York, New York
February 16, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of New Residential Investment Corp. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited New Residential Investment Corp. and Subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, New Residential Investment Corp. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of New Residential Investment Corp. and Subsidiaries as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020 and the related notes of the Company and our report dated February 16, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, New York
February 16, 2021

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	December 31,	
	2020	2019
Assets		
Excess mortgage servicing rights, at fair value	$ 410,855	$ 505,343
Mortgage servicing rights, at fair value	3,489,675	3,967,960
Mortgage servicing rights financing receivables, at fair value	1,096,166	1,718,273
Servicer advance investments, at fair value(A)	538,056	581,777
Real estate and other securities	14,244,558	19,477,728
Residential loans and variable interest entity consumer loans held-for-investment, at fair value(A)	1,359,754	1,753,251
Residential mortgage loans, held-for-sale (includes $4,705,816 and $4,613,612 at fair value at December 31, 2020 and 2019, respectively)	5,215,703	6,042,664
Residential mortgage loans subject to repurchase(B)	1,452,005	172,336
Cash and cash equivalents(A)	944,854	528,737
Restricted cash	135,619	162,197
Servicer advances receivable	3,002,267	3,301,374
Trades receivable	4,180	5,256,014
Other assets(A)	1,358,422	1,395,800
	$ 33,252,114	$ 44,863,454
Liabilities and Equity		
Liabilities		
Secured financing agreements	$ 17,547,680	$ 27,916,225
Secured notes and bonds payable (includes $1,662,852 and $659,738 at fair value at December 31, 2020 and 2019, respectively)(A)	7,644,195	7,720,148
Residential mortgage loan repurchase liability(B)	1,452,005	172,336
Unsecured senior notes, net of issuance costs	541,516	—
Trades payable	154	902,081
Due to affiliates	9,450	103,882
Dividends payable	90,128	211,732
Accrued expenses and other liabilities(A)	537,302	600,790
	27,822,430	37,627,194
Commitments and Contingencies		
Equity		
Preferred Stock, $0.01 par value, 39,100,000 shares authorized, 33,610,000 and 17,510,000 issued and outstanding at December 31, 2020 and 2019, respectively ($840,250 and $437,750 aggregate liquidation preference, respectively)	812,992	423,444
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 414,744,518 and 415,520,780 issued and outstanding at December 31, 2020 and 2019, respectively	4,148	4,156
Additional paid-in capital	5,547,108	5,498,226
Retained earnings (accumulated deficit)	(1,108,929)	549,733
Accumulated other comprehensive income (loss)	65,697	682,151
Total New Residential stockholders' equity	5,321,016	7,157,710
Noncontrolling interests in equity of consolidated subsidiaries	108,668	78,550
Total Equity	5,429,684	7,236,260
	$ 33,252,114	$ 44,863,454

(A) See Note 14 regarding consolidated variable interest entities.
(B) See Note 6 for details.

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Revenues			
Interest income	$ 1,102,537	$ 1,766,130	$ 1,664,223
Servicing revenue, net of change in fair value of $(1,889,741), $(712,950), and $(191,245), respectively	(555,041)	385,159	528,595
Gain on originated mortgage loans, held-for-sale, net	1,399,092	460,107	86,065
	1,946,588	2,611,396	2,278,883
Expenses			
Interest expense	584,469	933,751	606,433
General and administrative expenses	1,120,087	781,971	441,886
Management fee to affiliate	89,134	79,472	62,594
Incentive compensation to affiliate	—	91,892	94,900
	1,793,690	1,887,086	1,205,813
Other income (loss)			
Change in fair value of investments	(437,126)	(307,396)	(136,212)
Gain (loss) on settlement of investments, net	(930,131)	227,981	96,064
Earnings from investments in consumer loans, equity method investees	—	(1,438)	10,803
Other income (loss), net	(2,797)	39,819	(21,984)
	(1,370,054)	(41,034)	(51,329)
Impairment			
Provision (reversal) for credit losses on securities	13,404	25,174	30,017
Valuation and credit loss provision (reversal) on loans and real estate owned (“REO”)	110,208	10,403	60,624
	123,612	35,577	90,641
Income (Loss) Before Income Taxes	(1,340,768)	647,699	931,100
Income tax expense (benefit)	16,916	41,766	(73,431)
Net Income (Loss)	$ (1,357,684)	$ 605,933	$ 1,004,531
Noncontrolling interests in income of consolidated subsidiaries	52,674	42,637	40,564
Dividends on preferred stock	54,295	13,281	—
Net Income (Loss) Attributable to Common Stockholders	$ (1,464,653)	$ 550,015	$ 963,967
Net Income (Loss) Per Share of Common Stock			
Basic	$ (3.52)	$ 1.35	$ 2.82
Diluted	$ (3.52)	$ 1.34	$ 2.81
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	415,513,187	408,789,642	341,268,923
Diluted	415,513,187	408,990,107	343,137,361
Dividends Declared Per Share of Common Stock	$ 0.50	$ 2.00	$ 2.00

See notes to consolidated financial statements.

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

	December 31,		
	2020	**2019**	**2018**
Comprehensive income (loss), net of tax			
Net income	$ (1,357,684)	$ 605,933	$ 1,004,531
Other comprehensive income (loss)			
Net unrealized gain (loss) on securities	123,855	445,943	(7,397)
Reclassification of net realized (gain) loss on securities into earnings	(740,309)	(180,815)	59,953
	(616,454)	265,128	52,556
Total comprehensive income (loss)	$ (1,974,138)	$ 871,061	$ 1,057,087
Comprehensive income attributable to noncontrolling interests	52,674	42,637	40,564
Dividends on preferred stock	54,295	13,281	—
Comprehensive income (loss) attributable to common stockholders	$ (2,081,107)	$ 815,143	$ 1,016,523

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(dollars in thousands, except share and per share data)

	Preferred Stock		Common Stock							
	Preferred Stock	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
Balance at December 31, 2019	17,510,000	$ 423,444	415,520,780	$ 4,156	$ 5,498,226	$ 549,733	$ 682,151	$ 7,157,710	$ 78,550	$ 7,236,260
Cumulative adjustment for the adoption of ASU 2016-13 (See Note 2)	—	—	—	—	—	13,658	—	13,658	16,795	30,453
2020 Warrants	—	—	—	—	53,462	—	—	53,462	—	53,462
Dividends declared on common stock, $0.50 per share	—	—	—	—	—	(207,667)	—	(207,667)	—	(207,667)
Dividends declared on preferred stock	—	—	—	—	—	(54,295)	—	(54,295)	—	(54,295)
Capital contributions	—	—	—	—	—	—	—	—	2,449	2,449
Capital distributions	—	—	—	—	—	—	—	—	(41,800)	(41,800)
Issuance of common stock	—	—	97,394	1	1,662	—	—	1,663	—	1,663
Repurchase of common stock	—	—	(1,000,000)	(10)	(7,452)	—	—	(7,462)	—	(7,462)
Issuance of preferred stock	16,100,000	389,548	—	—	—	—	—	389,548	—	389,548
Director share grants	—	—	126,344	1	1,210	—	—	1,211	—	1,211
Comprehensive income (loss)										
Net income (loss)	—	—	—	—	—	(1,410,358)	—	(1,410,358)	52,674	(1,357,684)
Net unrealized gain (loss) on securities	—	—	—	—	—	—	123,855	123,855	—	123,855
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	—	—	(740,309)	(740,309)	—	(740,309)
Total comprehensive income (loss)	—	—	—	—	—	—	—	(2,026,812)	52,674	(1,974,138)
Balance at December 31, 2020	33,610,000	$ 812,992	414,744,518	$ 4,148	$ 5,547,108	$ (1,108,929)	$ 65,697	$ 5,321,016	$ 108,668	$ 5,429,684

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019
(dollars in thousands, except share and per share data)

	Preferred Stock		Common Stock							
	Shares	Amount	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
Balance at December 31, 2018	—	$ —	369,104,429	$ 3,692	$ 4,746,242	$ 830,713	$ 417,023	$ 5,997,670	$ 90,625	$ 6,088,295
Dividends declared on common stock, $2.00 per share	—	—	—	—	—	(830,995)	—	(830,995)	—	(830,995)
Dividends declared on preferred stock	—	—	—	—	—	(13,281)	—	(13,281)	—	(13,281)
Capital distributions	—	—	—	—	—	—	—	—	(54,712)	(54,712)
Issuance of common stock	—	—	46,000,000	460	750,933	—	—	751,393	—	751,393
Issuance of preferred stock	17,510,000	423,444	—	—	—	—	—	423,444	—	423,444
Option exercise	—	—	348,613	3	(3)	—	—	—	—	—
Director share grants	—	—	67,738	1	1,054	—	—	1,055	—	1,055
Comprehensive income (loss)										
Net income (loss)	—	—	—	—	—	563,296	—	563,296	42,637	605,933
Net unrealized gain (loss) on securities	—	—	—	—	—	—	445,943	445,943	—	445,943
Reclassification of net realized gain (loss) on securities into earnings	—	—	—	—	—	—	(180,815)	(180,815)	—	(180,815)
Total comprehensive income (loss)	—	—	—	—	—	—	—	828,424	42,637	871,061
Balance at December 31, 2019	17,510,000	$ 423,444	415,520,780	$ 4,156	$ 5,498,226	$ 549,733	$ 682,151	$ 7,157,710	$ 78,550	$ 7,236,260

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018
(dollars in thousands, except share and per share data)

	Preferred Stock		Common Stock							
	Shares	Amount	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
Balance at December 31, 2017	—	$ —	307,361,309	$ 3,074	$ 3,763,188	$ 559,476	$ 364,467	$ 4,690,205	$ 105,957	$ 4,796,162
Dividends declared on common stock, $2.00 per share	—	—	—	—	—	(692,730)	—	(692,730)	—	(692,730)
Capital distributions	—	—	—	—	—	—	—	—	(64,559)	(64,559)
Issuance of common stock	—	—	57,991,659	580	981,482	—	—	982,062	—	982,062
Option exercise	—	—	3,694,228	37	(37)	—	—	—	—	—
Purchase of Noncontrolling Interest in the Buyer at a Discount	—	—	—	—	653	—	—	653	8,663	9,316
Other dilution	—	—	—	—	(63)	—	—	(63)	—	(63)
Director share grant	—	—	57,233	1	1,019	—	—	1,020	—	1,020
Comprehensive income (loss) (net of tax)										
Net income (loss)	—	—	—	—	—	963,967	—	963,967	40,564	1,004,531
Net unrealized gain (loss) on securities	—	—	—	—	—	—	(7,397)	(7,397)	—	(7,397)
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	—	—	59,953	59,953	—	59,953
Total comprehensive income (loss)	—	—	—	—	—	—	—	1,016,523	40,564	1,057,087
Balance at December 31, 2018	—	$ —	369,104,429	$ 3,692	$ 4,746,242	$ 830,713	$ 417,023	$ 5,997,670	$ 90,625	$ 6,088,295

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2020	2019	2018
Cash Flows From Operating Activities			
Net income	$ (1,357,684)	$ 605,933	$ 1,004,531
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in fair value of Excess MSR	19,721	3,705	50,299
Change in fair value of MSR financing receivables	279,168	189,023	(31,550)
Change in fair value of servicer advance investments	(763)	(10,288)	89,332
Change in fair value of residential mortgage loans, at fair value	107,604	70,914	(69,820)
Change in fair value of secured notes and bonds payable	966	1,236	684
Change in fair value of real estate and other securities	(28,455)	(2,101)	(10,283)
Change in fair value of consumer loans	6,384	—	—
(Gain) loss on settlement of investments, net	863,898	(236,513)	(96,688)
Gain on sale of originated mortgage loans, held-for-sale, net	(1,399,092)	(460,107)	(86,065)
Bargain purchase gain	—	(49,539)	—
Earnings from investments in consumer loans, equity method investees	—	1,438	(10,803)
(Gain) loss on extinguishment of debt	66,233	8,532	624
Change in fair value of derivative instruments	53,467	56,143	108,234
Change in fair value of contingent consideration	6,568	10,487	1,581
Change in fair value of equity investments	54,455	3,096	677
(Gain) loss on transfer of loans to REO	(7,945)	(11,842)	(19,519)
(Gain) loss on transfer of loans to other assets	939	1,144	1,977
(Gain) loss on Ocwen common stock	(3,235)	(174)	10,860
Accretion and other amortization	(151,540)	(379,129)	(701,967)
Provision for credit losses on securities	13,404	25,174	30,017
Valuation and credit loss provision on loans and real estate owned	110,208	10,403	60,624
Non-cash portions of servicing revenue, net	1,889,741	712,950	191,245
Non-cash directors' compensation	1,211	1,055	1,020
Deferred tax provision	15,029	38,207	(80,054)
Changes in:			
Servicer advances receivable, net	336,589	218,217	381,400
Other assets	73,139	(363,866)	(204,231)
Due to affiliates	(94,432)	2,411	12,510
Accrued expenses and other liabilities	(86,543)	182,153	186,311
Other operating cash flows:			
Interest and distributions received from excess mortgage servicing rights assets	30,855	43,049	57,006
Interest received from servicer advance investments	19,322	28,437	33,821
Interest received from Non-Agency RMBS	170,151	264,694	219,704
Interest received from residential mortgage loans, held-for-investment	5,139	8,485	8,962
Interest received from consumer loans, held-for-investment	—	30,588	36,660
Distributions of earnings from consumer loan equity method investees	—	8,607	6,176
Purchases of residential mortgage loans, held-for-sale	(3,433,110)	(8,610,511)	(5,767,172)
Origination of residential mortgage loans, held-for-sale	(60,951,784)	(19,411,150)	(3,385,868)
Proceeds from sales of purchased and originated residential mortgage loans, held-for-sale	64,968,767	24,968,751	6,546,613
Principal repayments from purchased residential mortgage loans, held-for-sale	277,568	417,840	194,038
Net cash provided by (used in) operating activities	1,855,943	(1,622,548)	(1,229,114)

	Year Ended December 31,		
	2020	2019	2018
Cash Flows From Investing Activities			
Business acquisitions, net of cash acquired	—	(1,223,233)	(123,185)
Purchase of servicer advance investments	(1,294,757)	(1,622,808)	(2,306,043)
Purchase of MSRs, MSR financing receivables and servicer advance receivables	(539,889)	(1,450,375)	(1,194,467)
Purchase of Agency RMBS	(23,187,216)	(35,479,893)	(10,200,299)
Purchase of Non-Agency RMBS	(56,515)	(885,629)	(2,969,308)
Purchase of residential mortgage loans	—	—	(85,778)
Purchase of REO and other assets	(23,640)	(68,024)	(33,377)
Purchase of investment in consumer loans, equity method investees	—	(64,499)	(308,050)
Purchase of commercial real estate, equity method investees	—	—	(75,000)
Draws on revolving consumer loans	(33,041)	(54,375)	(63,971)
Payments for settlement of derivatives	(214,747)	(300,771)	(172,152)
Return of investments in Excess MSRs	58,970	68,613	74,154
Return of investments in consumer loans, equity method investees	—	92,748	300,056
Principal repayments from servicer advance investments	1,338,101	1,786,394	2,421,334
Principal repayments from Agency RMBS	1,101,564	2,085,283	111,202
Principal repayments from Non-Agency RMBS	407,996	1,294,010	939,690
Principal repayments from residential mortgage loans	139,561	113,602	147,403
Proceeds from sale of residential mortgage loans	—	41,622	25,511
Principal repayments from consumer loans	229,218	261,456	311,222
Principal repayments from MSRs and MSR financing receivables	80,838	51,470	—
Proceeds from sale of MSRs	8,886	1,539	5,776
Proceeds from sale of MSR financing receivables	5,808	22,989	7,472
Proceeds from sale of Excess MSRs	1,142	10,095	19,064
Proceeds from sale of Agency RMBS	24,928,144	22,173,505	7,528,490
Proceeds from sale of Non-Agency RMBS	5,451,493	1,950,384	86,443
Proceeds from settlement of derivatives	164,417	108,472	242,422
Proceeds from sale of REO	79,108	138,910	140,301
Net cash provided by (used in) investing activities	8,645,441	(10,948,515)	(5,171,090)

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

	Year Ended December 31,		
	2020	2019	2018
Cash Flows From Financing Activities			
Repayments of secured financing agreements	(122,526,887)	(196,120,793)	(85,915,552)
Repayments of warehouse credit facilities	(64,520,481)	(34,833,314)	(7,298,734)
Margin deposits under secured financing agreements and derivatives	(4,092,498)	(4,567,677)	(1,934,868)
Proceeds from issuance of term loan	592,400	—	—
Repayment of term loan	(600,000)	—	—
Proceeds from issuance of unsecured senior notes	544,400	—	—
Repayments of secured notes and bonds payable	(9,452,948)	(9,307,033)	(9,892,659)
Deferred financing fees	(43,705)	(6,705)	(12,498)
Common stock dividends paid	(332,479)	(807,788)	(661,859)
Preferred stock dividends paid	(51,088)	(9,334)	—
Borrowings under secured financing agreements	113,228,180	207,138,969	90,996,778
Borrowings under warehouse credit facilities	63,453,603	36,177,659	8,665,900
Return of margin deposits under secured financing agreements and derivatives	4,016,721	4,365,946	1,733,387
Borrowings under secured notes and bonds payable	9,380,533	9,706,864	9,770,909
Issuance of preferred stock	389,548	423,444	—
Issuance of common stock	1,735	752,217	983,149
Repurchase of common stock	(7,462)	—	—
Costs related to issuance of common stock	(72)	(824)	(1,087)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	2,449	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(41,800)	(54,712)	(64,559)
Payment of contingent consideration	(51,994)	(10,000)	—
Purchase of noncontrolling interests in the Buyer	—	—	925
Net cash provided by (used in) financing activities	(10,111,845)	12,846,919	6,369,232
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	389,539	275,856	(30,972)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	690,934	415,078	446,050
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 1,080,473	$ 690,934	$ 415,078
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	$ 512,139	$ 902,466	$ 564,722
Cash paid during the period for income taxes	3,629	1,479	5,012
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Common stock dividends declared but not paid	$ 82,949	$ 207,761	$ 184,552
Preferred stock dividends declared but not paid	14,357	3,971	—
Warrants issued with term loan	53,462	—	—
Purchase of investments, primarily Agency and Non-Agency RMBS, settled after year end	154	902,081	2,048,348
Sale of investments, primarily Agency RMBS, settled after year end	4,180	5,256,014	3,925,198
Transfer from residential mortgage loans to real estate owned and other assets	69,812	95,640	109,527
Transfer from residential mortgage loans, held-for-investment to residential mortgage loans, held-for-sale	—	9,136	23,080
Non-cash distributions from LoanCo	—	—	25,739
MSR purchase price holdback	(45,013)	(25,245)	(697)
Shellpoint Acquisition purchase price holdback	—	—	8,173
Shellpoint Acquisition contingent consideration	—	—	39,300
Guardian Acquisition contingent consideration	—	13,893	—
Ditech effective settlement of Preexisting Relationships	—	4,919	—
Real estate securities retained from loan securitizations	518,515	1,171,959	900,491
Residential mortgage loans subject to repurchase	1,452,005	172,336	121,602
Ocwen transaction - Excess MSRs	—	—	638,567
Ocwen transaction - servicer advance investments	—	—	3,175,891
Ocwen transaction - MSR financing receivables	—	—	1,017,993

See notes to consolidated financial statements.

1. ORGANIZATION

New Residential Investment Corp. (together with its subsidiaries, "New Residential," or "the Company") is a Delaware corporation that was formed as a limited liability company in September 2011 (commenced operations on December 8, 2011) for the purpose of making real estate related investments. New Residential is an independent publicly traded real estate investment trust ("REIT") primarily focused on investing in residential mortgage related assets and is listed on the New York Stock Exchange ("NYSE") under the symbol "NRZ."

New Residential 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 Notes 2 and 19 for further discussion regarding New Residential's taxable REIT subsidiaries.

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

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

New Residential has entered into a management agreement (the "Management Agreement") with FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"), pursuant to which the Manager provides a management team and other professionals who are responsible for implementing New Residential's business strategy, subject to the supervision of New Residential's board of directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. See Note 16 for additional information.

As of December 31, 2020, New Residential conducted its business through the following segments (i) Origination, (ii) Servicing, (iii) MSR Related Investments, (iv) Residential Securities and Loans, (v) Consumer Loans and (vi) Corporate.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, as of December 31, 2020. In addition, Fortress, through its affiliates, held options relating to approximately 12.0 million shares of New Residential's common stock as of December 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reclassifications — Beginning in the second quarter of 2020, the Company changed its presentation of certain balance sheet and income statement line items to better reflect changes in the business and how the Company is viewed and managed. As a result, the presentation of certain prior period amounts have been reclassified to be consistent with the current period presentation. Such reclassifications had no impact on net income, total assets, total liabilities, or stockholders' equity.

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

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

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

Use of Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment Consolidation and Transfers of Financial Assets — For each investment made, the Company evaluates the underlying entity that issued the securities acquired or to which the Company makes a loan to determine the appropriate accounting. A similar analysis is performed for each entity with which the Company enters into an agreement for management, servicing or related services. In performing the analysis, the Company refers to guidance in ASC 810-10, *Consolidation*. In situations where the Company is the transferor of financial assets, the Company refers to the guidance in ASC 860-10, *Transfers and Servicing*. In VIEs, an entity is subject to consolidation under ASC 810-10 if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of ASC 810-10 are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analyses. Further, ASC 810-10 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. In accordance with ASC 810-10, all transferees, including variable interest entities, must be evaluated for consolidation. If the Company determines that consolidation is not required, it will then assess whether the transfer of the underlying assets would qualify as a sale, should be accounted for as secured financings under GAAP, or should be accounted for as an equity method investment, depending on the circumstances.

A Special Purpose Entity ("SPE") is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to an SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

The Company may periodically enter into transactions in which it transfers assets to a third party. Upon a transfer of financial assets, the Company will sometimes retain or acquire subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale-legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control-an entity recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. Depending upon the structure of the securitization transaction, these transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a sale and the loans will be removed from the Consolidated Balance Sheets or as a financing and the loans will remain on the Consolidated Balance Sheets. ASC 860-10 is a standard that may require the Company to exercise significant judgment in determining whether a transaction should be recorded as a sale or a financing

Excess MSRs — Excess MSRs refer to the excess servicing spread related to mortgage servicing rights, whose underlying collateral is securitized in a trust. Upon acquisition, New Residential has elected to record each of such investments at fair value. New Residential elected to record its investments at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on Excess MSRs. Under this election, New Residential records a valuation adjustment on its Excess MSRs on a quarterly basis to recognize the changes in fair value in net income. Excess MSRs are aggregated into pools as applicable; each pool of Excess MSRs is accounted for in the aggregate. Interest income for Excess MSRs is accreted into interest income on an effective yield or "interest" method, based upon the expected excess mortgage servicing amount through the expected life of the underlying mortgages. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the interest income recognized for a reporting period is measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, New Residential's policy is to recognize interest income only on its Excess MSRs in existing eligible underlying mortgages. The difference between the fair value of Excess MSRs and their amortized cost basis is recorded as Change in fair value of investments. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Excess MSRs, and therefore may differ from their effective yields.

MSRs — MSRs represent the contractual right to service mortgage loans. The Company recognizes MSRs created through the sale of loans it originates. Under the accounting guidance for transfers and servicing, the Company initially measures a mortgage servicing asset that qualifies for separate recognition at fair value on the date of transfer. New Residential elected to record its investments at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on MSRs. Under this election, New Residential records a valuation adjustment on its MSRs on a quarterly basis to recognize the changes in fair value in net income. MSRs are aggregated into pools as applicable; each pool of MSRs is accounted for in the aggregate. Income from MSRs is recorded in Servicing revenue, net of change in fair value and comprises (i) income from the MSRs, plus or minus (ii) the mark-to-market on the MSRs including change in fair value due to realization of cash flows. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the MSRs.

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

Servicer Advance Investments — New Residential accounts for its Servicer Advance Investments similarly to its Excess MSRs. Interest income for Servicer Advance Investments is accreted into interest income on an effective yield or "interest" method, based upon the expected aggregate cash flows of the Servicer Advance Investments, including the basic fee component of the related MSR (but excluding any Excess MSR component) through the expected life of the underlying mortgages, net of a portion of the basic fee component of the MSR that New Residential remits to the servicer as compensation for the servicer's servicing activities. Changes to expected cash flows result in a cumulative retrospective adjustment, which is recorded in the period in which the change in expected cash flows occurs. Refer to "—Excess MSRs" for a description of the retrospective method. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Servicer Advance Investments, and therefore may differ from their effective yields.

Real Estate and Other Securities — Agency and Non-Agency RMBS are classified as either available-for-sale or accounted for under the fair value option. The Company determines the appropriate classification of its securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. If classified as available-for-sale, investments are carried at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income. If classified under the fair value option, changes in fair value are recorded in the Consolidated Statements of Income as a component of Change in fair value of investments.

Fair value is determined under the guidance of ASC 820, *Fair Value Measurements and Disclosures*. Management's judgment is used to arrive at the fair value of the Company's RMBS investments, taking into account prices obtained from third-party pricing providers and other applicable market data. The third-party pricing providers use pricing models that generally incorporate such factors as coupons, primary and secondary mortgage rates, rate reset periods, issuer, prepayment speeds, credit enhancements and expected life of the security. The Company's application of ASC 820 guidance is discussed in further detail in Note 13.

Investment securities transactions are recorded on the trade date. At disposition, the net realized gain or loss is determined on the basis of the cost of the specific investment and is included in net income.

There are several different accounting models that may be applicable for purposes of the recognition of interest income on RMBS depending on whether the security is designated as available-for-sale or fair value option.

The following accounting models apply to RMBS classified as available-for-sale:

(i) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, the Company expects to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that the Company would not recover substantially all of its recorded investment.

(ii) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that the Company would not recover substantially all of its recorded investment.

For RMBS of high credit quality accounted for under (i) above, the Company recognizes interest income by applying the permitted "interest method," whereby purchase premiums and discounts are amortized and accreted, respectively, as an adjustment to contractual interest income accrued at each security's stated coupon rate. The interest method is applied at the individual security level based upon each security's effective interest rate. The Company calculates each security's effective interest rate at the time of purchase by solving for the discount rate that equates the present value of that security's remaining contractual cash flows (assuming no principal prepayments) to its purchase price. Because each security's effective interest rate does not reflect an estimate of future prepayments, the Company refers to this manner of applying the interest method as the "contractual effective interest method." When applying the contractual effective interest method to its investments in RMBS, as principal prepayments occur, a proportional amount of the unamortized premium or discount is recognized in interest income such that the contractual effective interest rate on the remaining security balance is unaffected.

For Non-Agency RMBS accounted for under (ii) above, the Company recognizes interest income by applying the required prospective level-yield methodology. Interest income under this methodology is impacted by management judgments around both the amount and timing of credit losses (defaults) and prepayments. Consequently, interest income on these Non-Agency RMBS is recognized based on the timing and amount of cash flows expected to be collected, as opposed to being based on contractual cash flows. These securities are generally purchased at a discount to the principal amount. At the original acquisition date, the Company estimates the timing and amount of cash flows expected to be collected and calculates the present value of those amounts to the Company's purchase price. In each subsequent balance sheet date, the Company revises its estimates of the remaining timing and amount of cash flows expected to be collected. If there is a positive change in the amount and timing of future cash flows expected to be collected from the previous estimate, the effective interest rate in future accounting periods may increase resulting in an increase in the reported amount of interest income in future periods. A positive change in the amount and timing of future cash flows expected to be collected is considered to have occurred when the net present value of future cash flows expected to be collected has increased from the previous estimate. This can occur from a change in either the timing of when cash flows are expected to be collected (i.e., from changes in prepayment speeds or the timing of estimated defaults) or in the amount of cash flows expected to be collected (i.e., from reductions in estimates of future defaults). If there is a negative or adverse change in the amount and timing of future cash flows expected to be collected from the previous estimate, and the security's fair value is below its amortized cost, an impairment loss equal to the adverse change in cash flows expected to be collected, discounted using the security's effective rate before impairment, is required to be recorded in current period earnings. Additionally, while the effective interest rate used to accrete interest income after an impairment has been recognized will generally be the same, the amount of interest income recorded in future periods will decline because of the reduced balance of the amortized cost basis of the investment to which such effective interest rate is applied.

The following accounting models apply to RMBS accounted for under the fair value option:

(iii) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, the Company expects to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that the Company would not recover substantially all of its recorded investment.

(iv) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that the Company would not recover substantially all of its recorded investment.

Interest income on RMBS accounted for in (iii) above is recognized based on the stated coupon rate and the outstanding principal amount. The original purchase premium or discount is not amortized or accreted as part of interest income but rather reflected as part of the security's fair value.

Interest income on Non-Agency RMBS accounted for in (iv) above is recognized in accordance with the model described in (ii) above.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* ("CECL"). This new guidance changed how entities measure credit losses for most financial assets that are not measured at fair value with changes in fair value recognized through net income. The Company adopted the new guidance as of January 1, 2020. The new guidance specifically excludes available-for-sale securities measured at fair value, with changes in fair value recognized through net income. Accordingly, the impact of the new guidance on accounting for the Company's debt securities was limited to recognition of effective yield which was historically impacted by other than temporary impairment recorded under standards prior to the adoption of CECL. As the new guidance eliminates the accounting for other than temporary impairment, this guidance impacted the Company's unrealized and realized gain (loss) amounts. Refer to the Recent Accounting Pronouncements section regarding the impact of the adoption of the standard on the Company's consolidated financial statements.

Subsequent to the adoption of CECL on January 1, 2020, the Company evaluates its RMBS classified as available-for-sale on a quarterly basis to assess whether a decline in the fair value below the amortized cost basis should be recognized in net income or other comprehensive income. The presence of an impairment is based upon a fair value decline below a security's amortized cost basis and a corresponding adverse change in expected cash flows due to credit related factors as well as non-credit factors, such as changes in interest rates and market spreads. A security is considered to be impaired if the Company (i) intends to sell the security, (ii) will more likely than not be required to sell the security before recovering its cost basis, or (iii) does not expect to recover the security's entire amortized cost basis, even if the Company does not intend to sell the security, or the Company believes it is more likely than not that it will be required to sell the security before recovering its cost basis. Under these scenarios, the full amount of impairment is recognized currently in net income and the cost basis of the security is adjusted. However, if the Company does not intend to sell the impaired security and it is more likely than not that it will not be required to sell before recovery, the impairment is separated into (i) the estimated amount relating to credit loss, or the credit component, and (ii) the amount relating to all other factors, or the non-credit component. Credit related impairment is recognized as an allowance on the balance sheet with a corresponding adjustment to net income, with the remainder of the loss recognized in accumulated other comprehensive income (loss). The allowance for credit loss as well as adjustment to net income can be reversed for subsequent changes in the estimate of expected credit loss. Impairment has been classified within Provision (reversal) for credit losses on securities in the Consolidated Statements of Income.

Prior to the adoption of ASU 2016-13, the Company accounted for its securities under ASC 310 and ASC 325 and evaluated securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security was other-than-temporarily impaired involved judgments and assumptions based on subjective and objective factors. When the fair value of a real estate security was less than its amortized cost at the balance sheet date, the security was considered impaired, and the impairment was designated as either "temporary" or "other-than-temporary."

When a real estate security was impaired, an OTTI was considered to have occurred if (i) the Company intended to sell the security (i.e., a decision has been made as of the reporting date) or (ii) it was more likely than not that the Company was required to sell the security before recovery of its amortized cost basis. If the Company intended to sell the security or if it was more likely than not that the Company was required to sell the real estate security before recovery of its amortized cost basis, the entire amount of the impairment loss, if any, was recognized in net income as a realized loss and the cost basis of the security was adjusted to its fair value. Additionally, for securities accounted for under ASC 325-40 an OTTI was deemed to have occurred when there was an adverse change in the expected cash flows to be received and the fair value of the security was less than its carrying amount. In determining whether an adverse change in cash flows occurred, the present value of the remaining cash flows, as estimated at the initial transaction date (or the last date previously revised), was compared to the present value of the expected cash flows at the current reporting date. The estimated cash flows reflected those a "market participant" would use and included observations of current information and events, and assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of potential credit losses. Cash flows were discounted at a rate equal to the current yield used to accrete interest income. Any resulting OTTI adjustments were reflected in the Provision (reversal) for credit losses on securities line item in the Consolidated Statements of Income.

The determination as to whether an OTTI existed was subjective, given that such determination was based on information available at the time of assessment as well as the Company's estimate of the future performance and cash flow projections for the individual security. As a result, the timing and amount of an OTTI constituted an accounting estimate that could change materially over time. Increases in interest income could have been recognized on a security on which the Company previously recorded an OTTI charge if the performance of such security subsequently improved.

Residential Mortgage Loans and Consumer Loans — The Company's loan portfolio primarily consists of residential mortgage and consumer loans. The Company's loans are classified as (i) held-for-investment at fair value, (ii) held-for-sale at fair value or (iii) held-for-sale at lower of cost or fair value. Loans are also eligible to be accounted for under the fair value option which are recorded on the Consolidated Balance Sheets at fair value and the periodic changes in fair value is recorded as a component of Change in fair value of investments in the Statements of Income. When the Company has the intent and ability to hold loans for the foreseeable future or to maturity/payoff, such loans are classified as held for investment. When the Company has the intent to sell loans, such loans are classified as held for sale.

For originated residential mortgage loans measured at fair value, New Residential reports the change in the fair value within Gain on originated mortgage loans, held-for-sale, net in the Consolidated Statements of Income. Fair value is generally determined using a market approach by utilizing either (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics.

For acquired residential mortgage loans measured at fair value, New Residential reports the change in the fair value within Change in fair value of investments in the Consolidated Statements of Income. Fair value is generally determined by discounting the expected future cash flows using inputs such as default rates, prepayment speeds and discount rates.

For loans measured at the lower of cost or fair value, the Company accounts for any excess of cost over fair value as a valuation allowance and include changes in the valuation allowance in Valuation and credit loss provision (reversal) on loans and real estate owned ("REO") in the Consolidated Statements of Income in the period in which the change occurs. Purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred discounts or premiums are an adjustment to the basis of the loan and are included in the quarterly determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Interest earned on residential mortgage loans measured at fair value are reported in Interest income in the Consolidated Statements of Income.

As allowed upon adoption of CECL on January 1, 2020, New Residential elected to apply the fair value option for all consumer loans. The fair value option provides an election which allows a company to irrevocably elect fair value for certain financial asset and liabilities on an instrument-by-instrument basis. The Company elected the fair value option for these loans to better align reported results with the underlying economic changes in value of the loans on the Company's Consolidated Balance Sheets. Refer to the Recent Accounting Pronouncements section regarding the impact of the adoption of the standard on the Company's consolidated financial statements. Unrealized gains (losses) from the change in fair value of consumer loans are recognized in Change in fair value of investments in the Consolidated Statements of Income. Realized gains (losses) are recorded in Gain on settlement of investments, net in the Consolidated Statements of Income. Interest income is recognized over the life of the loan using the effective interest method and is recorded on the accrual basis.

Subsequent to the adoption of CECL on January 1, 2020, the Company's residential mortgage loans and consumer loans are carried at fair value or the lower of cost or fair value. As a result, these loans are not subject to an allowance for credit losses under the CECL impairment model.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans, are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when principal or interest is 120 days or more past due unless the loan is both well secured and in the process of collection. Loans held-for-sale are subject to the nonaccrual policy. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan. New Residential's ability to recognize interest income on nonaccrual loans as cash interest payments are received rather than as a reduction of the carrying value of the loans is based on the recorded loan balance being deemed fully collectible.

Mortgage Loan Repurchases — NewRez, as an approved issuer of Ginnie Mae MBS, originates and securitizes government-insured residential mortgage loans. As the issuer of the Ginnie Mae-guaranteed securitizations, NewRez has the unilateral right to repurchase loans from the securitizations when they are delinquent for more than 90 days. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. Under GAAP, NewRez is required to recognize the right to loans on its balance sheet and establish a corresponding liability upon the triggering of the repurchase right regardless of whether NewRez intends to repurchase the loans. Upon recognizing loans eligible for repurchase, the Company does not change the accounting for MSRs related to previously sold loans. Upon reacquisition of a loan the MSR is written off.

Cash and Cash Equivalents and Restricted Cash — New Residential considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. As of December 31, 2020 and 2019, New Residential held: (i) \$36.3 million and \$64.0

(dollars in tables in thousands, except share data)

million, respectively, of restricted cash related to the financing of servicer advances that has been pledged to the note holders for interest and fees payable, (ii) $4.7 million and $4.7 million, respectively, of restricted cash related to Ginnie Mae Excess MSRs, (iii) $27.0 million and $32.4 million, respectively, of restricted cash related to the financing of consumer loans, and (iv) $15.7 million and $0.0 million, respectively, of restricted cash related to the financing of real estate securities, (v) $0.1 million and $0.0 million, respectively, of restricted cash related to single family rental properties, and (vi) $51.9 million and $61.1 million, respectively, of restricted cash related to MSRs. Restricted cash also consists of cash the Company has pledged to cover variation margin with its financing and certain derivative counterparties.

Servicer Advances Receivable — Represents servicer advances due to New Residential's servicer subsidiary, NRM (Note 6). The servicer advances receivable purchased in conjunction with MSRs are recorded with purchase discounts. Subsequent advances are recorded at cost, subject to impairment. Any related purchase discounts are accreted into servicing revenue, net (MSRs) or interest income (MSR financing receivables) on a straight-line basis over the estimated weighted average life of the advances.

Other Assets and Other Liabilities — Other assets and liabilities are composed of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	December 31,			December 31,	
	2020	2019		2020	2019
Margin receivable, net[(A)]	$ 271,753	$ 280,176	MSRs purchase price holdback	$ 25,121	$ 75,348
Servicing fee receivables	137,426	159,607	Interest payable	44,623	68,668
Due from servicers	67,854	163,961	Accounts payable	87,406	119,771
Principal and interest receivable	41,589	85,191	Derivative liabilities (Note 11)	119,762	6,885
Equity investment[(B)]	55,504	114,763	Due to servicers	59,671	102,411
Other receivables	109,111	117,045	Due to Agencies	26,748	25,435
REO	45,299	93,672	Contingent consideration	14,247	55,222
Single-family rental properties	41,271	24,133	Accrued compensation and benefits	67,025	41,228
Goodwill[(C)]	29,468	29,737	Excess spread financing, at fair value	18,420	31,777
Notes receivable[(D)]	52,389	37,001	Operating lease liability	31,270	38,520
Warrants, at fair value	23,218	28,042	Reserve for sales recourse	9,799	12,549
Recovery asset	13,006	23,100	Reserve for servicing losses	9,288	—
Property and equipment	27,493	18,018	Deferred tax liability	7,859	—
Receivable from government agency[(E)]	14,369	19,670	Other liabilities	16,063	22,976
Intangible assets	34,125	40,963		$ 537,302	$ 600,790
Prepaid expenses	30,949	19,249			
Operating lease right-of-use assets	26,913	32,120			
Derivative assets (Note 11)	290,144	41,501			
Ocwen common stock, at fair value	11,187	7,952			
Deferred tax asset	—	8,669			
Deferred financing costs, net	886	—			
Other assets	34,468	51,230			
	$ 1,358,422	$ 1,395,800			

(A) Represents collateral posted primarily as a result of changes in fair value of New Residential's 1) real estate securities securing its secured financing agreements and 2) derivative instruments.

(B) Represents equity investments in funds that invest in 1) a commercial redevelopment project, 2) operating companies in the single-family housing industry. The indirect investments are accounted for at fair value based on the net asset value of New Residential's investment and as an equity method investment, respectively. Equity investments also includes an investment in Covius Holding Inc. ("Covius"), a provider of various technology-enabled services to the mortgage and real estate industries.

(dollars in tables in thousands, except share data)

(C) Includes goodwill derived from the acquisition of Shellpoint Partners LLC (“Shellpoint”) and DGG RE Investments d/b/a Guardian Asset Management LLC (“Guardian”).
(D) Represents a four-year subordinated debt facility to Covius.
(E) Represents claims receivable from the FHA on early buyout (“EBO”) and reverse mortgage loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

Real estate owned (REO) — REO assets are those individual properties acquired by New Residential or where New Residential receives the property in satisfaction of a debt (e.g., by taking legal title or physical possession). New Residential measures REO assets at the lower of cost or fair value, with valuation changes recorded in Other income or Valuation and credit loss provision (reversal) on loans and real estate owned. REO assets are managed for prompt sale and disposition at the best possible economic value.

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

	Real Estate Owned
Balance at December 31, 2018	$ 113,410
Purchases	68,024
Transfer of loans to real estate owned	86,167
Sales[(A)]	(150,431)
Valuation (provision) reversal on REO	635
Balance at December 31, 2019	$ 117,805
Purchases	23,640
Transfer of loans to real estate owned	43,409
Sales[(A)]	(101,035)
Valuation (provision) reversal on REO	2,751
Balance at December 31, 2020	$ 86,570

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

As of December 31, 2020, New Residential had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $290.9 million.

In addition, New Residential has recognized $16.2 million in unpaid claims receivable from FHA on Ginnie Mae EBO loans and reverse mortgage loans for which foreclosure has been completed and for which New Residential has made, or intends to make, a claim.

Goodwill — As a result of the Shellpoint and Guardian acquisitions, New Residential recorded goodwill for the consideration transferred in excess of the fair value of the net identifiable assets acquired. New Residential performs an annual assessment of goodwill on October 1 and in interim periods in case of events or circumstances that make it more likely than not that an impairment may have occurred. New Residential did not recognize any impairment for the year ended December 31, 2020.

Intangible Assets — As a result of the Shellpoint, Guardian and Ditech acquisitions, New Residential identified intangible assets in the form of licenses, customer relationships, business relationships, and tradename. New Residential recorded the intangible assets at fair value at the acquisition date and will amortize the value of finite lived intangibles into expense over the expected useful life. The licenses acquired as part of the Shellpoint acquisition and the tradename acquired as part of the Guardian acquisition were deemed to have an indefinite useful life and will be evaluated for impairment on a quarterly basis and the fair value will be assessed annually and in interim periods if indicators of impairment exist. New Residential performs an annual assessment of impairment on October 1 and in interim periods in case of events or circumstances that make it more likely than not that an impairment may have occurred. New Residential did not recognize any impairment for the year ended December 31, 2020.

Leases — New Residential determines if an arrangement is a lease at inception. Operating lease right-of-use ("ROU") assets and Operating lease liabilities are grouped and presented as part of Other Assets and Accrued Expenses and Other Liabilities, respectively, on New Residential's Consolidated Balance Sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the net present value of lease payments over the lease term. The majority of New Residential's lease agreements do not provide an implicit rate. As a result, New Residential used an incremental borrowing rate based on the information available as of the lease commencement dates in determining the present value of lease payments. The operating lease ROU asset reflects any upfront lease payments made as well as lease incentives received. The lease terms may include options to extend or terminate the lease and these are factored into the determination of the ROU asset and lease liability at lease inception when and if it is reasonably certain that New Residential will exercise that option. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term.

New Residential has certain lease agreements with non-lease components such as maintenance and executory costs, which are accounted for separately and not included in ROU assets.

ROU assets are tested for impairment whenever changes in facts or circumstances indicate that the carrying amount of an asset may not be recoverable. Modification of a lease term would result in re-measurement of the lease liability and a corresponding adjustment to the ROU asset.

Income Taxes — New Residential operates so as to qualify as a REIT under the requirements of the Internal Revenue Code of 1986, as amended. Requirements for qualification as a REIT include various restrictions on ownership of New Residential's stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders (subject to certain adjustments). Distributions may extend until timely filing of New Residential's tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

Certain activities of New Residential are conducted through taxable REIT subsidiaries ("TRSs") and therefore are subject to federal and state income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases upon the change in tax status. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

New Residential recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in the Consolidated Statements of Income.

Secured Financing Agreements and Secured Notes and Bonds Payable — The Company finances the acquisition of certain assets within its investment portfolio using secured financing agreements, including repurchase agreements and warehouse credit facilities. Repurchase agreements and warehouse credit facilities are treated as collateralized financing transactions and carried at their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company's secured financing agreements and warehouse credit facilities approximates fair value. The Company pledges certain securities, loans or other assets as collateral under secured financing agreements and warehouse credit facilities with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed under repurchase agreements and warehouse credit facilities are dependent upon the fair value of the securities, or loans pledged as collateral, which can fluctuate with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance and real estate industries.

Mortgage Origination Reserves — NewRez originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. In connection with the transfer of loans to the GSEs or mortgage investors, NewRez provides representations and warranties regarding certain attributes of the loans and, subsequent to the sale, if it is determined that a sold loan is in breach of these representations and warranties, NewRez generally has an obligation to cure the breach. If NewRez is unable to cure the breach, the purchaser may require NewRez to repurchase the loan. New Residential records a reserve for sales recourse at the time of sale to cover all potential recourse obligations based on the outstanding balance of mortgage loans subject to recourse as well as historical and estimated future loss rates. New Residential evaluates the ongoing adequacy of the reserve based on actual experience and changing circumstances, making adjustments to the reserve as deemed necessary.

(dollars in tables in thousands, except share data)

Accretion and Other Amortization — As reflected on the Consolidated Statements of Cash Flows, this item is composed of the following:

	Year Ended December 31,		
	2020	**2019**	**2018**
Accretion of net discount on securities and loans[(A)]	$ 96,148	$ 323,652	$ 452,500
Accretion of servicer advances receivable discount and servicer advance investments	55,664	28,094	214,876
Accretion of excess mortgage servicing rights income	28,352	32,647	44,440
Amortization of deferred financing costs	(22,733)	(4,019)	(7,795)
Amortization of discount on secured notes and bonds payable	(388)	(1,245)	(2,054)
Amortization of discount on term loan	(5,503)	—	—
	$ 151,540	$ 379,129	$ 701,967

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

Change in Fair Value of Investments — This item is composed of the following:

	Year Ended December 31,		
	2020	**2019**	**2018**
Excess mortgage servicing rights	$ (16,232)	$ (10,505)	$ (58,656)
Excess mortgage servicing rights, equity method investees	(3,489)	6,800	8,357
Mortgage servicing rights financing receivables	(279,168)	(189,023)	31,550
Servicer advance investments	763	10,288	(89,332)
Real estate and other securities	28,455	2,101	10,283
Residential mortgage loans	(107,604)	(70,914)	69,820
Consumer loans held-for-investment	(6,384)	—	—
Derivative instruments	(53,467)	(56,143)	(108,234)
	$ (437,126)	$ (307,396)	$ (136,212)

Gain (Loss) on Settlement of Investments, Net — This item is composed of the following:

	Year Ended December 31,		
	2020	**2019**	**2018**
Gain (loss) on sale of real estate securities	$ (753,713)	$ 205,989	$ (29,936)
Gain (loss) on sale of acquired residential mortgage loans	(5,662)	153,174	(7,677)
Gain (loss) on settlement of derivatives	(74,812)	(129,923)	54,867
Gain (loss) on liquidated residential mortgage loans	4,644	(4,872)	(3,734)
Gain (loss) on sale of REO	(21,925)	(11,521)	(12,424)
Gain (loss) on extinguishment of debt	(66,233)	(8,532)	(624)
Gain on settlement of investments in excess MSRs and Servicer advance investments	—	—	113,002
Other gains (losses)	(12,430)	23,666	(17,410)
	$ (930,131)	$ 227,981	$ 96,064

(dollars in tables in thousands, except share data)

Other Income (Loss), Net — This item is composed of the following:

	Year Ended December 31,		
	2020	2019	2018
Unrealized gain (loss) on secured notes and bonds payable	$ (966)	$ (1,236)	$ (684)
Unrealized gain (loss) on contingent consideration	(6,568)	(10,487)	(1,581)
Unrealized gain (loss) on equity investments	(54,455)	(3,096)	(677)
Gain (loss) on transfer of loans to REO	7,945	11,842	19,519
Gain (loss) on transfer of loans to other assets	(939)	(1,144)	(1,977)
Gain (loss) on Ocwen common stock	3,235	174	(10,860)
Provision for servicing losses	(15,330)	(9,102)	(27)
Bargain purchase gain(A)	—	49,539	—
Rental and ancillary revenue	25,409	6,732	—
Property and maintenance revenue	70,527	14,449	—
Other income (loss)	(31,655)	(17,852)	(25,697)
	$ (2,797)	$ 39,819	$ (21,984)

(A) Partly driven by transition, integration, relocation and training costs related to the Ditech Acquisition (see Note 3).

Interest Expense — New Residential finances certain investments using floating rate secured financing agreements and loans. Interest is expensed as incurred. See Note 12 for additional information.

General and Administrative Expenses — General and administrative expenses are expensed as incurred and is composed of the following:

	Year Ended December 31,		
	2020	2019	2018
Compensation and benefits expense	$ 230,009	$ 121,004	$ 47,084
Compensation and benefits expense, origination	341,637	164,485	62,786
Legal and professional expense	70,502	89,489	45,234
Loan origination expense	92,081	45,483	6,820
Occupancy expense	36,799	19,388	8,868
Subservicing expense	201,444	227,482	176,784
Loan servicing expense	14,126	31,737	43,547
Property and maintenance expense	42,508	8,112	—
Other(A)	90,981	74,791	50,763
	$ 1,120,087	$ 781,971	$ 441,886

(A) Represents miscellaneous general and administrative expenses.

Management Fee and Incentive Compensation to Affiliate — These represent amounts due to the Manager pursuant to the Management Agreement. See Note 17 for further information regarding the Management Agreement.

Offering Costs — The Company has incurred offering costs in connection with common stock offerings, registration statements, preferred stock offerings and exchanges. Where applicable, the offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings and costs in connection with registration statements have been accounted for as a reduction of additional paid-in capital. Offering costs in connection with preferred stock offerings have been accounted for as a reduction of their respective gross proceeds. Exchange costs in connection with the Company's preferred stock exchanges have been accounted for as a reduction to the Company's retained earnings.

Earnings (Loss) Per Share — In accordance with the provisions of ASC 260, *Earnings per Share*, New Residential calculates basic income (loss) per share by dividing net income (loss) available to common stockholders for the period by weighted average shares of the Company’s common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options and warrants but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding. In periods in which the Company records a net loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

Comprehensive Income — Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For New Residential's purposes, comprehensive income represents net income, as presented in the Consolidated Statements of Income, adjusted for unrealized gains or losses on certain securities classified as available for sale.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires that lessees recognize a right-of-use asset and corresponding lease liability on the balance sheet for most leases. The guidance applied by a lessor under ASU 2016-02 is substantially similar to existing GAAP. ASU 2016-02 was effective for New Residential in the first quarter of 2019. An entity is allowed to apply ASU 2016-02 by means of a modified retrospective transition method for all leases existing at, or entered into after, the date of initial application. The adoption of ASU 2016-02 did not have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments ("CECL")*. The standard requires that a financial asset measured at amortized cost basis be presented at the net amount expected to be collected, net of an allowance for all expected (rather than incurred) credit losses. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The standard also changes the accounting for purchased credit deteriorated assets and available-for-sale securities, which requires the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other-than-temporary. The standard provides an option to elect the fair value option for certain investments as an alternative to adopting ASU 2016-13. Lastly, an entity is required to apply ASU 2016-13 using the modified retrospective approach which requires a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The standard was effective for New Residential in the first quarter of 2020. Upon adoption of the standard, New Residential elected the fair value option on its held for investment residential mortgage and consumer loans portfolios. As a result, the Company recognized a positive adjustment of $13.7 million to retained earnings, composed of a $19.7 million increase attributable to the change in the fair value of consumer loans, net of noncontrolling interests, partially offset by a $6.0 million decrease attributable to the change in fair value of residential mortgage loans. For servicer advance receivables, the Company determined credit-related losses are not significant because of the contractual relationships with the agencies. For other assets, primarily trade receivables, the Company determined that these are short-term in nature (less than one year), and the estimated credit-related losses over the life of these receivables are not significant.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. The standard (i) adds incremental requirements for entities to disclose (a) the amount of total gains or losses for the period recognized in other comprehensive income that is attributable to fair value changes in assets and liabilities held as of the balance sheet date and categorized within Level 3 of the fair value hierarchy, (b) the range and weighted average used to develop significant unobservable inputs and (c) how the weighted average was calculated for fair value measurements categorized within Level 3 of the fair value hierarchy and (ii) eliminates disclosure requirements for (a) transfers between Level 1 and Level 2 and (b) valuation processes for Level 3 fair value measurements. ASU 2018-13 was effective for New Residential in the first quarter of 2020. The adoption of ASU 2018-13 did not have a material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The standard was issued to ease the accounting effects of reform to the London Interbank Offered Rate ("LIBOR") and other reference rates. The standard provides optional expedients and exceptions for applying GAAP to debt, derivatives, and other contracts affected by reference rate reform. In January 2021, the FASB amended the standard to clarify option expedients and exceptions for contract modifications and hedge accounting. The standard is effective for all entities as of March 12, 2020 through December 31, 2022 and may be elected over time as reference rate reform activities occur. The Company is currently evaluating the impact the adoption of this standard would have on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt–Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging–Contracts in Entity's Own Equity (Topic 815)*. The standard simplifies the accounting for convertible instruments by reducing the number of accounting models. A convertible debt instrument will generally be reported as a single liability at its amortized cost with no separate accounting for embedded conversion features. The standard also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. ASU 2020-16 is effective for New Residential beginning in the first quarter of 2022 with early adoption permitted beginning in 2021. The Company is currently evaluating the impact the adoption of this standard would have on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

New Residential completed the Shellpoint acquisition in 2018 and the Guardian and Ditech acquisitions in 2019 as part of its strategy to expand its residential origination, servicing and asset management capabilities. New Residential accounted for these transactions using the acquisition method which requires, among other things, that the assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. In a business combination, the initial allocation of the purchase price is considered preliminary and therefore subject to change until the end of the measurement period (up to one year from the acquisition date). Goodwill is calculated as the excess of the purchase price over the net assets recognized and represents synergies and benefits expected to result from combining operations and adding in-house servicing, asset origination and recapture capabilities.

Purchase Price Allocation

New Residential has performed an allocation of the total consideration paid to acquire the assets and liabilities of the companies acquired, as set forth below.

	2019			2018
	Ditech	Guardian	Total	Shellpoint
Total Consideration ($ in millions)	$ 1,218.2	$ 21.5	$ 1,239.7	$ 425.5
Assets				
Mortgage servicing rights, at fair value(A)	$ 387.2	$ —	$ 387.2	$ 286.6
Residential mortgage loans, held-for-investment, at fair value	—	—	—	125.3
Residential mortgage loans, held-for-sale, at fair value	627.4	—	627.4	488.2
Residential mortgage loans subject to repurchase	—	—	—	121.4
Cash and cash equivalents	—	1.8	1.8	79.2
Restricted cash	—	—	—	9.9
Servicer advance receivable	238.0	—	238.0	22.4
Intangible assets(B) (C) (D)	10.5	11.7	22.2	18.4
Other assets(E)	64.8	6.6	71.4	59.1
Total Assets Acquired	$ 1,327.9	$ 20.1	$ 1,348.0	$ 1,210.5
Liabilities				
Secured financing agreements	$ —	$ —	$ —	$ 439.6
Secured notes and bonds payable	—	—	—	20.7
Mortgage-backed securities issued, at fair value	—	—	—	120.7
Residential mortgage loans repurchase liability	—	—	—	121.4
Excess spread financing, at fair value	—	—	—	48.3
Accrued expenses and other liabilities	60.2	3.7	63.9	50.6
Total Liabilities Assumed	$ 60.2	$ 3.7	$ 63.9	$ 801.3
Noncontrolling Interest	$ —	$ —	$ —	$ 8.3
Net Assets	$ 1,267.7	$ 16.4	$ 1,284.1	$ 400.9
Goodwill (bargain purchase gain)	$ (49.5)	$ 5.1	$ (44.4)	$ 24.6

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

(B) Includes intangible assets acquired as part of the Ditech acquisition in the form of correspondent customer relationships and servicing contracts tied to the recovery of defaulted loans. These intangibles will be amortized over a finite life of three years based on the expected useful life of these intangibles.

(C) Includes intangible assets acquired as part of the Guardian acquisition in the form of customer relationships and a tradename. Customer relationships will be amortized over a finite life of seven years based on the expected useful life of these intangibles. New Residential has determined that the tradename has an indefinite useful life and will be evaluated for impairment given no legal, regulatory, contractual, competitive or economic factors that would limited useful life.

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

(E) Includes post loan charge off deficiency balances acquired through the Ditech Acquisition.

Acquisition of Select Assets and Liabilities from Ditech Holding Corporation

On June 17, 2019, New Residential, entered into a "stalking-horse" Asset Purchase Agreement (the "APA") with Ditech Holding Corporation, a Maryland corporation ("Holding"), and Ditech Financial LLC, a Delaware limited liability company ("Financial" and together with Holding, the "Sellers" or "Ditech") to acquire certain assets and assume certain liabilities under the APA based on the value of the acquired assets and assumed liabilities as calculated in accordance with the terms of the APA, subject to certain adjustments. Ditech filed voluntary petitions for relief under Chapter 11 of the Bankruptcy code, in the United States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court").

The proposed sale was conducted through a Bankruptcy Court-supervised process, subject to Bankruptcy Court-approved bidding procedures, with the potential receipt of higher or better offers from competing bidders at auction, the approval of the sale by the Bankruptcy Court, and the satisfaction of certain conditions. As the stalking horse bidder, the Company's offer to acquire the assets and assume the liabilities, as set forth in the APA, set the standard by which any other qualifying bids would be evaluated. Upon conclusion of the competitive bidding process, Ditech decided to proceed with New Residential's stalking horse bid, as amended and sought the Bankruptcy Court's approval.

On October 1, 2019, New Residential Investment Corp ("Ditech Purchaser") completed the acquisition ("Ditech Acquisition") contemplated by the APA dated June 17, 2019, as amended, by and among the Ditech Purchaser and Ditech. Pursuant to the APA, Ditech sold, transferred, and assigned to the Ditech Purchaser (and its certain designated subsidiaries) the acquired assets, as defined in the APA, and the Ditech Purchaser (and its certain designated subsidiaries) assumed the liabilities, as defined in the APA, for cash consideration of $1.2 billion.

The acquisition included certain Fannie Mae, Ginnie Mae and non-agency MSRs, the servicer advance receivables relating to such MSRs and other assets core to certain origination and servicing businesses at Ditech. Additionally, New Residential assumed certain Ditech office spaces and added approximately 1,100 Ditech employees to support the increase in volume to its existing origination and servicing operations.

The acquisition of assets from the bankruptcy estate of Ditech along with the subsequent hiring of Ditech employees was accounted for as a business acquisition rather than an asset acquisition. Upon completing the Ditech Acquisition, the consideration transferred by the Ditech Purchaser for the acquired assets and assumed liabilities was determined to be less than the net assets acquired from Ditech resulting in an economic gain ("Bargain Purchase"). New Residential completed the required reassessment to validate that all assets acquired and liabilities assumed on the acquisition date had been identified and appropriately measured in accordance with ASC 805. Based on the reassessment, the transaction resulted in a Bargain Purchase gain of $49.5 million, which has been included in Other income (loss), net in the Consolidated Statements of Income for the year ended December 31, 2019. The Bargain Purchase gain resulted from certain transition, integration, relocation and training costs that were factored into the purchase price and identified as future liabilities, of which approximately $22.9 million were incurred during the year ended December 31, 2019.

The acquisition date fair value of the consideration transferred includes $1.2 billion in cash consideration and $4.9 million in effective settlement of preexisting relationships. The total consideration is summarized as follows:

Total Consideration (in millions)	**Amount**
Cash Consideration	$ 1,213.3
Effective Settlement of Preexisting Relationships[(A)]	4.9
Total Consideration	$ 1,218.2

(A) Represents the effective settlement of preexisting relationships between New Residential and Ditech related to operating accounts receivable and payable existing prior to the acquisition date. The effective settlement of these preexisting relationships had no impact to New Residential's Consolidated Statements of Income. New Residential recognized the effective settlement of preexisting relationships separately from the acquisition of assets and assumption of liabilities in the business combination.

Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined Servicing and Origination Revenue, which is comprised of (i) servicing revenue, net and (ii) gain on originated mortgage loans, held-for-sale, net, and Income Before Income Taxes for the years ended December 31, 2019 and 2018 prepared as if the Ditech Acquisition had been consummated on January 1, 2018.

	Year Ended December 31,	
	2019	**2018**
Pro Forma (in millions)		
Servicing and Origination Revenue	$ 1,104.0	$ 1,238.1
Income Before Income Taxes	552.8	923.3

The unaudited supplemental pro forma financial information has not been adjusted for transactions other than the Ditech 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 Ditech 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 Ditech Acquisition occurred on January 1, 2018.

Acquisition of Guardian Asset Management

On August 19, 2019, NRZ Guardian Purchaser LLC (“Guardian Purchaser”), entered into an agreement to acquire 100% of the shares of DDG RE Investments LLC d/b/a Guardian Asset Management (“Guardian”).

On September 3, 2019, the Guardian Purchaser acquired 100% of the outstanding interests of Guardian for cash consideration of $7.6 million (“Guardian Acquisition”). As additional consideration for the Guardian Acquisition, the Guardian Purchaser may make up to four cash earnout payments, which will be calculated as the amount of cumulative Guardian earnings on specified contracts in excess of certain thresholds up to a maximum of $17.5 million (the “Guardian Earnout Payments”). The Guardian Earnout Payments are classified as contingent consideration recorded at fair value at the acquisition date and included in the total consideration transferred for the Guardian Acquisition. The contingent consideration is subsequently measured at fair value on a quarterly basis with changes in fair value recorded in Other income (loss), net. On April 10, 2020, New Residential made its first Guardian Earnout Payment of $1.9 million.

Guardian is a field services and asset management business and provides New Residential with in-house property management, inspection and repair service capabilities.

The acquisition date fair value of the consideration transferred includes $7.6 million in cash consideration and $13.9 million in contingent consideration. The total consideration is summarized as follows:

Total Consideration (in millions)	**Amount**
Cash Consideration	$ 7.6
Earnout Payment[(A)]	13.9
Total Consideration	$ 21.5

(A) The range of outcomes for this contingent consideration is from $0 to $17.5 million dependent on the performance of Guardian.

The goodwill of $5.1 million primarily includes the benefits expected to result from adding in-house property management and repair services has been allocated to the Servicing reporting segment. The full amount of goodwill of $5.1 million is expected to be deductible for tax purposes. New Residential will assess the goodwill annually on October 1 and in interim periods in case of events or circumstances make it more likely than not that an impairment may have occurred.

Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined Income Before Income Taxes for the years ended December 31, 2019 and 2018 prepared as if the Guardian Acquisition had been consummated on January 1, 2018.

	Year Ended December 31,	
	2019	**2018**
Pro Forma (in millions)		
Income Before Income Taxes	$ 651.5	$ 932.2

The unaudited supplemental pro forma financial information has not been adjusted for transactions other than the Guardian 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 Guardian 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 Guardian Acquisition occurred on January 1, 2018.

Acquisition of Shellpoint Partners LLC

On November 29, 2017, NRM Acquisition LLC (the "Shellpoint Purchaser"), a Delaware limited liability company and a wholly owned subsidiary of New Residential, entered into a Securities Purchase Agreement (the "Shellpoint SPA") to acquire Shellpoint Partners LLC, a Delaware limited liability company ("Shellpoint"). Shellpoint is a vertically integrated mortgage platform with established origination and servicing capabilities and provides New Residential with in-house servicing, asset origination and recapture capabilities.

On July 3, 2018, the Shellpoint Purchaser acquired 100% of the outstanding equity interests of Shellpoint for a cash purchase price of $212.3 million (the "Shellpoint Acquisition"). As additional consideration for the Shellpoint Acquisition, the Shellpoint Purchaser may make up to three cash earnout payments, which will be calculated following each of the first three anniversaries of the Shellpoint closing as a percentage of the amount by which the pre-tax income of certain of Shellpoint's businesses exceeds certain specified thresholds, up to an aggregate maximum amount of $60.0 million (the "Shellpoint Earnout Payments"). The Shellpoint Earnout Payments are classified as contingent consideration recorded at fair value at the acquisition date and included in the total consideration transferred for the Shellpoint Acquisition. The contingent consideration is subsequently measured at fair value on a quarterly basis with changes in fair value recorded in Other income (loss), net. As of December 31, 2020, New Residential had paid out the entire amount of the Shellpoint Earnout Payments.

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

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

(A) The range of outcomes for this contingent consideration is from $0 to $60.0 million, dependent on the performance of Shellpoint. At acquisition date, New Residential derived a fair value of the remaining contingent consideration payment in three years of $39.3 million. This amount excludes contingent payments to the long-term employee incentive plans that require continuing employment and are recognized as compensation expense within General and Administrative expenses in the post-acquisition consolidated financial statements separate from New Residential's acquisition of assets and assumption of liabilities in the business combination.

(B) Represents the effective settlement of preexisting relationships between New Residential and Shellpoint. The effective settlement of these preexisting relationships had no impact to New Residential's Consolidated Statements of Income.

The final amount and allocation of total consideration reflects certain measurement period adjustments identified during the fourth quarter of 2018, including the effect on earnings that would have been recorded during the third quarter of 2018 had the accounting been completed at the acquisition date. Such measurement period adjustments included 1) a decrease of $3.5 million in the amount of contingent consideration based upon finalization of the internal valuation, 2) a decrease of $6.4 million to consideration transferred for the effective settlement of existing relationships, 3) an increase of $14.1 million to the fair value of identifiable intangible assets based upon receipt of the final valuation report from a third-party valuation firm, and 4) an increase of $0.3 million to other assets due to a decrease in the fair value discount on certain servicing advance receivables. These measurement period adjustments resulted in a corresponding decrease to goodwill in the amount of $24.3 million.

The goodwill of $24.6 million primarily includes the synergies and benefits expected to result from combining operations with Shellpoint and adding in-house servicing, asset origination and recapture capabilities and has been allocated to the Servicing and Origination reporting segment. The full amount of goodwill for tax purposes of $24.6 million is expected to be deductible. New Residential will assess the goodwill annually on October 1 and in interim periods in case of events or circumstances make it more likely than not that an impairment may have occurred.

Certain transactions were recognized separately from New Residential's acquisition of assets and assumption of liabilities in the business combination. These separately recognized transactions include 1) contingent payments to Shellpoint's employees and 2) effective settlement of preexisting relationships discussed above, including 1) MSR acquisitions, 2) a note payable and 3) operating accounts receivable and payable existing prior to the acquisition date.

Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined Servicing and Origination Revenue, which is comprised of (i) servicing revenue, net and (ii) gain on originated mortgage loans, held-for-sale, net, and Income Before Income Taxes for the years ended December 31, 2018 and 2017 prepared as if the Shellpoint Acquisition had been consummated on January 1, 2017.

	Year Ended December 31,	
	2018	**2017**
Pro Forma (in millions)		
Servicing and Origination Revenue	$ 767.0	$ 749.0
Income Before Income Taxes	948.1	1,197.5

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

Strategic Investment in Covius Holdings Inc.

On May 1, 2019, New Residential made a strategic investment in Covius, a leading provider of technology-enabled services to the mortgage industry. Covius provides settlement and title, document and letter fulfillment, regulatory compliance, quality assurance, commercial and residential loan due diligence and business process automation services. New Residential invested $27.3 million in common stock for a non-controlling interest in Covius, with an option to increase its ownership position through specified future investments and $35.0 million in a four-year subordinated debt facility.

New Residential determined that the investment should be accounted for under the equity method of accounting since it has the ability to exercise significant influence over the investee's operating and financial policies. As the consideration transferred for the investment was greater than the net equity of the investment ("basis differences"), the Company allocated the basis difference in a manner consistent with business combination accounting resulting in goodwill of $11.8 million, and intangible assets primarily in the form of customer backlog and tradename of $3.6 million. Goodwill and intangibles are included as part of Equity investments within Other assets on the Consolidated Balance Sheets.

The goodwill of $11.8 million primarily includes the benefits expected to result from having a significant investment in the service provider and has been allocated to the MSR Related Investments reporting segment. None of the goodwill is expected to be deductible for tax purposes. New Residential will assess the goodwill annually on October 1 and in interim periods in case of events or circumstances make it more likely than not that an impairment may have occurred.

(dollars in tables in thousands, except share data)

4. SEGMENT REPORTING

At December 31, 2020, New Residential's reportable segments include (i) Origination, (ii) Servicing, (iii) MSR Related Investments, (iv) Residential Securities and Loans, (v) Consumer Loans and (vi) Corporate. The Corporate segment primarily consists of general and administrative expenses, management fees and incentive compensation related to the Management Agreement, corporate cash and related interest income, unsecured senior notes (Note12) and related interest expense.

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

	Servicing and Origination					Residential Securities and Loans				
	Origination	Servicing	MSR Related Investments	Eliminations(A)	Total Servicing and Origination	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Year Ended December 31, 2020										
Interest income	$ 63,160	$ 8,288	$ 374,698	$ —	$ 446,146	$ 355,916	$ 175,963	$ 124,512	$ —	$ 1,102,537
Servicing revenue, net	(11,519)	417,438	(743,987)	(216,973)	(555,041)	—	—	—	—	(555,041)
Gain on originated mortgage loans, held-for-sale, net	1,289,584	1,722	69,714	39,532	1,400,552	(13,398)	11,938	—	—	1,399,092
Total revenues	1,341,225	427,448	(299,575)	(177,441)	1,291,657	342,518	187,901	124,512	—	1,946,588
Interest expense	45,676	495	233,619	—	279,790	157,371	87,958	22,587	36,763	584,469
G&A and other	494,398	294,594	446,469	(216,973)	1,018,488	7,639	62,900	10,301	109,893	1,209,221
Total operating expenses	540,074	295,089	680,088	(216,973)	1,298,278	165,010	150,858	32,888	146,656	1,793,690
Change in fair value of investments	—	—	(298,126)	—	(298,126)	(25,012)	(107,604)	(6,384)	—	(437,126)
Gain (loss) on settlement of investments, net	—	—	(16,713)	—	(16,713)	(828,525)	(19,655)	(4,183)	(61,055)	(930,131)
Other income (loss), net	433	499	37,453	—	38,385	2,333	(3,220)	814	(41,109)	(2,797)
Total other income (loss)	433	499	(277,386)	—	(276,454)	(851,204)	(130,479)	(9,753)	(102,164)	(1,370,054)
Impairment	—	—	141	—	141	13,404	110,067	—	—	123,612
Income (Loss) Before Income Taxes	801,584	132,858	(1,257,190)	39,532	(283,216)	(687,100)	(203,503)	81,871	(248,820)	(1,340,768)
Income tax (benefit) expense	211,359	32,810	(162,817)	—	81,352	—	(65,215)	779	—	16,916
Net Income (Loss)	$ 590,225	$ 100,048	$ (1,094,373)	$ 39,532	$ (364,568)	$ (687,100)	$ (138,288)	$ 81,092	$ (248,820)	$(1,357,684)
Noncontrolling interests in income (loss) of consolidated subsidiaries	15,625	—	891	—	16,516	—	—	36,158	—	$ 52,674
Dividends on preferred stock	—	—	—	—	—	—	—	—	54,295	54,295
Net income (loss) attributable to common stockholders	$ 574,600	$ 100,048	$ (1,095,264)	$ 39,532	$ (381,084)	$ (687,100)	$ (138,288)	$ 44,934	$ (303,115)	$(1,464,653)

	Servicing and Origination					Residential Securities and Loans				
	Origination	Servicing	MSR Related Investments	Eliminations(A)	Total Servicing and Origination	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
December 31, 2020										
Investments	$ 2,947,113	$ —	$ 5,534,752	$ —	$ 8,481,865	$ 14,244,558	$ 3,029,339	$ 685,575	$ —	$ 26,441,337
Cash and cash equivalents	123,124	59,798	412,578	—	595,500	222,372	7,472	3,182	116,328	944,854
Restricted cash	14,826	49,913	28,128	—	92,867	15,652	96	27,004	—	135,619
Other assets	551,910	206,646	4,538,045	—	5,296,601	232,837	86,762	38,465	46,171	5,700,836
Goodwill	11,836	12,540	5,092	—	29,468	—	—	—	—	29,468
Total assets	$ 3,648,809	$ 328,897	$ 10,518,595	$ —	$ 14,496,301	$ 14,715,419	$ 3,123,669	$ 754,226	$ 162,499	$ 33,252,114
Debt	$ 2,700,962	$ 3,285	$ 5,998,711	$ —	$ 8,702,958	$ 13,473,239	$ 2,386,919	$ 628,759	$ 541,516	$ 25,733,391
Other liabilities	298,106	89,713	1,520,959	—	1,908,778	20,863	28,577	622	130,199	2,089,039
Total liabilities	2,999,068	92,998	7,519,670	—	10,611,736	13,494,102	2,415,496	629,381	671,715	27,822,430
Total equity	649,741	235,899	2,998,925	—	3,884,565	1,221,317	708,173	124,845	(509,216)	5,429,684
Noncontrolling interests in equity of consolidated subsidiaries	19,402	—	43,882	—	63,284	—	—	45,384	—	108,668
Total New Residential stockholders' equity	$ 630,339	$ 235,899	$ 2,955,043	$ —	$ 3,821,281	$ 1,221,317	$ 708,173	$ 79,461	$ (509,216)	$ 5,321,016
Investments in equity method investees	$ —	$ —	$ 129,873	$ —	$ 129,873	$ —	$ —	$ —	$ —	$ 129,873

(dollars in tables in thousands, except share data)

	Servicing and Origination					Residential Securities and Loans				
	Origination	Servicing	MSR Related Investments	Eliminations(A)	Total Servicing and Origination	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Year Ended December 31, 2019										
Interest income	$ 42,166	$ 34,013	$ 530,225	$ —	$ 606,404	$ 744,145	$ 249,673	$ 165,877	$ 31	$ 1,766,130
Servicing revenue, net	(1,605)	209,982	225,361	(48,579)	385,159	—	—	—	—	385,159
Gain on originated mortgage loans, held-for-sale, net	390,981	1,029	43,914	(51,360)	384,564	—	75,543	—	—	460,107
Total revenues	431,542	245,024	799,500	(99,939)	1,376,127	744,145	325,216	165,877	31	2,611,396
Interest expense	41,949	1,043	246,294	—	289,286	453,609	158,298	32,558	—	933,751
G&A and other	252,458	170,516	310,715	(48,579)	685,110	3,160	52,745	22,540	189,780	953,335
Total operating expenses	294,407	171,559	557,009	(48,579)	974,396	456,769	211,043	55,098	189,780	1,887,086
Change in fair value of investments	—	—	(182,440)	—	(182,440)	(54,042)	(70,914)	—	—	(307,396)
Gain (loss) on settlement of investments, net	—	—	8,030	—	8,030	74,927	153,449	(8,425)	—	227,981
Other income (loss), net	9,340	5,343	30,760	—	45,443	44	(7,150)	(1,574)	1,618	38,381
Total other income (loss)	9,340	5,343	(143,650)	—	(128,967)	20,929	75,385	(9,999)	1,618	(41,034)
Impairment	—	—	—	—	—	25,174	(20,607)	31,010	—	35,577
Income (Loss) Before Income Taxes	146,475	78,808	98,841	(51,360)	272,764	283,131	210,165	69,770	(188,131)	647,699
Income tax (benefit) expense(C)	39,768	21,396	9,565	—	70,729	—	(28,461)	(502)	—	41,766
Net Income (Loss)	$ 106,707	$ 57,412	$ 89,276	$ (51,360)	$ 202,035	$ 283,131	$ 238,626	$ 70,272	$ (188,131)	$ 605,933
Noncontrolling interests in income (loss) of consolidated subsidiaries	6,231	—	4,255	—	10,486	—	—	32,151	—	42,637
Dividends on Preferred Stock	—	—	—	—	—	—	—	—	13,281	13,281
Net income (loss) attributable to common stockholders	$ 100,476	$ 57,412	$ 85,021	$ (51,360)	$ 191,549	$ 283,131	$ 238,626	$ 38,121	$ (201,412)	$ 550,015

	Servicing and Origination					Residential Securities and Loans				
	Origination	Servicing	MSR Related Investments	Eliminations(A)	Total Servicing and Origination	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
December 31, 2019										
Investments	$ 1,414,528	$ —	$ 6,773,353	$ —	$ 8,187,881	$ 19,477,728	$ 5,843,983	$ 827,545	$ —	$ 34,337,137
Cash and cash equivalents	77,237	32,225	318,714	—	428,176	87,359	1,180	6,514	5,508	528,737
Restricted cash	6,730	15,769	107,328	—	129,827	—	—	32,370	—	162,197
Other assets	250,709	204,723	3,420,122	—	3,875,554	5,590,456	174,940	78,740	85,956	9,805,646
Goodwill	11,836	12,809	5,092	—	29,737	—	—	—	—	29,737
Total assets	$ 1,761,040	$ 265,526	$ 10,624,609	$ —	$ 12,651,175	$ 25,155,543	$ 6,020,103	$ 945,169	$ 91,464	$ 44,863,454
Debt	$ 1,304,621	$ 33,412	$ 6,646,159	$ —	$ 7,984,192	$ 22,151,110	$ 4,676,849	$ 824,222	$ —	$ 35,636,373
Other liabilities	117,328	51,264	451,629	—	620,221	980,415	55,121	16,795	318,269	1,990,821
Total liabilities	1,421,949	84,676	7,097,788	—	8,604,413	23,131,525	4,731,970	841,017	318,269	37,627,194
Total equity	339,091	180,850	3,526,821	—	4,046,762	2,024,018	1,288,133	104,152	(226,805)	7,236,260
Noncontrolling interests in equity of consolidated subsidiaries	11,354	—	45,025	—	56,379	—	—	22,171	—	78,550
Total New Residential stockholders' equity	$ 327,737	$ 180,850	$ 3,481,796	$ —	$ 3,990,383	$ 2,024,018	$ 1,288,133	$ 81,981	$ (226,805)	$ 7,157,710
Investments in equity method investees	$ —	$ —	$ 165,848	$ —	$ 165,848	$ —	$ —	$ —	$ —	$ 165,848

(dollars in tables in thousands, except share data)

	Servicing and Origination[B]					Residential Securities and Loans				
	Origination	Servicing	MSR Related Investments	Eliminations[A]	Total Servicing and Origination	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Year Ended December 31, 2018										
Interest income	$ 12,430	$ 8,148	$ 703,387	$ —	$ 723,965	$ 573,539	$ 158,892	$ 206,321	$ 1,506	$ 1,664,223
Servicing revenue, net	(450)	75,388	463,842	(10,185)	528,595	—	—	—	—	528,595
Gain on originated mortgage loans, held-for-sale, net	98,987	—	(4,511)	(17,168)	77,308	—	8,757	—	—	86,065
Total revenues	110,967	83,536	1,162,718	(27,353)	1,329,868	573,539	167,649	206,321	1,506	2,278,883
Interest expense	10,018	264	232,063	—	242,345	240,615	80,910	42,563	—	606,433
G&A and other	95,551	64,633	200,866	(10,185)	350,865	1,554	32,424	35,230	179,307	599,380
Total operating expenses	105,569	64,897	432,929	(10,185)	593,210	242,169	113,334	77,793	179,307	1,205,813
Change in fair value of investments	—	—	(108,081)	—	(108,081)	(97,951)	69,820	—	—	(136,212)
Gain (loss) on settlement of investments, net	—	—	121,814	—	121,814	25,497	(51,757)	—	510	96,064
Other income (loss), net	2,067	—	(1,461)	—	606	(472)	(10,364)	9,965	(10,916)	(11,181)
Total other income (loss)	2,067	—	12,272	—	14,339	(72,926)	7,699	9,965	(10,406)	(51,329)
Impairment	—	—	—	—	—	30,017	12,061	48,563	—	90,641
Income (Loss) Before Income Taxes	7,465	18,639	742,061	(17,168)	750,997	228,427	49,953	89,930	(188,207)	931,100
Income tax (benefit) expense[C]	1,916	4,785	(15,065)	—	(8,364)	—	(65,279)	212	—	(73,431)
Net Income (Loss)	$ 5,549	$ 13,854	$ 757,126	$ (17,168)	$ 759,361	$ 228,427	$ 115,232	$ 89,718	$ (188,207)	$ 1,004,531
Noncontrolling interests in income (loss) of consolidated subsidiaries	1,599	—	1,978	—	3,577	—	—	36,987	—	40,564
Dividends on Preferred Stock	—	—	—	—	—	—	—	—	—	—
Net income (loss) attributable to common stockholders	$ 3,950	$ 13,854	$ 755,148	$ (17,168)	$ 755,784	$ 228,427	$ 115,232	$ 52,731	$ (188,207)	$ 963,967

(A) Elimination of intercompany transactions related primarily to servicing fees, loan sales, and MSR recaptures.

(B) Includes results from July 3, 2018, the date of Shellpoint Acquisition (Note 3).

(C) In 2020, New Residential revised its methodology of allocating tax expense within the Servicing and Origination segments. Specifically, taxes are now allocated based on intercompany agreements rather than based on a more general pro rata approach, which better reflects the operating performance of each respective segment. The revised methodology has been applied consistently for all periods presented.

(dollars in tables in thousands, except share data)

5. EXCESS MORTGAGE SERVICING RIGHTS

Excess mortgage servicing rights assets include New Residential's direct investments in Excess MSRs and investments in joint ventures jointly controlled by New Residential and Fortress-managed funds investing in Excess MSRs. The table below summarizes the components of excess mortgage servicing rights assets as presented on the consolidated balance sheets:

	Year Ended December 31,	
	2020	**2019**
Direct investments in Excess MSRs	$ 310,938	$ 379,747
Excess MSR Joint Ventures	99,917	125,596
Excess mortgage servicing rights assets, at fair value	$ 410,855	$ 505,343

Direct Investments in Excess MSRs

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

	Servicer		
	Mr. Cooper	**SLS[(A)]**	**Total**
Balance as of December 31, 2018	$ 445,328	$ 2,532	$ 447,860
Interest income	32,587	60	32,647
Other income	3,851	—	3,851
Proceeds from repayments	(83,612)	(419)	(84,031)
Proceeds from sales	(10,075)	—	(10,075)
Change in fair value	(10,387)	(118)	(10,505)
Balance as of December 31, 2019	377,692	2,055	379,747
Interest income	28,217	135	28,352
Other income	(12,123)	—	(12,123)
Proceeds from repayments	(67,340)	(405)	(67,745)
Proceeds from sales	(1,061)	—	(1,061)
Change in fair value	(16,376)	144	(16,232)
Balance as of December 31, 2020	$ 309,009	$ 1,929	$ 310,938

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

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

New Residential has entered into a "recapture agreement" with respect to each of the direct Excess MSR investments serviced by Mr. Cooper and SLS. Under such arrangements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any refinancing by Mr. Cooper of a loan in the original portfolio. These recapture agreements do not apply to New Residential's Servicer Advance Investments (Note 7).

New Residential elected to record its direct 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.

(dollars in tables in thousands, except share data)

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

	December 31, 2020						
	UPB of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years(A)	Amortized Cost Basis(B)	Carrying Value(C)
		New Residential(D)	Fortress-managed funds	Mr. Cooper			
Agency							
Original and Recaptured Pools	$ 34,593,406	32.5% - 66.7% (53.3%)	—% - 40.0%	20.0% - 35.0%	5.9	$ 141,204	$ 162,645
Non-Agency(E)							
Mr. Cooper and SLS Serviced:							
Original and Recaptured Pools	38,095,499	33.3% - 100.0% (59.4%)	—% - 50.0%	—% - 33.3%	6.5	109,697	148,293
Total	$ 72,688,905					$ 250,901	$ 310,938

	December 31, 2019						
	UPB of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years(A)	Amortized Cost Basis(B)	Carrying Value(C)
		New Residential(D)	Fortress-managed funds	Mr. Cooper			
Agency							
Original and Recaptured Pools	$ 43,310,917	32.5% - 66.7% (53.3)%	—% - 40.0%	20.0% - 35.0%	5.5	$ 178,603	$ 209,633
Non-Agency(E)							
Mr. Cooper and SLS Serviced:							
Original and Recaptured Pools	45,034,320	33.3% - 100.0% (59.4)%	—% - 50.0%	—% - 33.3%	6.5	124,875	170,114
Total	$ 88,345,237					$ 303,478	$ 379,747

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.
(C) Carrying Value represents the fair value of the pools and recapture agreements, as applicable.
(D) Amounts in parentheses represent weighted averages.
(E) New Residential is also invested in related Servicer Advance Investments, including the basic fee component of the related MSR as of December 31, 2020 and 2019 (Note 7) on $26.1 billion and $31.4 billion UPB, respectively, underlying these Excess MSRs.

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

	Year Ended December 31,		
	2020	2019	2018
Original and Recaptured Pools	$ (16,232)	$ (10,505)	$ (58,656)

As of December 31, 2020 and 2019, weighted average discount rates of 7.8% (range 7.5%-8.0%) and 7.8%, respectively, were used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

Excess MSR Joint Ventures

New Residential entered into investments in joint ventures ("Excess MSR joint ventures") jointly controlled by New Residential and Fortress-managed funds investing in Excess MSRs.

(dollars in tables in thousands, except share data)

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

	December 31, 2020	December 31, 2019
Excess MSR assets	$ 179,762	$ 226,843
Other assets	20,759	25,035
Other liabilities	(687)	(687)
Equity	$ 199,834	$ 251,191
New Residential's investment	$ 99,917	$ 125,596
New Residential's percentage ownership	50.0 %	50.0 %

	Year Ended December 31, 2020	2019	2018
Interest income	$ 22,507	$ 23,872	$ 26,363
Other income (loss)	(29,461)	(10,208)	(9,649)
Expenses	(24)	(64)	—
Net income	$ (6,978)	$ 13,600	$ 16,714

The following table summarizes the activity of New Residential's investments in equity method investees:

	December 31, 2020	December 31, 2019
Balance at beginning of period	$ 125,596	$ 147,964
Contributions to equity method investees	—	—
Distributions of earnings from equity method investees	(1,170)	(8,999)
Distributions of capital from equity method investees	(21,020)	(20,169)
Change in fair value of investments in equity method investees	(3,489)	6,800
Balance at end of period	$ 99,917	$ 125,596

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

December 31, 2020	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	$ 28,453,512	66.7%	50.0%	$ 139,251	$ 179,762	5.8

December 31, 2019	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	New Residential Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and Recaptured Pools	$ 33,592,554	66.7%	50.0%	$ 168,807	$ 226,843	5.4

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

(dollars in tables in thousands, except share data)

6. MORTGAGE SERVICING RIGHTS AND MSR FINANCING RECEIVABLES

The Company owns and records at fair value the rights to service residential mortgage loans, either as a result of purchase transactions or from the retained mortgage servicing associated with the sales and securitizations of loans originated. MSRs are composed of servicing rights of both agency and non-agency loans. In certain cases where New Residential has legally purchased MSRs or the right to the economic interest in MSRs, New Residential has determined that the purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSRs, New Residential has recorded an investment in MSR Financing Receivables. Income from these investments, net of subservicing fees, are recorded as Interest income with changes in fair value flowing through Change in fair value of investments in the Consolidated Statements of Income.

A subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), engages third party licensed mortgage servicers as subservicers to perform the operational servicing duties in connection with the MSRs it acquires, in exchange for a subservicing fee which is recorded as Subservicing expense in New Residential's Consolidated Statements of Income. As of December 31, 2020, these subservicers include LoanCare, Nationstar, PHH and Flagstar, which subservice 17.5%, 16.2%, 15.4%, and 0.7% of the underlying UPB of the related mortgages, respectively (includes both MSRs and MSR Financing Receivables). The remaining 50.2% of the underlying UPB of the related mortgages is subserviced by the servicing division of NewRez.

NRM has entered into recapture agreements with respect to each of its MSR investments. Under the recapture agreements, NRM is generally entitled to the MSRs on any initial or subsequent refinancing by an NRM subservicer or by NewRez.

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

	MSRs	MSR Financing Receivables	Total
Balance as of December 31, 2018	$ 2,884,100	$ 1,644,504	$ 4,528,604
Purchases, net(A)	678,424	652,902	1,331,326
Transfers(B)	367,121	(367,121)	—
Other transfers(C)	(410)	—	(410)
Ditech Acquisition (Note 3)	387,170	—	387,170
Originations(D)	374,450	—	374,450
Proceeds from sales	(1,539)	(22,989)	(24,528)
Change in fair value due to:			
Realization of cash flows(E)	(537,111)	(203,732)	(740,843)
Change in valuation inputs and assumptions(F)	(187,530)	21,094	(166,436)
(Gain) loss realized	3,285	(6,385)	(3,100)
Balance as of December 31, 2019	$ 3,967,960	$ 1,718,273	$ 5,686,233
Purchases, net(A)	449,875	(18,267)	431,608
Transfers (G)	320,613	(320,613)	—
Originations(D)	666,414	—	666,414
Proceeds from sales	(11,282)	(4,059)	(15,341)
Change in fair value due to:			
Realization of cash flows(E)	(1,369,607)	(222,674)	(1,592,281)
Change in valuation inputs and assumptions(F)	(536,694)	(54,745)	(591,439)
(Gain) loss realized	2,396	(1,749)	647
Balance as of December 31, 2020	$ 3,489,675	$ 1,096,166	$ 4,585,841

(A) Net of purchase price adjustments and purchase price fully reimbursable from MSR sellers as a result of prepayment protection.

(dollars in tables in thousands, except share data)

(B) Represents MSRs previously accounted for as MSR Financing Receivables. As a result of the length of the initial term of the related subservicing agreement between NRM and PHH, although the MSRs were legally sold, solely for accounting purposes, the purchase agreement was not treated as a sale under GAAP through June 30, 2019.
(C) Represents Ginnie Mae MSRs repurchased.
(D) Represents MSRs retained on the sale of originated mortgage loans.
(E) Based on the ratio of the current UPB of the underlying residential mortgage loans relative to the original UPB of the underlying residential mortgage loans.
(F) Includes changes in inputs or assumptions used in the valuation model.
(G) Represents MSRs previously accounted for as MSR Financing Receivables. As a result of the length of prepayment protection between NRM and MSR sellers, although the MSRs were legally sold, solely for accounting purposes, the purchase agreement was not treated as a sale under GAAP through June 30, 2020.

Servicing revenue, net recognized by New Residential related to its MSRs comprises the following:

	Year Ended December 31,		
	2020	2019	2018
Servicing fee revenue	$ 1,224,060	$ 899,623	$ 589,546
Ancillary and other fees	110,640	198,486	130,294
Servicing fee revenue and fees	1,334,700	1,098,109	719,840
Change in fair value due to:			
Realization of cash flows(A)	(1,360,954)	(530,031)	(256,915)
Change in valuation inputs and assumptions(B) (C)	(531,183)	(186,204)	68,587
(Gain) loss realized	2,396	3,285	(2,917)
Servicing revenue, net	$ (555,041)	$ 385,159	$ 528,595

(A) Includes $8.7 million, $7.1 million and $1.2 million of fair value adjustment due to realization of cash flows to Excess spread financing for the years ended December 31, 2020, 2019, and 2018, respectively.
(B) Includes changes in inputs or assumptions used in the valuation model.
(C) Includes $5.5 million, $1.3 million and $7.4 million of fair value adjustment due to changes in valuation inputs and assumptions to Excess spread financing for the years ended December 31, 2020, 2019, and 2018, respectively.

Interest income from MSR Financing Receivables was composed of the following:

	Year Ended December 31,		
	2020	2019	2018
Servicing fee revenue	$ 384,260	$ 513,172	$ 705,812
Ancillary and other fees	74,421	119,570	146,829
Less: subservicing expense	(151,109)	(196,726)	(251,184)
Interest income, MSR financing receivables	$ 307,572	$ 436,016	$ 601,457

Change in fair value of MSR Financing Receivables was composed of the following:

	Year Ended December 31,		
	2020	2019	2018
Realization of cash flows	$ (222,674)	$ (203,732)	$ (197,703)
Change in valuation inputs and assumptions(A)	(54,745)	21,094	230,036
(Gain) loss realized	(1,749)	(6,385)	(783)
Change in fair value of MSR financing receivables	$ (279,168)	$ (189,023)	$ 31,550

(A) Includes changes in inputs or assumptions used in the valuation model.

(dollars in tables in thousands, except share data)

The following is a summary of New Residential's MSRs and MSR Financing Receivables as of December 31, 2020 and 2019:

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Carrying Value(B)
2020			
MSRs:			
Agency(C)	$ 300,200,826	5.1	$ 2,799,728
Non-Agency	5,962,225	4.2	17,512
Ginnie Mae	57,106,825	4.1	672,435
MSR Financing Receivables:			
Agency(C)	5,517,730	5.2	49,275
Non-Agency	66,648,221	8.0	1,046,891
Total	$ 435,435,827	5.4	$ 4,585,841
2019			
MSRs:			
Agency(C)	$ 315,427,933	5.1	$ 3,319,035
Non-Agency	6,402,833	5.4	20,283
Ginnie Mae	52,019,295	4.6	628,642
MSR Financing Receivables:			
Agency(C)	54,866,978	4.7	547,351
Non-Agency	76,117,892	7.6	1,170,922
Total	$ 504,834,931	5.4	$ 5,686,233

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) Carrying Value represents fair value. As of December 31, 2020 and 2019, weighted average discount rates of 7.7% (range of 7.3%-13.0%) and 7.8%, respectively, were used to value New Residential's MSRs, respectively. As of December 31, 2020 and 2019, weighted average discount rates of 9.4% (range of 7.4%-9.5%) and 8.9%, respectively, were used to value New Residential's MSR Financing Receivables.

(C) Represents Fannie Mae and Freddie Mac MSRs.

Ginnie Mae Loans Subject to Repurchase Right

NewRez, as an approved issuer of Ginnie Mae MBS, originates and securitizes government-insured residential mortgage loans. As the issuer of the Ginnie Mae-guaranteed securitizations, NewRez has the unilateral right to repurchase loans from the securitizations when they are delinquent for more than 90 days. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. Under GAAP, NewRez is required to recognize the right to loans on its balance sheet and establish a corresponding liability upon the triggering of the repurchase right regardless of whether NewRez intends to repurchase the loans. As of December 31, 2020 and 2019, New Residential holds approximately $1,452.0 million and $172.3 million in residential mortgage loans subject to repurchase and residential mortgage loans repurchase liability on its Consolidated Balance Sheets. New Residential may re-pool reacquired loans into new Ginnie Mae securitizations upon re-performance of the loan or otherwise sell to third-party investors. Upon recognizing loans eligible for repurchase, the Company does not change the accounting for MSRs related to previously sold loans. Upon reacquisition of a loan the MSR is written off. As of December 31, 2020, New Residential holds approximately $810.9 million of reacquired residential mortgage loans and is reflected in Residential mortgage loans, held-for-sale on the Consolidated Balance Sheets.

Ocwen MSR Financing Receivable Transactions

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

In January 2018, Ocwen sold and transferred to New Residential certain “Rights to MSRs” and other assets related to mortgage servicing rights for loans with an unpaid principal balance of approximately $86.8 billion. PHH (as successor by merger to Ocwen) will continue to service the mortgage loans related to the MSRs until any necessary third-party consents to transferring the MSRs are obtained and all other conditions to transferring the MSRs are satisfied, at which time PHH will transfer the MSRs to New Residential.

As of December 31, 2020, MSRs representing approximately $66.7 billion UPB of underlying loans were transferred from PHH to NRM and NewRez. Although the MSRs transferred were legally sold, solely for accounting purposes, New Residential determined that substantially all of the risks and rewards inherent in owning the MSRs had not been transferred to NRM or NewRez, and that the purchase agreement would not be treated as a sale under GAAP.

Mr. Cooper MSR Financing Receivable Transaction

On February 28, 2019, NRM entered into an agreement with Mr. Cooper to purchase the MSRs, and related servicer advance receivables, with respect to $9.5 billion in total UPB of seasoned Agency residential mortgage loans. The residential mortgage loans underlying the MSRs acquired by NRM are subserviced by Mr. Cooper pursuant to an existing subservicing agreement with NRM. As a result of the length of the initial term of the related subservicing agreement between NRM and Mr. Cooper, although the MSRs were legally sold, solely for accounting purposes, New Residential determined that substantially all of the risks and rewards inherent in owning the MSRs had not been transferred to NRM, and that the purchase agreement would not be treated as a sale under GAAP.

United Shore MSR Financing Receivable Transactions

On April 2, 2019 and May 21, 2019, NRM entered into agreements with United Shore to purchase the MSRs, and related servicer advance receivables, with respect to $8.2 billion and $23.7 billion in total UPB of seasoned Agency residential mortgage loans, respectively. The residential mortgage loans underlying the MSRs acquired by NRM will be subserviced by NewRez, Mr. Cooper and LoanCare pursuant to existing subservicing agreements with NRM. As a result of the length of term of prepayment protection provided to NRM, although the MSRs were legally sold, solely for accounting purposes, New Residential determined that the transferor retained more than minor protection provisions, and that the purchase agreement would not be treated as a sale under GAAP. During the year ended December 31, 2020, New Residential reassessed the transaction and concluded that the transferor no longer retained more than minor protection provisions and, as a result, New Residential accounted for this transaction as a true sale.

Quicken MSR Financing Receivable Transaction

On August 6, 2019, NRM entered into an agreement with Quicken to purchase the MSRs, and related servicer advance receivables, with respect to $29.1 billion in total UPB of seasoned Agency residential mortgage loans. The residential mortgage loans underlying the MSRs acquired by NRM are subserviced by LoanCare pursuant to an existing subservicing agreement with NRM. As a result of the length of term of prepayment protection provided to NRM, although the MSRs were legally sold, solely for accounting purposes, New Residential determined that the transferor retained more than minor protection provisions, and that the purchase agreement would not be treated as a sale under GAAP. During the year ended December 31, 2020, New Residential reassessed the transaction and concluded that the transferor no longer retained more than minor protection provisions and, as a result, New Residential accounted for this transaction as a true sale.

(dollars in tables in thousands, except share data)

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

	Percentage of Total Outstanding Unpaid Principal Amount	
State Concentration	**December 31, 2020**	**December 31, 2019**
California	21.2 %	21.9 %
Florida	7.4 %	6.9 %
New York	7.0 %	6.4 %
Texas	5.6 %	5.5 %
New Jersey	4.8 %	4.9 %
Illinois	3.6 %	3.6 %
Massachusetts	3.4 %	3.4 %
Georgia	3.3 %	3.1 %
Pennsylvania	3.1 %	3.0 %
Maryland	3.1 %	3.0 %
Other U.S.	37.5 %	38.3 %
	100.0 %	100.0 %

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

Mortgage Subservicing

NewRez performs servicing of residential mortgage loans for third parties under subservicing agreements. Mortgage subservicing does not meet the criteria to be recognized as a servicing right asset and, therefore, is not recognized on New Residential's Consolidated Balance Sheets. The UPB of residential mortgage loans subserviced for others as of December 31, 2020 and 2019 was $66.9 billion and $71.3 billion, respectively. Subservicing revenue of $201.6 million and $139.5 million was included within Servicing revenue, net in the Consolidated Statements of Income for the years ended December 31, 2020 and 2019, respectively.

Servicer Advances Receivable

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

In addition to receiving cash flows from the MSRs, NRM and NewRez, as servicers, have the obligation to fund future servicer advances on the underlying pool of mortgages (Note 16). These servicer advances are recorded when advanced and are included in Servicer Advances Receivable on the Consolidated Balance Sheets.

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

	December 31,	
	2020	**2019**
Principal and interest advances	$ 665,538	$ 823,860
Escrow advances (taxes and insurance advances)	1,547,796	1,666,792
Foreclosure advances	816,400	760,593
Total(A)(B)(C)	$ 3,029,734	$ 3,251,245

(A) Includes $583.9 million and $562.2 million of servicer advances receivable related to Agency MSRs, respectively, recoverable either from the borrower or the Agencies.

(B) Includes $181.2 million and $166.5 million of servicer advances receivable related to Ginnie Mae MSRs, respectively, recoverable from either the borrower or Ginnie Mae. Expected losses for advances associated with Ginnie Mae loans in the MSR portfolio are considered in the MSR fair valuation through a non reimbursable advance loss assumption.

(C) Net of $27.5 million and $50.1 million, respectively, in unamortized advance discount and reserves, net of accruals for advance recoveries. These reserves relate to inactive loans in the foreclosure or liquidation process.

New Residential's Servicer advances receivable related to Non-Agency MSRs generally have the highest reimbursement priority pursuant to the underlying servicing agreements (i.e., "top of the waterfall") and New Residential is generally entitled to repayment from respective loan or REO liquidation proceeds before any interest or principal is paid on the bonds that were issued by the trust. In the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool-level proceeds. Furthermore, to the extent that advances are not recoverable by New Residential as a result of the subservicer's failure to comply with applicable requirements in the relevant servicing agreements, New Residential has a contractual right to be reimbursed by the subservicer. New Residential assesses the recoverability of servicer advance receivables periodically and as of December 31, 2019, expected full recovery of the Servicer Advance Receivables. For advances on loans that have been liquidated, sold, paid in full or modified, the Company reserved $22.9 million for expected non-recovery of advances as of December 31, 2020.

See Note 12 regarding the financing of MSRs.

7. SERVICER ADVANCE INVESTMENTS

All of New Residential's Servicer Advance Investments are composed of outstanding servicer advances, the requirement to purchase all future servicer advances made with respect to a specified pool of residential mortgage loans, and the basic fee component of the related MSR. New Residential elected to record its Servicer Advance Investments, including the right to the basic fee component of the related MSRs, at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of market factors.

A taxable wholly owned subsidiary of New Residential is the managing member of Advance Purchaser LLC (the "Buyer"), a joint venture entity, and owned an approximately 73.2% interest in the Buyer as of December 31, 2020. As of December 31, 2020, third-party co-investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of $389.6 million and New Residential has funded capital commitments to the Buyer of $312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of December 31, 2020, the noncontrolling third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $328.4 million and $306.9 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

The Buyer has purchased servicer advances from Mr. Cooper, is required to purchase all future servicer advances made with respect to this portfolio of loans from Mr. Cooper, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Mr. Cooper in consideration of Mr. Cooper's servicing activities. The compensation paid to Mr. Cooper as of December 31, 2020 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.

New Residential has determined that the Buyer is a VIE. See Note 14 for information regarding the assets and liabilities related to this consolidated VIE.

New Residential also acquired a portion of the call rights related to this portfolio of loans.

(dollars in tables in thousands, except share data)

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

	Amortized Cost Basis	Carrying Value(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years)(B)
December 31, 2020					
Servicer Advance Investments	$ 512,958	$ 538,056	5.2 %	5.7 %	6.0
December 31, 2019					
Servicer Advance Investments	$ 557,444	$ 581,777	5.3 %	5.7 %	6.3

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

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

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Secured Notes and Bonds Payable	Loan-to-Value ("LTV")(A) Gross	Loan-to-Value ("LTV")(A) Net(B)	Cost of Funds(C) Gross	Cost of Funds(C) Net
December 31, 2020								
Servicer Advance Investments(D)	$ 26,061,499	$ 449,150	1.7 %	$ 423,144	88.4 %	88.6 %	1.5 %	1.3 %
December 31, 2019								
Servicer Advance Investments(D)	$ 31,442,267	$ 462,843	1.5 %	$ 443,248	88.3 %	87.2 %	3.4 %	2.8 %

(A) Based on outstanding servicer advances, excluding purchased but unsettled servicer advances.
(B) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.
(C) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
(D) The following types of advances are included in the Servicer Advance Investments:

	December 31, 2020	December 31, 2019
Principal and interest advances	$ 84,976	$ 71,574
Escrow advances (taxes and insurance advances)	186,426	180,047
Foreclosure advances	177,748	211,222
Total	$ 449,150	$ 462,843

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

	Year Ended December 31, 2020	2019	2018
Interest income, gross of amounts attributable to servicer compensation	$ 34,262	$ 51,940	$ 83,807
Amounts attributable to basic servicer compensation	(3,248)	(6,209)	(8,491)
Amounts attributable to incentive servicer compensation	(12,832)	(18,065)	(25,098)
Interest income from Servicer Advance Investments	$ 18,182	$ 27,666	$ 50,218

See Note 12 regarding the financing of Servicer Advance Investments.

8. REAL ESTATE AND OTHER SECURITIES

"Agency" residential mortgage backed securities ("RMBS") are RMBS issued by a government sponsored enterprise, such as Fannie Mae or Freddie Mac. "Non-Agency" RMBS are issued by either public trusts or private label securitization entities.

Activities related to New Residential's real estate and other securities were as follows (amounts in millions):

	Year Ended December 31,			
	2020		2019	
	Agency	Non-Agency	Agency	Non-Agency
Purchases				
Face	$ 21,593.3	$ 5,083.1	$ 33,573.5	$ 14,960.4
Purchase Price	22,290.3	575.0	34,335.5	2,059.0
Sales				
Face	$ 19,321.7	$ 8,450.1	$ 22,746.3	$ 2,936.2
Amortized Cost	19,666.2	6,242.0	23,337.8	1,852.1
Sale Price	19,886.8	5,288.5	23,449.2	1,949.3
Gain (Loss) on Sale	220.5	(953.5)	111.4	97.2

As of December 31, 2020, there were no unsettled trades. As of December 31, 2019, New Residential had sold and purchased $5.1 billion and $0.9 billion face amount of Agency RMBS for $5.2 billion and $0.9 billion, respectively, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

New Residential has exercised its call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts' termination. Refer to Notes 9 and 17 for further details on these transactions.

The following is a summary of New Residential's real estate and other securities:

			Gross Unrealized				Weighted Average				
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value(A)	Number of Securities	Rating(B)	Coupon(C)	Yield	Life (Years)(D)	Principal Subordination(E)
December 31, 2020											
Agency RMBS	$ 110,360	$ 111,149	$ 10,612	$ —	$ 121,761	$ 1	AAA	3.5 %	3.5 %	5.9	—
Agency RMBS at FVO	12,380,792	12,840,459	101,414	—	12,941,873	57	AAA	2.2 %	2.2 %	4.3	—
Total Agency RMBS(F)(G)	12,491,152	12,951,608	112,026	—	13,063,634	58	AAA	2.2 %	2.2 %	4.3	—
Non-Agency RMBS(H)(I)	19,378,530	1,153,643	88,098	(60,817)	1,180,924	589	AA	2.8 %	4.1 %	4.8	19.6 %
Total/Weighted Average	$ 31,869,682	$ 14,105,251	$ 200,124	$ (60,817)	$ 14,244,558	647	AAA	2.3 %	2.4 %	4.3	
December 31, 2019											
Agency RMBS(F)(G)	$ 11,301,603	$ 11,474,338	$ 57,221	$ (11,616)	$ 11,519,943	43	AAA	3.2 %	2.8 %	6.0	N/A
Non-Agency RMBS(H)(I)	24,857,988	7,307,837	689,158	(39,210)	7,957,785	997	B+	2.9 %	4.7 %	7.0	11.0 %
Total/Weighted Average	$ 36,159,591	$ 18,782,175	$ 746,379	$ (50,826)	$ 19,477,728	1,040	A+	3.0 %	3.5 %	6.4	

(A) Fair value, which is equal to carrying value for all securities. See Note 13 regarding the estimation of fair value.

(B) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. This excludes the ratings of the collateral underlying 289 bonds with a carrying value of $432.5 million which either have never been rated or for which rating information is no longer provided. For each security rated by multiple rating agencies, the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were determined by third party rating agencies, and represent the most recent credit ratings available as of the reporting date and may not be current.

(dollars in tables in thousands, except share data)

(C) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $27.4 million and $2.6 million, respectively, for which no coupon payment is expected.

(D) The weighted average life is based on the timing of expected principal reduction on the assets.

(E) Percentage of the amortized cost basis of securities that is subordinate to New Residential's investments, excluding fair value option securities.

(F) Includes securities issued or guaranteed by U.S. Government agencies such as Fannie Mae or Freddie Mac.

(G) The total outstanding face amount was $12.5 billion and $11.3 billion for fixed rate securities and $0.0 billion and $0.0 billion for floating rate securities as of December 31, 2020 and 2019, respectively.

(H) The total outstanding face amount was $11.9 billion (including $10.9 billion of residual and fair value option notional amount) and $5.4 billion (including $3.2 billion of residual and fair value option notional amount) for fixed rate securities and $7.5 billion (including $7.2 billion of residual and fair value option notional amount) and $19.5 billion (including $12.2 billion of residual and fair value option notional amount) for floating rate securities as of December 31, 2020 and 2019, respectively.

(I) Includes other asset backed securities ("ABS") consisting primarily of (i) interest-only securities and servicing strips (fair value option securities) which New Residential elected to carry at fair value and record changes to valuation through the income statement, (ii) bonds backed by consumer loans and (iii) corporate debt.

			Gross Unrealized				Weighted Average				
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)	Principal Subordination
December 31, 2020											
Corporate debt	$ 500	$ 500	$ 23	$ —	$ 523	1	B-	8.25 %	8.25 %	4.3	N/A
Consumer loan bonds	13,022	12,360	503	—	12,862	6	N/A	N/A	N/A	—	N/A
Fair value option securities											
Interest-only securities	9,457,488	248,253	6,600	(43,781)	211,073	124	AA+	1.22 %	5.09 %	2.1	N/A
Servicing strips	4,979,723	49,989	5,865	(9,476)	46,378	58	N/A	0.42 %	8.38 %	3.9	N/A
December 31, 2019											
Corporate debt	$ 85,000	$ 85,000	$ —	$ (1,262)	$ 83,738	1	B-	8.25 %	8.25 %	5.3	N/A
Consumer loan bonds	25,029	25,688	521	(6,190)	20,019	6	N/A	N/A	N/A	1.6	N/A
MSR bond	—	—	—	—	—	—	N/A	— %	— %	—	N/A
Fair value option securities											
Interest-only securities	11,201,646	308,714	35,882	(19,459)	325,137	124	AA+	1.37 %	10.49 %	2.9	N/A
Servicing strips	4,073,792	40,043	2,431	(4,562)	37,912	46	N/A	0.38 %	4.01 %	5.7	N/A

Unrealized losses attributable to credit impairment are recognized in earnings. During the year ended December 31, 2020, 2019 and 2018, New Residential recorded credit impairment of $13.4 million, $25.2 million and $30.0 million, respectively. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes New Residential's securities in an unrealized loss position as of December 31, 2020.

		Amortized Cost Basis						Weighted Average			
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Credit Impairment	Credit Impairment(A)	After Credit Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)
Less than 12 Months	$ 7,134,953	$ 217,955	$ (1,776)	$ 216,179	$ (28,594)	$ 187,585	61	AA+	2.29 %	4.58 %	5.5
12 or More Months	4,063,623	143,681	(6,896)	136,785	(32,223)	104,562	80	AA+	1.56 %	1.76 %	4.2
Total/Weighted Average	$ 11,198,576	$ 361,636	$ (8,672)	$ 352,964	$ (60,817)	$ 292,147	141	AA+	2.00 %	3.49 %	5.0

(A) Represents credit impairment on securities in an unrealized loss position as of December 31, 2020.

(dollars in tables in thousands, except share data)

New Residential performed an assessment of all 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 credit impairment, exceeds its fair value) and determined the following:

	December 31, 2020				December 31, 2019			
			Gross Unrealized Losses				Gross Unrealized Losses	
	Fair Value	Amortized Cost Basis After Credit Impairment	Credit(A)	Non-Credit(B)	Fair Value	Amortized Cost Basis After Credit Impairment	Credit(A)	Non-Credit(B)
Securities New Residential intends to sell	—	—	—	—	$ —	$ —	$ —	$ —
Securities New Residential is more likely than not to be required to sell(C)	—	—	—	—	—	—	—	N/A
Securities New Residential has no intent to sell and is not more likely than not to be required to sell:								
Credit impaired securities	21,326	21,326	(8,672)	—	228,228	237,626	(3,232)	(9,398)
Non-credit impaired securities	270,821	331,638	—	(60,817)	4,726,409	4,767,837	—	(41,428)
Total debt securities in an unrealized loss position	$ 292,147	$ 352,964	$ (8,672)	$ (60,817)	$ 4,954,637	$ 5,005,463	$ (3,232)	$ (50,826)

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

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

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

The following table summarizes the activity related to the allowance for credit losses on debt securities (excluding credit impairment relating to securities New Residential intends to sell or is more likely than not required to sell):

	Purchased Credit Deteriorated	Non-Purchased Credit Deteriorated	Total
Allowance for credit losses on available-for-sale debt securities at December 31, 2019	$ —	$ —	$ —
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	—	—	—
Additions to the allowance for credit losses arising from purchases of available-for-sale debt securities accounted for as purchased financial assets with credit deterioration	—	—	—
Reductions for securities sold during the period	—	—	—
Reductions in the allowance for credit losses because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—	—	—
Additional increases (decreases) to the allowance for credit losses on securities that had credit losses or an allowance recorded in a previous period	8,672	—	8,672
Write-offs charged against the allowance	—	—	—
Recoveries of amounts previously written off	—	—	—
Allowance for credit losses on available-for-sale debt securities at December 31, 2020	$ 8,672	$ —	$ 8,672

(dollars in tables in thousands, except share data)

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

	Year Ended December 31,	
	2019	**2018**
Beginning balance of credit losses on debt securities for which a portion of an other-than-temporary impairment was recognized in other comprehensive income	$ 52,803	$ 23,821
Increases to credit losses on securities for which an other-than-temporary impairment was previously recognized and a portion of an other-than-temporary impairment was recognized in other comprehensive income	23,059	16,924
Additions for credit losses on securities for which an other-than-temporary impairment was not previously recognized	2,115	13,093
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 other-than-temporary impairment was recognized in other comprehensive income at the current measurement date	—	—
Reduction for securities sold/paid off during the period	(18,914)	(1,035)
Ending balance of credit losses on debt securities for which a portion of an other-than-temporary impairment was recognized in other comprehensive income	$ 59,063	$ 52,803

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

	December 31,			
	2020		2019	
Geographic Location(A)	**Outstanding Face Amount**	**Percentage of Total Outstanding**	**Outstanding Face Amount**	**Percentage of Total Outstanding**
Western U.S.	$ 6,543,524	33.7 %	$ 9,048,847	36.6 %
Southeastern U.S.	5,089,592	26.3 %	5,983,966	24.2 %
Northeastern U.S.	4,484,340	23.2 %	5,416,137	21.9 %
Midwestern U.S.	2,207,783	11.4 %	2,562,269	10.4 %
Southwestern U.S.	1,025,637	5.3 %	1,440,467	5.8 %
Other(B)	14,132	0.1 %	296,273	1.1 %
	$ 19,365,008	100.0 %	$ 24,747,959	100.0 %

(A) Excludes $13.0 million and $25.0 million face amount of bonds backed by consumer loans and $0.5 million and $85.0 million face amount of bonds backed by corporate debt as of December 31, 2020 and 2019, respectively.

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

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments.

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

	Outstanding Face Amount	**Carrying Value**
December 31, 2020	$ 727,216	$ 280,876
December 31, 2019	5,701,736	3,830,369

(dollars in tables in thousands, except share data)

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

	Year Ended December 31,	
	2020	2019
Beginning Balance	$ 1,882,477	$ 2,245,984
Additions	76,960	407,864
Accretion	(60,868)	(239,682)
Reclassifications from (to) non-accretable difference	(167,793)	(233,683)
Disposals	(1,541,214)	(298,006)
Ending Balance	$ 189,562	$ 1,882,477

See Note 12 regarding the financing of real estate securities.

9. RESIDENTIAL MORTGAGE LOANS

New Residential accumulated its residential mortgage loan portfolio through various bulk acquisitions and the execution of call rights. New Residential, through its wholly-owned subsidiary, NewRez, originates residential mortgage loans for sale and securitization to third parties and generally retains the servicing rights on the underlying loans.

Loans are accounted for based on New Residential's strategy for the loan, and on whether the loan was credit-impaired at the date of acquisition. As of December 31, 2020, New Residential accounts for loans based on the following categories:

- Loans Held-for-Investment, at fair value
- Loans Held-for-Sale, at lower of cost or fair value
- Loans Held-for-Sale, at fair value

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

	December 31,					
	2020					2,019
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)	Carrying Value
Total residential mortgage loans, held-for-investment(B)	$ 769,348	$ 674,179	12,353	6.6 %	5.6	925,706
Acquired reverse mortgage loans(C)	$ 12,007	$ 5,884	28	7.8 %	3.8	5,844
Acquired performing loans(D)(F)	138,109	129,345	3,278	6.7 %	4.5	857,821
Acquired non-performing loans(E)(F)	487,022	374,658	3,253	7.5 %	3.3	565,387
Total residential mortgage loans, held-for-sale, at lower of cost or market	$ 637,138	$ 509,887	6,559	7.3 %	3.6	1,429,052
Acquired performing loans(D)(F)	$ 1,446,457	$ 1,423,159	7,189	3.8 %	6.6	3,024,288
Acquired non-performing loans	428,079	335,544	2,798	7.5 %	3.3	0
Originated loans	2,801,297	2,947,113	10,797	2.8 %	27.7	1,589,324
Total residential mortgage loans, held-for-sale, at fair value	$ 4,675,833	$ 4,705,816	20,784	3.5 %	18.9	4,613,612
Total residential mortgage loans, held-for-sale, at fair value/lower of cost or market	$ 5,312,971	$ 5,215,703				6,042,664

(A) The weighted average life is based on the expected timing of the receipt of cash flows.
(B) Residential mortgage loans, held-for-investment, at fair value is grouped and presented as part of Residential loans and variable interest entity consumer loans held-for-investment, at fair value on the Consolidated Balance Sheets.

(dollars in tables in thousands, except share data)

(C) Represents a 70% participation interest that New Residential holds in a portfolio of reverse mortgage loans. Mr. Cooper holds the other 30% interest and services the loans. The average loan balance outstanding based on total UPB was $0.6 million. Approximately 47.8% of these loans have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.

(D) Performing loans are generally placed on nonaccrual status when principal or interest is 120 days or more past due.

(E) As of December 31, 2020, New Residential has placed Non-Performing Loans, held-for-sale on nonaccrual status, except as described in (F) below.

(F) Includes $798.1 million and $20.5 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

New Residential generally considers the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as its credit quality indicators. Delinquency status is a primary credit quality indicator as loans that are more than 60 days past due provide an early warning of borrowers who may be experiencing financial difficulties. Current LTV ratio is an indicator of the potential loss severity in the event of default. Finally, the geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, home price changes and specific events will affect credit quality.

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

	Percentage of Total Outstanding Unpaid Principal Amount	
	December 31,	
State Concentration	**2020**	**2019**
California	11.9 %	16.1 %
New York	10.1 %	9.0 %
Texas	7.1 %	7.1 %
Florida	7.1 %	8.4 %
Georgia	5.8 %	4.8 %
New Jersey	4.2 %	4.2 %
Illinois	3.5 %	3.6 %
Pennsylvania	3.5 %	2.9 %
Maryland	3.4 %	3.3 %
Massachusetts	3.1 %	3.3 %
Other U.S.	40.3 %	37.3 %
	100.0 %	100.0 %

See Note 12 regarding the financing of residential mortgage loans and related assets.

The following table summarizes the difference between the aggregate unpaid principal balance and the aggregate fair value of loans as of December 31, 2020:

(dollars in tables in thousands, except share data)

Days Past Due	Unpaid Principal Balance	Fair Value	Fair Value Over (Under) Unpaid Principal Balance
90 to 119	$ 71,567	$ 59,679	$ (11,888)
120+	950,564	790,788	(159,776)
	$ 1,022,131	$ 850,467	$ (171,664)

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

Days Past Due	December 31, 2019 Delinquency Status(A)
Current	86.5 %
30-59	7.0 %
60-89	2.7 %
90-119(B)	0.7 %
120+(C)	3.1 %
	100.0 %

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

Call Rights

New Residential has executed calls with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO assets contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts' termination. For the year ended December 31, 2020, New Residential executed calls on a total of 13 trusts and recognized $48.5 million of interest income on securities held in the collapsed trusts and $16.0 million of gain on securitizations accounted for as sales. For the year ended December 31, 2019, New Residential executed calls on a total of 140 trusts and recognized $54.4 million of interest income on securities held in the collapsed trusts and $156.2 million of gain on securitizations accounted for as sales. Refer to Note 17 for transactions with affiliates.

The following table summarizes the activity for residential mortgage loans:

(dollars in tables in thousands, except share data)

	Loans Held-for-Investment	Loans Held-for-Sale, at Lower Cost or Fair Value	Loans Held-for-Sale, at Fair Value	Total
Balance at December 31, 2018	$ 735,318	$ 932,480	$ 2,808,529	$ 4,476,327
Ditech Acquisition	381,039	—	618,297	999,336
Originations	—	—	19,512,072	19,512,072
Sales	—	(495,925)	(25,538,105)	(26,034,030)
Purchases/additional fundings	—	1,133,335	7,499,614	8,632,949
Proceeds from repayments	(119,195)	(184,783)	(235,937)	(539,915)
Transfer of loans to other assets(A)	—	(10,154)	(412)	(10,566)
Transfer of loans to real estate owned	(20,710)	(49,459)	(4,155)	(74,324)
Transfers of loans to held for sale	(80,659)	—	—	(80,659)
Transfer of loans from held-for-investment	—	80,659	—	80,659
Accretion of loan discount and other amortization	28,702			28,702
Valuation provision on loans	(2,927)	22,899	—	19,972
Fair value adjustments due to:	—	—	—	—
Changes in instrument-specific credit risk	4,138	—	(46,291)	(42,153)
Other factors	—	—	—	—
Balance at December 31, 2019	$ 925,706	$ 1,429,052	$ 4,613,612	$ 6,968,370
Fair value adjustment due to fair value option	(6,020)	—	—	(6,020)
Originations	—	—	61,684,462	61,684,462
Sales	—	(791,974)	(64,692,996)	(65,484,970)
Purchases/additional fundings	—	110,741	3,322,369	3,433,110
Proceeds from repayments	(145,767)	(99,845)	(177,723)	(423,335)
Transfer of loans to other assets(A)	—	(3,449)	(22,255)	(25,704)
Transfer of loans to real estate owned	(6,754)	(21,681)	(7,035)	(35,470)
Transfers of loans to held for sale	(62,274)	—		(62,274)
Transfer of loans from held for investment	—	—	62,274	62,274
Valuation provision on loans	—	(112,957)	—	(112,957)
Fair value adjustments due to:	—	—	—	—
Changes in instrument-specific credit risk	27,036	—	(12,323)	14,713
Other factors	(57,748)	—	(64,569)	(122,317)
Balance at December 31, 2020	$ 674,179	$ 509,887	$ 4,705,816	$ 5,889,882

(A) Represents loans for which foreclosure has been completed and for which New Residential has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are recognized as claims receivable in Other Assets (Note 2).

(dollars in tables in thousands, except share data)

	Performing Loans
Balance at December 31, 2018	$ 591,253
Ditech Acquisition[C]	381,039
Purchases/additional fundings	—
Proceeds from repayments	(102,340)
Accretion of loan discount (premium) and other amortization[A]	12,661
Provision for loan losses	(595)
Transfer of loans to other assets[B]	—
Transfer of loans to real estate owned	(6,223)
Transfers of loans to held for sale	(20,505)
Fair value adjustment	4,138
Balance at December 31, 2019	$ 859,428

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

(B) Represents loans for which foreclosure has been completed and for which New Residential has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are now recognized as claims receivable in Other Assets (Note 2).

(C) As a result of the Ditech Acquisition, New Residential acquired the servicing on certain residual tranches of Non-Agency RMBS it already owned, and now consolidates the trusts.

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

	Performing Loans
Balance at December 31, 2018	$ —
Provision for loan losses[A]	595
Charge-offs[B]	(595)
Balance at December 31, 2019	$ —

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

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

Purchased Credit Deteriorated (“PCD”) Loans

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

(dollars in tables in thousands, except share data)

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

Balance at December 31, 2018	$ 144,065
Purchases/additional fundings	—
Sales	—
Proceeds from repayments	(16,855)
Accretion of loan discount and other amortization	16,041
(Allowance) reversal for loan losses	(2,332)
Transfer of loans to real estate owned	(14,487)
Transfer of loans to held-for-sale	(60,154)
Balance at December 31, 2019	$ 66,278

(A) An allowance represents the present value of cash flows expected at acquisition that are no longer expected to be collected. A reversal results from an increase to expected cash flows that reverses a prior allowance.

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

Balance at December 31, 2018	$ 68,632
Additions	—
Accretion	(16,041)
Reclassifications from (to) non-accretable difference(A)	9,361
Disposals(B)	(11,515)
Transfer of loans to held-for-sale(C)	(13,415)
Balance at December 31, 2019	$ 37,022

(A) Represents a probable and significant increase (decrease) in cash flows previously expected to be uncollectible.
(B) Includes sales of loans or foreclosures, which result in removal of the loan from the PCD loan pool at its carrying amount.
(C) Represents loans not initially acquired with the intent to sell for which New Residential determined that it no longer has the intent to hold for the foreseeable future, or until maturity or payoff.

Net Interest Income

	December 31,		
	2020	**2019**	**2018**
Interest Income:			
Loans held-for-investment, at fair value	$ 53,264	$ 60,301	$ 76,129
Loans held-for-sale, at lower of cost or fair value	50,130	65,926	45,653
Loans held-for-sale, at fair value	135,729	175,926	51,562
Total interest income	239,123	302,153	173,344
Interest Expense:			
Loans held-for-investment, at fair value	21,029	19,381	23,618
Loans held-for-sale, at lower of cost or fair value	22,541	40,067	35,796
Loans held-for-sale, at fair value	90,064	109,723	24,186
Total interest expense	133,634	169,171	83,600
Net interest income	$ 105,489	$ 132,982	$ 89,744

(dollars in tables in thousands, except share data)

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

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

Gain on originated mortgage loans, held-for-sale, net is summarized below:

	Year Ended December 31,		
	2020	2019	2018
Gain on loans originated and sold, net[(A)]	$ 811,288	$ 53,554	$ 47,172
Gain (loss) on settlement of mortgage loan origination derivative instruments[(B)]	(361,755)	(53,374)	1,234
MSRs retained on transfer of loans[(C)]	666,414	374,450	35,311
Other[(D)]	49,270	27,564	3,977
Realized gain on sale of originated mortgage loans, net	$ 1,165,217	$ 402,194	87,694
Change in fair value of loans	99,908	28,761	3,695
Change in fair value of interest rate lock commitments (Note 11)	249,183	26,151	23
Change in fair value of derivative instruments (Note 11)	(115,216)	3,001	(5,347)
Gain on originated mortgage loans, held-for-sale, net	$ 1,399,092	$ 460,107	$ 86,065

(A) Includes loan origination fees of $1,658.6 million and $421.3 million in the years ended December 31, 2020 and 2019, respectively.
(B) Represents settlement of forward securities delivery commitments utilized as an economic hedge for mortgage loans not included within forward loan sale commitments.
(C) Represents the initial fair value of the capitalized mortgage servicing rights upon loan sales with servicing retained.
(D) Includes fees for services associated with the loan origination process.

10. CONSUMER LOANS

New Residential, through limited liability companies (together, the "Consumer Loan Companies"), has a co-investment in a portfolio of consumer loans. The portfolio includes personal unsecured loans and personal homeowner loans. OneMain is the servicer of the loans and provides all servicing and advancing functions for the portfolio. As of December 31, 2020, New Residential owns 53.5% of the limited liability company interests in, and consolidates, the Consumer Loan Companies.

On September 25, 2020, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization for approximately $663.0 million. The proceeds in excess of the refinanced debt of $4.8 million were distributed to the respective co-investors of which New Residential received approximately $2.6 million.

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

(dollars in tables in thousands, except share data)

The following table summarizes the investment in consumer loans, held-for-investment held by New Residential:

	Unpaid Principal Balance	Interest in Consumer Loans	Carrying Value	Weighted Average Coupon	Weighted Average Expected Life (Years)(A)	Weighted Average Delinquency(B)
December 31, 2020						
Consumer Loan Companies						
Performing Loans	$ 490,222	53.5 %	$ 553,419	18.3 %	3.6	3.7 %
Purchased Credit Deteriorated Loans(C)	127,899	53.5 %	129,513	14.1 %	3.5	7.4 %
Other - Performing Loans	2,862	100.0 %	2,643	15.3 %	0.4	4.3 %
Total Consumer Loans, held-for-investment	$ 620,983		$ 685,575	17.4 %	3.6	4.4 %
December 31, 2019						
Consumer Loan Companies						
Performing Loans	$ 644,676	53.5 %	$ 682,310	18.8 %	4.0	4.7 %
Purchased Credit Deteriorated Loans(C)	170,083	53.5 %	136,633	15.5 %	3.7	10.1 %
Other - Performing Loans	9,158	100.0 %	8,602	15.1 %	0.7	6.1 %
Total Consumer Loans, held-for-investment	$ 823,917		$ 827,545	18.0 %	3.9	5.9 %

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Represents the percentage of the total unpaid principal balance that is 30+ days delinquent. Delinquency status is the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.
(C) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments, which are accounted for as PCD loans.

See Note 12 regarding the financing of consumer loans.

The following table summarizes the past due status and difference between the aggregate unpaid principal balance and the aggregate fair value of consumer loans as of December 31, 2020:

Days Past Due	Unpaid Principal Balance	Fair Value	Fair Value Over (Under) Unpaid Principal Balance
Under 90 Days	$ 611,978	$ 675,691	$ 63,713
90 days or more past due	9,005	9,884	879
Total	$ 620,983	$ 685,575	$ 64,592

Performing Loans

The following table provides past due information regarding New Residential's performing consumer loans, held-for-investment, which is an important indicator of credit quality and the establishment of the allowance for loan losses:

	December 31, 2019
Days Past Due	Delinquency Status(A)
Current	95.3 %
30-59	1.8 %
60-89	1.2 %
90-119(B)	0.7 %
120+(B) (C)	1.0 %
	100.0 %

(A) Represents the percentage of the total unpaid principal balance that corresponds to loans that are in each delinquency status.
(B) Includes loans more than 90 days past due and still accruing interest.

(dollars in tables in thousands, except share data)

(C) Interest is accrued up to the date of charge-off at 180 days past due.

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

Balance at December 31, 2019		827,545
Fair value adjustment due to fair value option		36,472
Additional fundings(A)		33,041
Proceeds from repayments		(229,218)
Accretion of loan discount and premium amortization, net		24,120
Fair value adjustments due to:		
Changes in instrument-specific credit risk		5,195
Other factors		(11,580)
Balance at December 31, 2020	$	685,575

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

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

		Performing Loans
Balance at December 31, 2018	$	889,285
Purchases		—
Additional fundings(A)		54,375
Proceeds from repayments		(213,525)
Accretion of loan discount and premium amortization, net		186
Gross charge-offs		(38,563)
Additions to the allowance for loan losses, net		(846)
Balance at December 31, 2019	$	690,912

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

Activities related to the allowance for loan losses on performing consumer loans, held-for-investment were as follows:

		Collectively Evaluated(A)		Individually Impaired(B)		Total
Balance at December 31, 2018	$	2,604	$	2,064	$	4,668
Provision (reversal) for loan losses		30,008		846		30,854
Net charge-offs(C)		(32,057)		—		(32,057)
Balance at December 31, 2019	$	555	$	2,910	$	3,465

(A) Represents smaller-balance homogeneous loans that are not individually considered impaired and are evaluated based on an analysis of collective borrower performance, key terms of the loans and historical and anticipated trends in defaults and loss severities, and consideration of the unamortized acquisition discount.

(B) Represents consumer loan modifications considered to be troubled debt restructurings ("TDRs") as they provide concessions to borrowers, primarily in the form of interest rate reductions, who are experiencing financial difficulty. As of December 31, 2019, there was $18.0 million in UPB and $15.9 million in carrying value of consumer loans classified as TDRs.

(C) Consumer loans, other than PCD loans, are charged off when available information confirms that loans are uncollectible, which is generally when they become 180 days past due. Charge-offs are presented net of $8.6 million in recoveries of previously charged-off UPB in 2020.

(dollars in tables in thousands, except share data)

Purchased Credit Deteriorated Loans

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

Balance at December 31, 2018	$	182,917
(Allowance) reversal for loan losses(A)		31
Proceeds from repayments		(78,519)
Accretion of loan discount and other amortization		32,204
Balance at December 31, 2019	$	136,633

(A) An allowance represents the present value of cash flows expected at acquisition that are no longer expected to be collected. A reversal results from an increase to expected cash flows that reverses a prior allowance.

The following is the unpaid principal balance and carrying value for consumer loans, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments:

	Unpaid Principal Balance		Carrying Value	
December 31, 2019	$	170,083	$	136,633

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

Balance at December 31, 2018	$	126,518
Accretion		(32,204)
Reclassifications from (to) non-accretable difference(A)		10,949
Balance at December 31, 2019	$	105,263

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

Equity Method Investees

In February 2017, New Residential completed a co-investment, through a newly formed entity, PF LoanCo Funding LLC ("LoanCo"), to purchase up to $5.0 billion worth of newly originated consumer loans from Consumer Loan Seller over a two-year term. New Residential, along with three co-investors, each acquired 25% membership interests in LoanCo. New Residential accounts for its investment in LoanCo pursuant to the equity method of accounting because it can exercise significant influence over LoanCo but the requirements for consolidation are not met. As of December 31, 2019, LoanCo had distributed all net assets to New Residential.

Additionally, New Residential and the LoanCo co-investors agreed to purchase warrants to purchase up to 177.7 million shares of Series F convertible preferred stock in the Consumer Loan Seller's parent company ("ParentCo"). The holder of the warrants has the option to purchase an equivalent number of shares of Series F convertible preferred stock in ParentCo at a price of $0.01 per share. The Series F convertible preferred stock holders have the right to convert such preferred stock to common stock at any time, are entitled to the number of votes equal to the number of shares of common stock into which such shares of convertible preferred stock could be converted, and will have liquidation rights in the event of liquidation. As of December 31, 2020 and 2019, the warrants are held on New Residential's Consolidated Balance Sheet in Other Assets and carried at $23.2 million and $28.0 million, respectively.

(dollars in tables in thousands, except share data)

The following table summarizes the income earned from the Company's investments in LoanCo and WarrantCo:

	Year Ended December 31, 2019
Interest income	$ 19,912
Interest expense	(6,487)
Change in fair value of consumer loans and warrants	(4,596)
Gain on sale of consumer loans[B]	(10,711)
Other expenses	(3,871)
Net income	$ (5,753)
New Residential's equity in net income	$ (1,438)
New Residential's percentage ownership	25.0 %

(A) Data as of, and for the periods ended, November 30, 2019, as a result of the one month reporting lag.

(B) During the year ended December 31, 2019, LoanCo sold, through securitizations which were treated as sales for accounting purposes, $406.1 million in UPB of consumer loans. LoanCo retained $83.9 million of residual interest in the securitizations and distributed them to the LoanCo co-investors, including New Residential.

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

Balance at December 31, 2018	$ 38,294
Contributions to equity method investees	64,499
Distributions of earnings from equity method investees	(8,607)
Distributions of capital from equity method investees	(92,748)
Earnings from investments in consumer loans, equity method investees	(1,438)
Balance at December 31, 2019	$ —

11. DERIVATIVES

New Residential uses interest rate swaps and interest rate caps as economic hedges to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. New Residential's credit risk with respect to economic hedges is the risk of default on New Residential's investments that results from a borrower's or counterparty's inability or unwillingness to make contractually required payments.

New Residential may at times hold to-be-announced forward contract positions ("TBAs") in order to mitigate New Residential's interest rate risk on certain specified mortgage backed securities and 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 may enter into agreements with its TBA counterparties that govern the transactions for the TBA purchases or sales made, including margin maintenance, payment and transfer, events of default, settlements, and various other provisions.

New Residential may also utilize interest rate lock commitments ("IRLCs"), which represent a commitment to a particular interest rate provided the borrower is able to close the loan within a specified period, and forward loan sale and securities delivery commitments, which represent a commitment to sell specific mortgage loans at prices which are fixed as of the forward commitment date. New Residential enters into forward loan sale and securities delivery commitments in order to hedge the exposure related to IRLCs and mortgage loans that are not covered by mortgage loan sale commitments.

(dollars in tables in thousands, except share data)

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

		December 31,	
	Balance Sheet Location	**2020**	**2019**
Derivative assets			
Interest Rate Swaps	Other assets	$ —	$ 155
Interest Rate Lock Commitments	Other assets	289,355	41,346
TBAs	Other assets	789	—
		$ 290,144	$ 41,501
Derivative liabilities			
Interest Rate Swaps(A)	Accrued expenses and other liabilities	$ 25	$ —
Interest Rate Lock Commitments	Accrued expenses and other liabilities	281	1,455
Forward Loan Sale Commitments	Accrued expenses and other liabilities	—	27
TBAs	Accrued expenses and other liabilities	119,456	5,403
		$ 119,762	$ 6,885

(A) Net of $237.7 million and $171.7 million of related variation margin accounts as of December 31, 2020 and December 31, 2019, respectively.

The following table summarizes notional amounts related to derivatives:

	December 31,	
	2020	**2019**
Interest Rate Caps(A)	$ —	$ 12,500
Interest Rate Swaps(B)	6,515,000	4,900,000
Interest Rate Lock Commitments	15,031,345	4,043,935
Forward Loan Sale Commitments	—	43,654
TBAs, short position(C)	23,529,408	5,048,000
TBAs, long position(C)	—	11,692,212

(A) As of December 31, 2019, caps LIBOR at 4.0% for $12.5 million of notional. The weighted average maturity of the interest rate caps as of December 31, 2019 was 11 months.

(B) Includes $6.5 billion notional of Receive LIBOR/Pay Fixed of 2.2% and $0.0 billion notional of Receive Fixed of 0.0%/Pay LIBOR with weighted average maturities of 47 months and 0 months, respectively, as of December 31, 2020. Includes $0.0 billion notional of Receive LIBOR/Pay Fixed of 0.0% and $0.9 billion notional of Received Fixed of 1.9%/Pay LIBOR with weighted average maturities of 36 months and 87 months, respectively, as of December 31, 2019.

(C) Represents the notional amount of Agency RMBS, classified as derivatives.

(dollars in tables in thousands, except share data)

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Change in fair value of derivative investments[A]			
Interest Rate Caps	$ —	$ (3)	$ 431
Interest Rate Swaps	(53,467)	(58,918)	(108,098)
TBAs	—	2,778	(567)
	(53,467)	(56,143)	(108,234)
Gain (loss) on settlement of investments, net			
Interest Rate Caps	$ —	$ —	$ (603)
Interest Rate Swaps	(2,685)	(8,671)	65,823
TBAs[B]	(72,127)	(121,252)	(10,353)
	(74,812)	(129,923)	54,867
Gain on originated mortgage loans, held for sale, net[A]			
Interest Rate Lock Commitments	$ 249,183	$ 26,151	$ 23
TBAs	(115,243)	3,067	(5,064)
Forward Loan Sale Commitments	27	(66)	(283)
	133,967	29,152	(5,324)
Total income (losses)	$ 5,688	$ (156,914)	$ (58,691)

(A) Represents unrealized gains (losses).
(B) Excludes $361.8 millionand $53.4 million in loss on settlement and $1.2 million in gain on settlement included as a realized gain on sale of originated mortgage loans, held-for-sale, net (Note 9) for the years ended December 31, 2020, 2019 and 2018, respectively.

(dollars in tables in thousands, except share data)

12. DEBT OBLIGATIONS

The following table presents certain information regarding New Residential's secured financing agreements and secured notes and bonds payable debt obligations:

	December 31, 2020									December 31, 2019
						Collateral				
Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value(A)	Final Stated Maturity(B)	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)	Carrying Value(A)
Secured Financing Agreements(C)										
Repurchase Agreements:										
Warehouse Credit Facilities-Residential Mortgage Loans(F)	$ 4,043,156	$ 4,039,564	Feb-21 to Dec-22	2.18 %	0.6	$ 4,370,264	$ 4,496,831	$ 4,465,054	19.5	$ 5,053,207
Agency RMBS(D)	12,682,427	12,682,427	Jan-21	0.24 %	0.2	12,929,057	13,715,013	13,800,351	0.9	15,481,677
Non-Agency RMBS(E)	818,063	817,209	Jan-21 to Mar-21	3.48 %	0.3	17,183,226	1,534,798	1,548,351	0.7	7,317,519
Real Estate Owned(G) (H)	8,480	8,480	Feb-21 to Dec-22	3.13 %	1.9	N/A	N/A	11,098	N/A	63,822
Total Secured Financing Agreements	17,552,126	17,547,680		0.84 %	0.3					27,916,225
Secured Notes and Bonds Payable										
Excess MSRs(I)	275,088	275,088	Aug-24	4.36 %	3.7	101,142,417	317,234	398,969	6.1	217,300
MSRs(J)	2,704,923	2,691,791	Jul-22 to Dec-25	4.52 %	3.5	416,212,194	4,457,541	4,400,657	5.6	2,640,036
Servicer Advance Investments(K)	423,144	423,144	Apr-21 to Dec-22	1.45 %	1.5	449,150	512,958	538,056	6.0	443,248
Servicer Advances(K)	2,593,643	2,585,575	Apr-21 to Sep-23	2.42 %	1.8	2,970,329	3,002,267	3,002,267	0.7	2,738,424
Residential Mortgage Loans(L)	1,045,275	1,039,838	Apr-21 to Aug-60	4.25 %	30.2	1,602,289	1,535,095	1,365,250	4.8	864,451
Consumer Loans(M)	625,166	628,759	Sep -37	2.03 %	3.6	618,055	682,866	682,866	3.6	816,689
Total Secured Notes and Bonds Payable	7,667,239	7,644,195		3.39 %	6.5					7,720,148
Total/Weighted Average	$ 25,219,365	$ 25,191,875		1.61 %	2.2					$ 35,636,373

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity through the date of issuance were refinanced, extended or repaid.

(C) These secured financing agreements had approximately $48.5 million of associated accrued interest payable as of December 31, 2020.

(D) All Agency RMBS repurchase agreements have a fixed rate.

(E) All Non-Agency RMBS secured financing agreements have LIBOR-based floating interest rates. This also includes repurchase agreements and related collateral of $25.2 million and $35.1 million, respectively, on retained bonds collateralized by Agency MSRs.

(F) Includes $258.0 million of repurchase agreements which bear interest at a fixed rate of 4.4%. All remaining repurchase agreements have LIBOR-based floating interest rates.

(G) All repurchase agreements have LIBOR-based floating interest rates.

(H) Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

(I) Includes $275.1 million of corporate loans which bear interest at a fixed rate of 4.4%.

(J) Includes $425.1 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.5%; $329.9 million of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 4.5%; and $1,950.0 million of capital markets notes with fixed interest rates ranging 3.8% to 5.4%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and MSR financing receivables that secure these notes.

(K) $2.0 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.2% to 1.9%. Collateral includes Servicer Advance Investments, as well as servicer advances receivable related to the MSRs and MSR financing receivables owned by NRM.

(L) Represents (i) a $5.7 million note payable to Mr. Cooper which includes a $1.5 million receivable from government agency and bears interest equal to one-month LIBOR plus 2.9%, (ii) $58.3 million of SAFT 2013-1 mortgage-backed securities issued with fixed interest rate of 3.7% (see Note 13 for fair value details), (iii) $150.9 million of MDST

(dollars in tables in thousands, except share data)

Trusts asset-backed notes held by third parties which bear interest equal to 6.6% (see Note 13 for fair value details), and (iv) $947.5 million of bonds held by third parties which bear interest at a fixed rate ranging from 3.2% to 5.0%.

(M) Includes the SpringCastle debt, which is composed of the following classes of asset-backed notes held by third parties: $572.1 million UPB of Class A notes with a coupon of 2.0% and a stated maturity date in September 2037 and $53.0 million UPB of Class B notes with a coupon of 2.7% and a stated maturity date in May 2036.

As of December 31, 2020, New Residential had no outstanding secured financing agreements where the amount at risk with any individual counterparty or group of related counterparties exceeded 10% of New Residential's stockholders' equity. The amount at risk under secured financing agreements is defined as the excess of carrying amount (or market value, if higher than the carrying amount) of the securities or other assets sold under agreement to repurchase, including accrued interest plus any cash or other assets on deposit to secure the repurchase obligation, over the amount of the repurchase liability (adjusted for accrued interest).

General

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

New Residential has margin exposure on $17.6 billion of secured financing agreements as of December 31, 2020. To the extent that the value of the collateral underlying these secured financing agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

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

	Excess MSRs	MSRs	Servicer Advances[(A)]	Real Estate Securities	Residential Mortgage Loans and REO	Consumer Loans	Total
Balance at December 31, 2018	$ 297,563	$ 2,360,856	$ 3,382,455	$ 11,780,855	$ 3,898,059	$ 936,447	$ 22,656,235
Secured Financing Agreements:							
Borrowings	—	—	—	207,138,969	36,177,659	—	243,316,628
Repayments	—	—	—	(196,120,793)	(34,833,314)	—	(230,954,107)
Capitalized deferred financing costs, net of amortization	—	—	—	165	(429)	—	(264)
Secured Notes and Bonds Payable:							
Ditech Acquisition[(B)]	—	—	—	—	209,459	—	209,459
Borrowings	456,741	2,456,410	4,952,585	—	912,445	928,683	9,706,864
Repayments	(537,200)	(2,178,755)	(5,149,327)	—	(383,635)	(1,054,610)	(9,303,527)
Discount on borrowings, net of amortization	—	—	102	—	—	6,169	6,271
Unrealized (gain) loss on notes, fair value	—	—	—	—	1,236	—	1,236
Capitalized deferred financing costs, net of amortization	196	1,525	(4,143)	—	—	—	(2,422)
Balance at December 31, 2019	$ 217,300	$ 2,640,036	$ 3,181,672	$ 22,799,196	$ 5,981,480	$ 816,689	$ 35,636,373
Secured Financing Agreements:							
Borrowings	—	—	—	113,228,180	63,453,603	—	176,681,783
Repayments	—	—	—	(122,526,887)	(64,520,481)	—	(187,047,368)
Capitalized deferred financing costs, net of amortization	—	—	—	(853)	(2,107)	—	(2,960)
Secured Notes and Bonds Payable:							
Borrowings	193,357	3,575,811	4,072,560	—	875,758	663,047	9,380,533
Repayments	(135,569)	(3,517,429)	(4,245,295)	—	(697,789)	(851,688)	(9,447,770)
Discount on borrowings, net of amortization	—	—	—	—	—	(2,882)	(2,882)
Unrealized (gain) loss on notes, fair value	—	—	—	—	(2,627)	3,593	966
Capitalized deferred financing costs, net of amortization	—	(6,627)	(218)	—	45	—	(6,800)
Balance at December 31, 2020	$ 275,088	$ 2,691,791	$ 3,008,719	$ 13,499,636	$ 5,087,882	$ 628,759	$ 25,191,875

(dollars in tables in thousands, except share data)

(A) New Residential net settles daily borrowings and repayments of the Secured Notes and Bonds Payable on its servicer advances.
(B) As a result of the Ditech Acquisition, New Residential acquired the servicing on certain residual tranches of Non-Agency RMBS it already owned, and now consolidates the respective securities. See Note 9 for the associated loans.

Maturities

New Residential's debt obligations as of December 31, 2020 had contractual maturities as follows:

Year Ending	Nonrecourse(A)	Recourse(B)	Total
2021	$ 882,761	$ 17,186,206	$ 18,068,967
2022	800,000	1,260,621	2,060,621
2023	1,200,000	302,851	1,502,851
2024	—	583,801	583,801
2025	257,468	1,888,428	2,145,896
2026 and thereafter	1,407,229	—	1,407,229
	$ 4,547,458	$ 21,221,907	$ 25,769,365

(A) Includes secured notes and bonds payable of $4.5 billion.
(B) Includes secured financing agreements and secured notes and bonds payable of $17.7 billion and $3.5 billion, respectively.

Borrowing Capacity

The following table represents New Residential's borrowing capacity as of December 31, 2020:

Debt Obligations/ Collateral	Borrowing Capacity	Balance Outstanding	Available Financing
Secured Financing Agreements			
Residential mortgage loans and REO	$ 4,913,746	$ 1,254,198	$ 3,659,548
New Loan Originations	6,823,000	2,797,437	4,025,563
Secured Notes and Bonds Payable			
Excess MSRs	286,380	275,088	11,292
MSRs(B)	3,689,991	2,704,923	985,068
Servicer advances(A)(B)	4,365,000	3,016,787	1,348,213
	$ 20,078,117	$ 10,048,433	$ 10,029,684

(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.
(B) The borrowing capacity for servicing advance and MSR capital notes is equal to the current outstanding principal note balance at December 31,2020.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in New Residential's equity or a failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. New Residential was in compliance with all of its debt covenants as of December 31, 2020.

2020 Term Loan

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

In conjunction with the 2020 Term Loan, the Company issued common stock purchase warrants (the "2020 Warrants") to the lenders. The 2020 Warrants expire approximately three years after the issuance date. The Company recorded the value of the

(dollars in tables in thousands, except share data)

2020 Term Loan and 2020 Warrants on a relative fair value basis. The estimated fair value of the 2020 Warrants at the date of issuance was approximately $53.5 million and the Company recognized it as a discount to the 2020 Term Loan. Refer to Note 15, Equity and Earnings Per Share, for further details.

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

In September 2020, the Company used the net proceeds from a senior unsecured note (discussed further below), together with cash on hand, to fully retire all of the outstanding principal balance on the 2020 Term Loan.

The table below summarizes the interest expense on the 2020 Term Loan:

	Year Ended December 31,	
	2020	**2019**
Coupon interest at 11%	$ 20,435	$ —
Amortization of debt discounts and issuance costs	5,006	—
Total	$ 25,441	$ —

The 2020 Term Loan contained certain customary affirmative and negative covenants and also required the Company to maintain compliance with certain financial covenants. The Company was in compliance with all financial covenants through extinguishment of the 2020 Term Loan.

2025 Senior Unsecured Notes

On September 16, 2020, the Company, as borrower, completed a private offering of $550.0 million aggregate principal amount of 6.250% senior unsecured notes due 2025 (the "2025 Senior Notes"). Interest on the 2025 Senior Notes accrue at the rate of 6.250% per annum with interest payable semi-annually in arrears on each April 15 and October 15, commencing on April 15, 2021.

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

Year	**Price**
2022	103.125%
2023	101.563%
2024 and thereafter	100.000%

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

Net proceeds from the offering were approximately $544.5 million, after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by the Company. The Company used the net proceeds from the offering, together with cash on hand, to prepay and retire its then-existing 2020 Term Loan and to pay related fees and expenses. The Company recorded a $61.1 million loss on extinguishment of debt, representing a write-off of unamortized debt issuance costs and original issue discount.

The Company incurred fees of approximately $9.0 million in relation to the issuance of the 2025 Senior Notes. These fees were capitalized as debt issuance cost and are grouped and presented as part of Unsecured senior notes, net of issuance costs on the Consolidated Balance Sheets. For the year ended December 31, 2020, the Company recognized $10.0 million of interest expense. As of December 31, 2020, the unamortized debt issuance costs was approximately $8.4 million.

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

The 2025 Senior Notes contain financial covenants and other non-financial covenants, including, among other things, limits on the ability of the Company and its restricted subsidiaries to incur certain indebtedness (subject to various exceptions), requires that the Company maintain total unencumbered assets (as defined in the debt agreement) of not less than 120% of the aggregate principal amount of the outstanding unsecured debt, and imposes certain requirements in order for the Company to merge or consolidate with or transfer all or substantially all of its assets to another person, in each case subject to certain qualifications set forth in the debt agreement. If the Company were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lenders. As of December 31, 2020, the Company was in compliance with all covenants.

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

13. FAIR VALUE MEASUREMENT

U.S. GAAP requires the categorization of fair value measurement into three broad levels which form a hierarchy based on the transparency of inputs to the valuation.

Level 1 - Quoted prices in active markets for identical instruments.
Level 2 - Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment rates, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

New Residential follows this hierarchy for its fair value measurements. The classifications are based on the lowest level of input that is significant to the fair value measurement.

(dollars in tables in thousands, except share data)

The carrying values and fair values of New Residential's assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of December 31, 2020 were as follows:

			Fair Value			
	Principal Balance or Notional Amount	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:						
Excess mortgage servicing rights, at fair value[(A)]	$ 72,688,905	$ 310,938	$ —	$ —	$ 310,938	$ 310,938
Excess mortgage servicing rights, equity method investees, at fair value[(A)]	28,453,512	99,917	—	—	99,917	99,917
Mortgage servicing rights, at fair value[(A)]	363,269,876	3,489,675	—	—	3,489,675	3,489,675
Mortgage servicing rights financing receivables, at fair value[(A)]	72,165,951	1,096,166	—	—	1,096,166	1,096,166
Servicer advance investments, at fair value	449,150	538,056	—	—	538,056	538,056
Real estate and other securities	31,869,681	14,244,558	—	13,063,634	1,180,924	14,244,558
Residential mortgage loans, held-for-sale	637,138	509,887	—	—	509,887	509,887
Residential mortgage loans, held-for-sale, at fair value	4,675,833	4,705,816	—	3,059,611	1,646,205	4,705,816
Residential mortgage loans, held-for-investment, at fair value	769,348	674,179	—	—	674,179	674,179
Residential mortgage loans subject to repurchase	1,452,005	1,452,005	—	1,452,005	—	1,452,005
Consumer loans, held-for-investment, at fair value	620,983	685,575	—	—	685,575	685,575
Derivative assets	38,427,601	290,144	—	789	289,355	290,144
Note Receivable	49,075	49,889	—	—	49,889	49,889
Cash and cash equivalents	944,854	944,854	944,854	—	—	944,854
Restricted cash	135,619	135,619	135,619	—	—	135,619
Other assets[(B)]	N/A	48,032	11,187	—	36,845	48,032
		$ 29,275,310	$ 1,091,660	$ 17,576,039	$ 10,607,611	$ 29,275,310
Liabilities:						
Secured financing agreements	$ 17,552,126	$ 17,547,680	$ —	$ 17,552,126	$ —	$ 17,552,126
Secured notes and bonds payable[(C)]	7,667,239	7,644,195	—	—	7,651,325	7,651,325
Unsecured senior notes, net of issuance costs	541,516	541,516	—	—	541,516	541,516
Residential mortgage loan repurchase liability	1,452,005	1,452,005	—	1,452,005	—	1,452,005
Derivative liabilities	6,648,152	119,762	—	119,481	281	119,762
Excess spread financing	2,190,991	18,420	—	—	18,420	18,420
Contingent consideration	N/A	14,247	—	—	14,247	14,247
		$ 27,337,825	$ —	$ 19,123,612	$ 8,225,789	$ 27,349,401

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

(B) Excludes the indirect equity investment in a commercial redevelopment project that is accounted for at fair value on a recurring basis based on the NAV of New Residential's investment. The investment had a fair value of $31.8 million as of December 31, 2020.

(C) Includes the SAFT 2013-1, MDST Trusts, NPL/RPL Securitization Trusts and SCFT 2020-A mortgage backed securities issued for which the fair value option for financial instruments was elected and resulted in a fair value of $1.7 billion as of December 31, 2020.

(dollars in tables in thousands, except share data)

The carrying values and fair values of New Residential's assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of December 31, 2019 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Assets:						
Excess mortgage servicing rights, at fair value(A)	$ 88,345,237	$ 379,747	$ —	$ —	$ 379,747	$ 379,747
Excess mortgage servicing rights, equity method investees, at fair value(A)	33,592,554	125,596	—	—	125,596	125,596
Mortgage servicing rights, at fair value(A)	373,850,061	3,967,960	—	—	3,967,960	3,967,960
Mortgage servicing rights financing receivables, at fair value(A)	130,984,870	1,718,273	—	—	1,718,273	1,718,273
Servicer advance investments, at fair value	462,843	581,777	—	—	581,777	581,777
Real estate and other securities	36,159,591	19,477,728	—	11,519,943	7,957,785	19,477,728
Residential mortgage loans, held-for-investment	502,352	441,263	—	—	435,234	435,234
Residential mortgage loans, held-for-sale	1,531,505	1,429,052	—	—	1,438,302	1,438,302
Residential mortgage loans, held-for-sale, at fair value(B)	4,675,806	4,613,612	—	1,099,230	3,514,382	4,613,612
Residential mortgage loans, held-for-investment, at fair value(C)	452,771	484,443	—	—	484,443	484,443
Residential mortgage loans subject to repurchase	172,336	172,336	—	172,336	—	172,336
Consumer loans, held-for-investment	823,917	827,545	—	—	849,739	849,739
Derivative assets	8,360,894	41,501	—	155	41,346	41,501
Cash and cash equivalents	528,737	528,737	528,737	—	—	528,737
Restricted cash	162,197	162,197	162,197	—	—	162,197
Other assets(D)	N/A	60,654	7,952	—	52,703	60,655
		$ 35,012,421	$ 698,886	$ 12,791,664	$ 21,547,287	$ 35,037,837
Liabilities:						
Secured financing agreements	$ 27,917,709	$ 27,916,225	$ —	$ 27,917,709	$ —	$ 27,917,709
Secured notes and bonds payable(E)	7,733,135	7,720,148	—	—	7,779,060	7,779,060
Residential mortgage loan repurchase liability	172,336	172,336	—	172,336	—	172,336
Derivative liabilities	17,379,407	6,885	—	5,430	1,455	6,885
Excess spread financing	2,962,629	31,777	—	—	31,777	31,777
Contingent consideration	N/A	55,222	—	—	55,222	55,222
		$ 35,902,593	$ —	$ 28,095,475	$ 7,867,514	$ 35,962,989

(A) The notional amount represents the total unpaid principal balance of the residential mortgage loans underlying the MSRs, MSR financing receivables, and Excess MSRs. New Residential does not receive an excess mortgage servicing amount on non-performing loans in Agency portfolios.
(B) Includes $267.7 million in fair value of loans that are 90 days or more past due.
(C) Includes $21.6 million in fair value of loans that are 90 days or more past due.
(D) Excludes the indirect equity investment in a commercial redevelopment project that is accounted for at fair value on a recurring basis based on the NAV of New Residential's investment. The investment had a fair value of $74.0 million as of December 31, 2019.
(E) Includes the MDST Trusts, SAFT 2013-1 mortgage-backed securities and the 2019-RPL1 asset-backed notes issued for which the fair value option for financial instruments was elected and resulted in a fair value of $659.7 million as of December 31, 2019.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value.

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

(dollars in tables in thousands, except share data)

	Level 3										
	Excess MSRs(A)										
	Agency	Non-Agency	Excess MSRs in Equity Method Investees(A)(B)	MSRs(A)	Mortgage Servicing Rights Financing Receivables(A)	Servicer Advance Investments	Non-Agency RMBS	Derivatives(C)	Residential Mortgage Loans	Consumer Loans	Total
Balance at December 31, 2018	$ 257,387	$ 190,473	$ 147,964	$ 2,884,100	$ 1,644,504	$ 735,846	$ 8,970,963	$ 10,628	$ 2,330,627	$ —	$17,172,492
Transfers											
Transfers from Level 3	—	—	—	—	—	—	—	—	(32,806)	—	(32,806)
Transfers to Level 3	—	—	—	—	—	—	—	—	315,577	—	315,577
Ditech Acquisition	—	—	—	387,170	—	—	(178,435)	—	381,039	—	589,774
Transfers from MSR financing receivables to MSRs	—	—	—	367,121	(367,121)	—	—	—	—	—	—
Gains (losses) included in net income											
Included in provision (reversal) for credit losses on securities(D)	—	—	—	—	—	—	(25,174)	—	—	—	(25,174)
Included in change in fair value of excess mortgage servicing rights(D)	(7,559)	(2,946)	—	—	—	—	—	—	—	—	(10,505)
Included in change in fair value of excess mortgage servicing rights, equity method investees(D)	—	—	6,800	—	—	—	—	—	—	—	6,800
Included in servicing revenue, net(E)	—	—	—	(721,356)	—	—	—	—	—	—	(721,356)
Included in change in fair value of MSR financing receivable(D)	—	—	—	—	(189,023)	—	—	—	—	—	(189,023)
Included in change in fair value of servicer advance investments	—	—	—	—	—	10,288	—	—	—	—	10,288
Included in change in fair value of residential mortgage loans	—	—	—	—	—	—	—	—	(63,347)	—	(63,347)
Included in gain (loss) on settlement of investments, net	1,479	30	—	—	—	—	97,191	—	—	—	98,700
Included in other income (loss), net(D)	1,523	819	—	—	—	—	2,101	29,263	—	—	33,706
Gains (losses) included in other comprehensive income(F)	—	—	—	—	—	—	238,217	—	—	—	238,217
Interest income	14,895	17,752	—	—	—	27,666	302,705	—	—	—	363,018
Purchases, sales and repayments											
Purchases, net(G)	—	—	—	678,424	652,902	1,622,808	2,058,953	—	11,110,245	—	16,123,332
Proceeds from sales	(10,018)	(57)	—	(1,539)	(22,989)	—	(1,949,300)	—	(10,638,483)	—	(12,622,386)
Proceeds from repayments	(48,074)	(35,957)	(29,168)	—	—	(1,814,831)	(1,559,436)	—	(248,503)	—	(3,735,969)
Originations and other	—	—	—	374,040	—	—	—	—	844,476	—	1,218,516
Balance at December 31, 2019	$ 209,633	$ 170,114	$ 125,596	$ 3,967,960	$ 1,718,273	$ 581,777	$ 7,957,785	$ 39,891	$ 3,998,825	$ —	$18,769,854

(continued on next page)

(dollars in tables in thousands, except share data)

	Level 3										
	Excess MSRs(A)										
	Agency	Non-Agency	Excess MSRs in Equity Method Investees(A)(B)	MSRs(A)	Mortgage Servicing Rights Financing Receivables(A)	Servicer Advance Investments	Non-Agency RMBS	Derivatives(C)	Residential Mortgage Loans	Consumer Loans	Total
(continued from previous page)											
Transfers											
Transfers from Level 3	—	—	—	—	—	—	—	—	(718,892)	—	(718,892)
Transfers to Level 3 for the adoption of ASU 2016-13 (See Note 2)	—	—	—	—	—	—	—	—	445,040	827,545	1,272,585
Transfers from MSR financing receivables to MSRs	—	—	—	320,613	(320,613)	—	—	—	—	—	—
Gains (losses) included in net income											
Included in provision (reversal) for credit losses on securities(D)	—	—	—	—	—	—	(13,404)	—	—	—	(13,404)
Included in change in fair value of excess mortgage servicing rights(D)	(9,510)	(6,722)	—	—	—	—	—	—	—	—	(16,232)
Included in change in fair value of excess mortgage servicing rights, equity method investees(D)	—	—	(3,489)	—	—	—	—	—	—	—	(3,489)
Included in servicing revenue, net(E)	—	—	—	(1,903,905)	—	—	—	—	—	—	(1,903,905)
Included in change in fair value of MSR financing receivable(D)	—	—	—	—	(279,168)	—	—	—	—	—	(279,168)
Included in change in fair value of servicer advance investments	—	—	—	—	—	763	—	—	—	—	763
Included in change in fair value of residential mortgage loans	—	—	—	—	—	—	—	—	(107,604)	—	(107,604)
Included in gain (loss) on settlement of investments, net	66	1	—	—	—	—	(953,541)	—	—	—	(953,474)
Included in other income (loss), net(D)	(10,817)	(1,373)	—	—	—	—	(42,506)	249,183	(8,276)	(6,385)	179,826
Gains (losses) included in other comprehensive income(F)	—	—	—	—	—	—	(580,102)	—	(6,020)	36,472	(549,650)
Interest income	12,299	16,053	—	—	—	18,182	105,373	—	—	24,120	176,027
Purchases, sales and repayments											
Purchases, net(G)	—	—	—	449,875	(18,267)	1,294,757	575,030	—	2,415,084	33,041	4,749,520
Proceeds from sales	(1,056)	(5)	—	(11,282)	(4,059)	—	(5,288,480)	—	(3,391,887)	—	(8,696,769)
Proceeds from repayments	(37,970)	(29,775)	(22,190)	—	—	(1,357,423)	(577,543)	—	(305,886)	(229,218)	(2,560,005)
Originations and other	—	—	—	666,414	—	—	(1,688)	—	—	—	664,726
Balance at December 31, 2020	$ 162,645	$ 148,293	$ 99,917	$ 3,489,675	$ 1,096,166	$ 538,056	$ 1,180,924	$ 289,074	$ 2,320,384	$ 685,575	$10,010,709

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

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

(C) For the purpose of this table, the IRLC asset and liability positions are shown net.

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

(E) The components of Servicing revenue, net are disclosed in Note 6.

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

(G) Net of purchase price adjustments and purchase price fully reimbursable from MSR sellers as a result of prepayment protection.

(dollars in tables in thousands, except share data)

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

	Level 3			
	Excess Spread Financing	Mortgage-Backed Securities Issued	Contingent Consideration	Total
Balance at December 31, 2018	$ 39,304	$ 117,048	$ 40,842	$ 197,194
Transfers				
Transfers from Level 3	—	—	—	—
Transfers to Level 3	—	—	—	—
Acquisitions	—	—	13,893	13,893
Ditech Acquisition[(D)]	—	209,459	—	209,459
Gains (losses) included in net income				
Included in servicing revenue, net[(B)]	(8,406)	—	—	(8,406)
Included in other income[(A)]	—	1,236	10,487	11,723
Interest income	—	—	—	—
Purchases, sales and payments				—
Purchases	—	378,569	—	378,569
Proceeds from sales	—	—	—	—
Payments	—	(46,574)	(10,000)	(56,574)
Other	879	—	—	879
Balance at December 31, 2019	$ 31,777	$ 659,738	$ 55,222	$ 746,737
Transfers				
Transfers from Level 3	—	—	—	—
Transfers to Level 3	—	—	—	—
Acquisitions	—	—	—	—
Gains (losses) included in net income				
Included in servicing revenue, net[(B)]	(14,164)	—	—	(14,164)
Included in other income[(A)]	—	966	4,844	5,810
Interest income	—	—	—	—
Purchases, sales and payments				
Purchases	—	1,520,382	—	1,520,382
Proceeds from sales	—	—	—	—
Payments	—	(516,769)	(45,819)	(562,588)
Other	807	(1,465)	—	(658)
Balance at December 31, 2020	$ 18,420	$ 1,662,852	$ 14,247	$ 1,695,519

(A) The gains (losses) recorded in earnings during the period are attributable to the change in unrealized gains (losses) relating to Level 3 liabilities still held at the reporting dates and realized gains (losses) recorded during the period.
(B) The components of Servicing revenue, net are disclosed in Note 6.
(C) These gains (losses) were included in net unrealized gain (loss) on securities in the Consolidated Statements of Comprehensive Income.
(D) As a result of the Ditech Acquisition, New Residential acquired MSRs and the servicing on certain residual tranches of Non-Agency RMBS it already owned, and now consolidates the respective securities. See Note 12 for the associated liability.

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

Fair value estimates of New Residential's MSRs and Excess MSRs were based on internal pricing models. The valuation technique is based on discounted cash flows. Significant inputs used in the valuations included expectations of prepayment rates, delinquency rates, recapture rates, the mortgage servicing amount or excess mortgage servicing amount of the underlying residential mortgage loans, as applicable, and discount rates that market participants would use in determining the fair values of mortgage servicing rights on similar pools of residential mortgage loans. In addition, for MSRs, significant inputs included the market-level estimated cost of servicing.

Significant increases (decreases) in the discount rates, prepayment or delinquency rates, or costs of servicing, in isolation would result in a significantly lower (higher) fair value measurement, whereas significant increases (decreases) in the recapture rates or mortgage servicing amount or excess mortgage servicing amount, as applicable, in isolation would result in a significantly higher (lower) fair value measurement. Generally, a change in the delinquency rate assumption is accompanied by a directionally similar change in the assumption used for the prepayment rate.

(dollars in tables in thousands, except share data)

The following tables summarize certain information regarding the ranges and weighted averages of significant inputs used:

	December 31, 2020				
	Significant Inputs[(A)]				
	Prepayment Rate[(B)]	Delinquency[(C)]	Recapture Rate[(D)]	Mortgage Servicing Amount or Excess Mortgage Servicing Amount (bps)[(E)]	Collateral Weighted Average Maturity Years[(F)]
Excess MSRs Directly Held (Note 5)					
Agency					
Original Pools	7.1% - 10.9% (7.8%)	—% - 3.5% (1.4%)	4.4% - 23.3% (10.3%)	15 - 31 (21)	13 - 21 (19)
Recaptured Pools	7% - 11.9% (9.6%)	—% - 4% (0.9%)	—% - 35.0% (20.4%)	21 - 29 (24)	19 - 24 (22)
	7% - 11.9% (8.4%)	—% - 4% (1.2%)	—% - 35.0% (13.8%)	15 - 31 (22)	13 - 24 (20)
Non-Agency[(G)]					
Mr. Cooper and SLS Serviced:					
Original Pools	6.6% - 11.9% (9%)	2.6% - 13.9% (10.2)	—% - 13.1% (10%)	5 - 25 (15)	18 - 29 (23)
Recaptured Pools	5.6% - 7.4% (6.1%)	0.2% - 0.5 (0.4)	12.1% - 21.4% (14.2%)	23 - 27 (25)	21 - 23 (23)
	5.6% - 11.9% (8.5%)	0.2% - 13.9 (10.2)	—% - 21.4% (10.7%)	5 - 27 (17)	18 - 29 (23)
Total/Weighted Average—Excess MSRs Directly Held	5.6% - 11.9% (8.5%)	—% - 13.9% (4.8%)	—% - 35.0% (12.3%)	5 - 31 (19)	13 - 29 (21)
Excess MSRs Held through Equity Method Investees (Note 5)					
Agency					
Original Pools	7.1% - 10.2% (8%)	1.2% - 2.5% (1.6%)	5.2% - 23.3% (8.9%)	15 - 25 (19)	18 - 19 (18)
Recaptured Pools	8.6% - 10.5% (9.3%)	0.6% - 1.7% (1.2%)	11.7% - 28.9% (15%)	22 - 28 (25)	20 - 23 (22)
Total/Weighted Average—Excess MSRs Held through Investees	7.5% - 10.7% (9.0%)	0.6% - 2.2% (1.2%)	5.5% - 29.8% (12.9%)	15 - 28 (22)	18 - 23 (20)
Total/Weighted Average—Excess MSRs All Pools	5.6% - 11.9% (8.5%)	—% - 13.9% (3.6%)	—% - 35.0% (12.2%)	5 - 31 (20)	13 - 29 (21)
MSRs (Note 6)					
Agency[(H)]					
Mortgage Servicing Rights[(J)]	7.9% - 23.3% (13.1%)	0.4% - 2.1% (0.9%)	2.5% - 35.5% (20.6%)	25 - 31 (28)	— - 30 (22)
MSR Financing Receivables	12.1%	0.7%	15.9%	25	— - 30 (22)
	7.9% - 23.3% (13.1%)	0.4% - 2.1% (0.9%)	2.5% - 35.5% (20.5%)	25 - 31 (28)	— - 30 (22)
Non-Agency					
Mortgage Servicing Rights	9.5% - 16.4% (13.1%)	0.9% - 9.4% (4.9%)	4.3% - 31.6% (18.6%)	26 - 88 (55)	— - 30 (16)
MSR Financing Receivables	7.6%	13.0%	7.9%	48	— - 30 (25)
	7.6% - 16.4% (7.7%)	0.9% - 13.0% (12.9%)	4.3% - 31.6% (8.1%)	26 - 88 (48)	— - 30 (25)
Ginnie Mae					
Mortgage Servicing Rights[(J)]	9.0% - 24.1% (20.3%)	2.3% - 5.6% (4.7%)	16.2% - 35.0% (24.9%)	32 - 50 (45)	— - 30 (27)
	7.6% - 24.1% (12.9%)	0.4% - 13.0% (4.2%)	2.5% - 35.5% (20%)	25 - 88 (35)	— - 30 (23)

(dollars in tables in thousands, except share data)

	December 31, 2019				
	Significant Inputs[(A)]				
	Prepayment Rate[(B)]	Delinquency[(C)]	Recapture Rate[(D)]	Mortgage Servicing Amount or Excess Mortgage Servicing Amount (bps)[(E)]	Collateral Weighted Average Maturity Years[(F)]
Excess MSRs Directly Held (Note 5)					
Agency					
Original Pools	8.6 %	1.1 %	20.3 %	21	20
Recaptured Pools	10.7 %	0.5 %	27.8 %	23	23
	9.2 %	0.9 %	22.3 %	22	21
Non-Agency[(G)]					
Mr. Cooper and SLS Serviced:					
Original Pools	9.7 %	N/A	15.5 %	15	24
Recaptured Pools	7.5 %	N/A	17.4 %	24	23
	9.4 %	N/A	15.8 %	16	24
Total/Weighted Average—Excess MSRs Directly Held	9.3 %	0.9 %	19.4 %	19	22
Excess MSRs Held through Equity Method Investees (Note 5)					
Agency					
Original Pools	9.3 %	1.4 %	23.7 %	19	19
Recaptured Pools	10.3 %	0.8 %	26.7 %	24	22
Total/Weighted Average—Excess MSRs Held through Investees	9.8 %	1.1 %	25.1 %	21	20
Total/Weighted Average—Excess MSRs All Pools	9.5 %	1.0 %	21.4 %	20	21
MSRs (Note 6)					
Agency[(H)]					
Mortgage Servicing Rights[(I)]	12.5 %	1.0 %	23.3 %	28	22
MSR Financing Receivables[(I)]	15.4 %	0.4 %	15.8 %	27	25
	12.9 %	0.9 %	22.2 %	28	22
Non-Agency					
Mortgage Servicing Rights	11.6 %	1.2 %	22.1 %	31	16
MSR Financing Receivables[(I)]	8.3 %	14.4 %	9.3 %	47	25
	8.4 %	14.2 %	9.5 %	47	25
Ginnie Mae					
Mortgage Servicing Rights[(J)]	16.2 %	4.4 %	28.1 %	42	27
	12.3 %	4.1 %	20.0 %	33	23

(A) Weighted by fair value of the portfolio.

(B) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.

(C) Projected percentage of residential mortgage loans in the pool for which the borrower will miss its mortgage payments.

(D) Percentage of voluntarily prepaid loans that are expected to be refinanced by the related servicer or subservicer, as applicable.

(E) Weighted average total mortgage servicing amount, in excess of the basic fee as applicable, measured in bps. As of December 31, 2020 and 2019, weighted average costs of subservicing of $6.20-$7.50 ($7.00) and $7.18, respectively, per loan per month was used to value the agency MSRs, including MSR Financing Receivables. Weighted average costs of subservicing of $10.90 and $11.28, respectively, per loan per month was used to value the non-agency MSRs, including MSR Financing Receivables. Weighted average cost of subservicing of $8.90 and $9.20, respectively, per loan per month was used to value the Ginnie Mae MSRs.

(F) Weighted average maturity of the underlying residential mortgage loans in the pool.

(G) For certain pools, the Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO). For these pools, no delinquency assumption is used.
(H) Represents Fannie Mae and Freddie Mac MSRs.
(I) For certain pools, recapture rate represents the expected recapture rate with the successor subservicer appointed by NRM.
(J) Includes valuation of the related Excess spread financing (Note 6).

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

As of December 31, 2020 and 2019, weighted average discount rates of 7.8% (range 7.5% -8.0%) and 7.8%, respectively, were used to value New Residential's Excess MSRs (directly and through equity method investees). As of December 31, 2020 and 2019, weighted average discount rates of 7.7% (range 7.3%-13.0%) and 7.8% were used to value New Residential's MSRs, respectively. As of December 31, 2020 and 2019, weighted average discount rates of 9.4% (range 7.4%-9.5%) and 8.9%, respectively, were used to value New Residential's MSR financing receivables.

All of the assumptions listed have some degree of market observability, based on New Residential's knowledge of the market, relationships with market participants, and use of common market data sources. New Residential uses assumptions that generate its best estimate of future cash flows for each investment in MSRs and Excess MSRs.

When valuing MSRs and Excess MSRs, New Residential uses the following criteria to determine the significant inputs:

- Prepayment Rate: Prepayment rate projections are in the form of a "vector" that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect macroeconomic conditions like home price appreciation, current level of interest rates as well as loan level factors such as the borrower's interest rate, FICO score, loan-to-value ratio, debt-to-income ratio, vintage on a loan level basis. New Residential considers historical prepayment experience associated with the collateral when determining this vector and also reviews industry research on the prepayment experience of similar loan pools. This data is obtained from remittance reports, market data services and other market sources.
- Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed their latest mortgage payments. Delinquency rate projections are in the form of a "vector" that varies over the expected life of the pool. The delinquency vector specifies the percentage of the unpaid principal balance that is expected to be delinquent each month. The delinquency vector is based on assumptions that reflect macroeconomic conditions, the historical delinquency rates for the pools and the underlying borrower characteristics such as the FICO score and loan-to-value ratio. For the recapture agreements and recaptured loans, delinquency rates are based on the experience of similar loan pools originated by New Residential's servicers and subservicers, and delinquency experience over the past year. New Residential believes this time period provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions. Additional consideration is given to loans that are expected to become 30 or more days delinquent.
- Recapture Rates: Recapture rates are based on actual average recapture rates experienced by New Residential's servicers and subservicers on similar residential mortgage loan pools. Generally, New Residential looks to three to six months' worth of actual recapture rates, which it believes provides a reasonable sample for projecting future recapture rates while taking into account current market conditions. Recapture rate projections are in the form of a "vector" that varies over the expected life of the pool. The recapture vector specifies the percentage of the refinanced loans that have been recaptured within the pool by the servicer or subservicer. The recapture vector takes into account the nature and timeline of the relationship between the borrowers in the pool and the servicer or subservicer, the customer retention programs offered by the servicer or subservicer and the historical recapture rates.
- Mortgage Servicing Amount or Excess Mortgage Servicing Amount: For existing mortgage pools, mortgage servicing amount and excess mortgage servicing amount projections are based on the actual total mortgage servicing amount, in excess of a basic fee as applicable. For loans expected to be refinanced by the related servicer or subservicer and subject to a recapture agreement, New Residential considers the mortgage servicing amount or excess mortgage servicing amount on loans recently originated by the related servicer over the past three months and other general market considerations. New Residential believes this time period provides a reasonable sample for projecting future mortgage servicing amounts and excess mortgage servicing amounts while taking into account current market conditions.

(dollars in tables in thousands, except share data)

- Discount Rate: The discount rates used by New Residential are derived from market data on pricing of mortgage servicing rights backed by similar collateral.
- Cost of subservicing: The costs of subservicing used by New Residential are based on available market data for various loan types and delinquency statuses.

New Residential uses different prepayment and delinquency assumptions in valuing the MSRs and Excess MSRs relating to the original loan pools, the recapture agreements and the MSRs and Excess MSRs relating to recaptured loans. The prepayment rate and delinquency rate assumptions differ because of differences in the collateral characteristics, refinance potential and expected borrower behavior for original loans and loans which have been refinanced. The assumptions for recapture and discount rates when valuing MSRs and Excess MSRs and recapture agreements are based on historical recapture experience and market pricing.

Servicer Advance Investments Valuation

New Residential uses internal pricing models to estimate the future cash flows related to the Servicer Advance Investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. New Residential's estimations of future cash flows include the combined cash flows of all of the components that comprise the Servicer Advance Investments: existing advances, the requirement to purchase future advances, the recovery of advances and the right to the basic fee component of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the servicer advance balance changes over the term of the investment, (ii) the UPB of the underlying loans with respect to which New Residential has the obligation to make advances and owns the basic fee component of the related MSR which, in turn, is driven by prepayment rates and (iii) the percentage of delinquent loans with respect to which New Residential owns the basic fee component of the related MSR. The valuation technique is based on discounted cash flows. Significant inputs used in the valuations included the assumptions used to establish the aforementioned cash flows and discount rates that market participants would use in determining the fair values of Servicer Advance Investments.

Significant increases (decreases) in the advance balance-to-UPB ratio, prepayment rate, delinquency rate, or discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. Generally, a change in the delinquency rate assumption is accompanied by a directionally similar change in the assumption used for the advance balance-to-UPB ratio.

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

	Significant Inputs					
	Outstanding Servicer Advances to UPB of Underlying Residential Mortgage Loans	Prepayment Rate(A)	Delinquency	Mortgage Servicing Amount(B)	Discount Rate	Collateral Weighted Average Maturity (Years)(C)
December 31, 2020	1.1% - 1.7% (1.7%)	9.3% - 9.3% (9.3%)	6.9% - 9.1% (9.0%)	17.1 - 19.8 (19.7) bps	5.2% - 5.7% (5.2%)	22.3
December 31, 2019	1.4%	10.6%	15.7%	19.6 bps	5.3%	22.9

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 10.0 bps and 10.1 bps which represent the amounts New Residential paid its servicers as a monthly servicing fee as of December 31, 2020 and 2019, respectively.
(C) Weighted average maturity of the underlying residential mortgage loans in the pool.

The valuation of the Servicer Advance Investments also takes into account the performance fee paid to the servicer, which in the case of the Buyer is based on its equity returns and therefore is impacted by relevant financing assumptions such as loan-to-value ratio and interest rate as well as advance-to-UPB ratio. All of the assumptions listed have some degree of market observability, based on New Residential's knowledge of the market, relationships with market participants, and use of common market data sources. The prepayment rate, the delinquency rate and the advance-to-UPB ratio projections are in the form of "curves" or "vectors" that vary over the expected life of the underlying mortgages and related servicer advances. New Residential uses assumptions that generate its best estimate of future cash flows for each Servicer Advance Investment, including the basic fee component of the related MSR.

(dollars in tables in thousands, except share data)

When valuing Servicer Advance Investments, New Residential uses the following criteria to determine the significant inputs:

- Servicer advance balance: Servicer advance balance projections are in the form of a "vector" that varies over the expected life of the residential mortgage loan pool. The servicer advance balance projection is based on assumptions that reflect factors such as the borrower's expected delinquency status, the rate at which delinquent borrowers re-perform or become current again, servicer modification offer and acceptance rates, liquidation timelines and the servicers' stop advance and clawback policies.
- Prepayment Rate: Prepayment rate projections are in the form of a "vector" that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect macroeconomic conditions and factors such as the borrower's FICO score, loan-to-value ratio, debt-to-income ratio, and vintage on a loan level basis. New Residential considers collateral-specific prepayment experience when determining this vector.
- Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed recent mortgage payment(s) as well as loan- and borrower-specific characteristics such as the borrower's FICO score, the loan-to-value ratio, debt-to-income ratio, occupancy status, loan documentation, payment history and previous loan modifications. New Residential believes the time period utilized provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions.
- Mortgage Servicing Amount: Mortgage servicing amounts are contractually determined on a pool-by-pool basis. New Residential projects the weighted average mortgage servicing amount based on its projections for prepayment rates.
- LIBOR: The performance-based incentive fees on Mr. Cooper-serviced Servicer Advance Investments portfolios are driven by LIBOR-based factors. The LIBOR curves used are widely used by market participants as reference rates for many financial instruments.
- Discount Rate: The discount rates used by New Residential are derived from market data on pricing of mortgage servicing rights backed by similar collateral and the advances made thereon.

Real Estate and Other Securities Valuation

New Residential's securities valuation methodology and results are further detailed as follows:

			Fair Value			
Asset Type	**Outstanding Face Amount**	**Amortized Cost Basis**	**Multiple Quotes[(A)]**	**Single Quote[(B)]**	**Total**	**Level**
December 31, 2020						
Agency RMBS	$ 12,491,152	$ 12,951,608	$ 13,063,634	$ —	$ 13,063,634	2
Non-Agency RMBS[(C)]	19,378,530	1,153,643	1,171,209	9,715	1,180,924	3
Total	$ 31,869,682	$ 14,105,251	$ 14,234,843	$ 9,715	$ 14,244,558	
December 31, 2019						
Agency RMBS	$ 11,301,603	$ 11,474,338	$ 11,519,943	$ —	$ 11,519,943	2
Non-Agency RMBS[(C)]	24,857,988	7,307,837	7,953,573	4,212	7,957,785	3
Total	$ 36,159,591	$ 18,782,175	$ 19,473,516	$ 4,212	$ 19,477,728	

(A) New Residential generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold New Residential the security) for Non-Agency RMBS. New Residential evaluates quotes received and determines one as being most representative of fair value, and does not use an average of the quotes. Even if New Residential receives two or more quotes on a particular security that come from non-selling brokers or pricing services, it does not use an average because it believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases, for non-agency RMBS, there is a wide disparity between the quotes New Residential receives. New Residential believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on New Residential's own fair value analysis, it selects one of the quotes which is believed to more accurately reflect fair value. New Residential has not adjusted any of the quotes received in the periods presented. New Residential's Agency RMBS are classified within Level 2 of the fair value hierarchy because the market for these securities is very active and market prices are readily observable.

(dollars in tables in thousands, except share data)

The third-party pricing services and brokers engaged by New Residential (collectively, "valuation providers") use either the income approach or the market approach, or a combination of the two, in arriving at their estimated valuations of RMBS. Valuation providers using the market approach generally look at prices and other relevant information generated by market transactions involving identical or comparable assets. Valuation providers using the income approach create pricing models that generally incorporate such assumptions as discount rates, expected prepayment rates, expected default rates and expected loss severities. New Residential has reviewed the methodologies utilized by its valuation providers and has found them to be consistent with GAAP requirements. In addition to obtaining multiple quotations, when available, and reviewing the valuation methodologies of its valuation providers, New Residential creates its own internal pricing models for Level 3 securities and uses the outputs of these models as part of its process of evaluating the fair value estimates it receives from its valuation providers. These models incorporate the same types of assumptions as the models used by the valuation providers, but the assumptions are developed independently.

For 99.0% of New Residential's Non-Agency RMBS, the ranges and weighted averages of assumptions used by New Residential's valuation providers are summarized in the table below. The assumptions used by New Residential's valuation providers with respect to the remainder of New Residential's Non-Agency RMBS were not readily available.

	Fair Value	Discount Rate	Prepayment Rate[(a)]	CDR[(b)]	Loss Severity[(c)]
Non-Agency RMBS	$ 1,168,765	3.5% - 15.0% (4.3%)	7.0% - 25.0% (14.3%)	0.5% - 12.0% (1.4%)	20.0% - 88.0% (30.0%)

(a) Represents the annualized rate of the prepayments as a percentage of the total principal balance of the pool.
(b) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance of the pool.
(c) Represents the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding balance.

(B) New Residential was unable to obtain quotations from more than one source on these securities. For approximately $0.0 million in 2020 and $0.7 million in 2019, the one source was the party that sold New Residential the security.
(C) Includes New Residential's interest-only notes for which the fair value option for financial instruments was elected.

Residential Mortgage Loans Valuation

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

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

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

(dollars in tables in thousands, except share data)

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Acquired Loans	$ 1,633,628	3.3% - 8.5% (4.6%)	0.2% - 5.5% (2.6%)	2.0% - 25.0% (5.0%)	3.0% - 50.0% (27.1%)
Originated Loans	12,577	4.8%	5.5%	4.5%	50.0%
Residential Mortgage Loans Held-for-Sale, at Fair Value	$ 1,646,205				

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

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

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Residential Mortgage Loans Held-for-Investment, at Fair Value	$ 674,179	6.5% - 9.0% (6.8%)	2.3% - 2.9% (2.4%)	2.0% - 6.6% (6.2%)	30.0% - 65.8% (62.5%)

Consumer Loans Valuation

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

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Consumer Loans Held-for-Investment, at Fair Value	685,575	7.5% - 9.7% (7.5%)	19.2% - 35.1% (19.3%)	5.2% - 20.7% (5.2%)	77.8% - 90.2% (77.9%)

Derivative Valuation

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

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

The following table summarizes certain information regarding the ranges and weighted averages of significant inputs used in valuing IRLCs:

	Fair Value	Loan Funding Probability	Fair Value of initial servicing rights (bps)
IRLCs (net)	$ 289,074	—% - 100% (80.5%)	0.70 - 270.58 (106.09)

(dollars in tables in thousands, except share data)

Mortgage-Backed Securities Issued

New Residential and NewRez, a wholly owned subsidiary of New Residential, were deemed to be the primary beneficiaries of the MDST Trusts, RPL Borrowers and SAFT 2013-1 securitization entity and therefore, New Residential's Consolidated Balance Sheets include the mortgage-backed securities issued by the MDST Trusts, RPL Borrowers and SAFT 2013-1, respectively. New Residential elected the fair value option for these financial instruments and the mortgage-backed securities issued were valued consistently with New Residential's Non-Agency RMBS described above.

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

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Mortgage-Backed Securities Issued	$ 1,662,852	1.8% - 4.5% (3.1%)	3.1% - 30% (10.2%)	0.5% - 10.5% (7.4%)	20.0% - 90.0% (55.2%)

Contingent Consideration Valuation

As additional consideration for the Guardian Acquisition, New Residential may make up to four cash earnout payments, calculated as the amount of cumulative Guardian earnings on specified contracts in excess of certain thresholds up to an aggregate maximum amount of $17.5 million (the "Guardian Earnout Payments"), which will be calculated following the end of each calendar year with the final payment being calculated as of the fourth anniversary date of the Guardian closing. On April 10, 2020, New Residential made its first Guardian Earnout Payment of $1.9 million. As described above, in accordance with ASC 805, New Residential measures its contingent consideration at fair value on a recurring basis using a scenario-based method to weigh the probability of multiple outcomes to arrive at an expected payment cash flow and then discounts the expected cash flow. The inputs utilized in valuing the contingent consideration include a discount rate of 9% and the application of probability weighting of income scenarios, which are significant unobservable inputs and therefore, contingent consideration is classified as Level 3 in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

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

As of December 31, 2020 and 2019, assets measured at fair value on a nonrecurring basis were $532.1 million and $1,242.2 million, respectively. The $532.1 million of assets at December 31, 2020 include approximately $504.0 million of residential mortgage loans held-for-sale and $28.1 million of REO. The $1,242.2 million of assets at December 31, 2019 include approximately $1,189.5 million of residential mortgage loans held-for-sale and $52.7 million of REO. The fair value of New Residential's residential mortgage loans, held-for-sale is estimated based on a discounted cash flow model analysis using internal pricing models and is categorized within Level 3 of the fair value hierarchy. The following table summarizes the ranges and weighted averages of significant inputs used in valuing these residential mortgage loans:

(dollars in tables in thousands, except share data)

	Fair Value and Carrying Value	Discount Rate	Weighted Average Life (Years)(A)	Prepayment Rate	CDR(B)	Loss Severity(C)
December 31, 2020						
Performing Loans	$ 129,345	4.8% - 8.5% (6.7%)	3.1 - 9.1 4.5	5.1% - 9.9% (8.8%)	0.2% - 7.8% (2.0%)	28.7% - 100.0% (46.2%)
Non-Performing Loans	380,542	7.5% - 9.0% (7.5%)	2.9 - 3.8 3.3	2.0% - 2.0% (2.0%)	2.9% - 2.9% (2.9%)	8.5% - 30.0% (29.5%)
Total/Weighted Average	$ 509,887	7.3%	3.6	3.7%	2.6%	33.7%
December 31, 2019						
Performing Loans	$ 707,106	4.2%	4.1	11.7%	2.6%	27.3%
Non-Performing Loans	482,401	5.5%	3.1	3.0%	2.9%	30.0%
Total/Weighted Average	$ 1,189,507	4.7%	3.7	8.2%	2.7%	28.4%

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

The fair value of REO is estimated using a broker's price opinion discounted based upon New Residential's experience with actual liquidation values and, therefore, is categorized within Level 3 of the fair value hierarchy. These discounts to the broker price opinion generally range from 10% to 25%, depending on the information available to the broker.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Consolidated Statements of Income for the year ended December 31, 2020 consisted of an additional valuation allowance of $113.0 million for residential mortgage loans offset by a reversal of prior valuation allowance of $2.7 million for REO.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Consolidated Statements of Income for the year ended December 31, 2019 consisted of a reversal of prior valuation allowance of $20.0 million for residential mortgage loans and a reversal of prior valuation allowance of $0.6 million for REO.

14. Variable Interest Entities

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

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

Servicer Advance Investment

New Residential, through a taxable wholly owned subsidiary, is the managing member of the Buyer and owned approximately 73.2% of the Buyer as of December 31, 2020. In 2013, New Residential created the Buyer to acquire the then outstanding servicing advance receivables related to a portfolio of residential mortgage loans from a third party. The Buyer is required to purchase all future servicer advances made with respect to this portfolio of mortgage loans and is entitled to receive cash flows from advance recoveries and a basic fee component of the related MSRs, net of subservicing compensation paid.

The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of December 31, 2020, the noncontrolling third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $328.4 million and $306.9 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

Shelter Joint Ventures

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

Residential Mortgage Loans

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

On October 1, 2019, as a result of New Residential’s acquisition of servicing assets from Ditech and its pre existing ownership of the equity, New Residential consolidated the MDST Trusts. New Residential’s determination to consolidate the MDST Trusts is a result of its ownership of the equity in these trusts in conjunction with the ability to direct activities that most significantly impact the economic performance of the entities with the acquisition of the servicing by NewRez.

During the third quarter of 2020, New Residential formed entities, (collectively, the “NPL/RPL Securitizations”) that separately issued securitized debt collateralized by non-performing and reperforming residential mortgage loans. New Residential determined that the NPL/RPL Securitizations should be evaluated for consolidation under the VIE model rather than the voting interest entity model as the equity holders as a group lack the characteristics of a controlling financial interest. Under the VIE model, New Residential’s consolidated subsidiaries had both 1) the power to direct the most significant activities of the NPL/RPL Securitizations and 2) significant variable interests in each of the NPL/RPL Securitizations, through their control of the related optional redemption feature and their ownership of certain notes issued by the NPL/RPL Securitizations and, therefore, met the primary beneficiary criterion and, accordingly, the Company consolidated the NPL/RPL Securitizations.

(dollars in tables in thousands, except share data)

The following table comprises unconsolidated bonds retained pursuant to required risk retention regulations:

	As of and for the Year Ended December 31,	
	2020	**2019**
Residential mortgage loan UPB	$14,211,351	$19,590,978
Weighted average delinquency(A)	10.06 %	1.25 %
Net credit losses	$ 76,725	$ 9,354
Face amount of debt held by third parties(B)	$12,671,168	$17,946,939
Carrying value of bonds retained by New Residential(C) (D)	$ 1,361,624	$ 1,656,712
Cash flows received by New Residential on these bonds	$ 315,939	$ 270,739

(A) Represents the percentage of the UPB that is 60+ days delinquent.
(B) Excludes bonds retained by New Residential.
(C) Includes bonds retained pursuant to required risk retention regulations.
(D) Classified within Level 3 of the fair value hierarchy as the valuation is based on certain unobservable inputs including discount rate, prepayment rates and loss severity. See Note 13 for details on unobservable inputs.

Consumer Loan Companies

New Residential has a co-investment in a portfolio of consumer loans held through the Consumer Loan Companies. As of December 31, 2020, New Residential owns 53.5% of the limited liability company interests in, and consolidates, the Consumer Loan Companies.

The Consumer Loan Companies consolidate certain entities that issued securitization debt collateralized by the consumer loans (the “Consumer Loan SPVs”). The Consumer Loan SPVs are VIEs of which the Consumer Loan Companies are the primary beneficiaries.

(dollars in tables in thousands, except share data)

The table below presents the carrying value and classification of the assets and liabilities of consolidated VIEs on New Residential's consolidated balance sheets:

	The Buyer	Shelter Joint Ventures	Residential Mortgage Loans	Consumer Loan SPVs	Total
December 31, 2020					
Assets					
Servicer advance investments, at fair value	$ 522,901	$ —	$ —	$ —	$ 522,901
Residential mortgage loans, held-for-investment, at fair value	—	—	358,629	—	358,629
Residential mortgage loans, held-for-sale	—	—	346,250	—	346,250
Residential mortgage loans, held-for-sale, at fair value	—	—	614,868	—	614,868
Consumer loans, held-for-investment, at fair value	—	—	—	682,932	682,932
Cash and cash equivalents	53,012	39,031	—	—	92,043
Restricted cash	2,808	—	—	8,090	10,898
Other assets	891	9,151	30,621	9,201	49,864
Total Assets	$ 579,612	$ 48,182	$ 1,350,368	$ 700,223	$ 2,678,385
Liabilities					
Secured notes and bonds payable[(A)]	$ 414,576	$ —	$ 1,034,093	$ 628,759	$ 2,077,428
Accrued expenses and other liabilities	1,092	9,455	1,661	764	12,972
Total Liabilities	$ 415,668	$ 9,455	$ 1,035,754	$ 629,523	$ 2,090,400
December 31, 2019					
Assets					
Servicer advance investments, at fair value	$ 565,271	$ —	$ —	$ —	$ 565,271
Residential mortgage loans, held-for-investment, at fair value	—	—	913,030	—	913,030
Consumer loans, held-for-investment	—	—	—	818,943	818,943
Cash and cash equivalents	30,065	23,802	—	—	53,867
Restricted cash	5,350	—	—	9,073	14,423
Other assets	2,414	3,556	4,534	12,409	22,913
Total Assets	$ 603,100	$ 27,358	$ 917,564	$ 840,425	$ 2,388,447
Liabilities					
Secured notes and bonds payable[(A)]	$ 433,300	$ —	$ 659,738	$ 820,658	$ 1,913,696
Accrued expenses and other liabilities	1,593	4,187	10,132	4,126	20,038
Total Liabilities	$ 434,893	$ 4,187	$ 669,870	$ 824,784	$ 1,933,734

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

Noncontrolling Interests

Noncontrolling interests represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than New Residential. These interests are related to noncontrolling interests in consolidated entities that hold New Residential's Servicer Advance Investments (Note 7), the Shelter JVs, (Note 9), and Consumer Loans (Note 10).

(dollars in tables in thousands, except share data)

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

	December 31, 2020			December 31, 2019		
	The Buyer[(A)]	Shelter Joint Ventures	Consumer Loan Companies	The Buyer[(A)]	Shelter Joint Ventures	Consumer Loan Companies
Total consolidated equity	$ 163,944	$ 38,727	$ 96,418	$ 168,207	$ 23,171	$ 46,510
Others' ownership interest	26.8 %	50.1 %	46.5 %	26.8 %	49.0 %	46.5 %
Others' interest in equity of consolidated subsidiary	$ 43,882	$ 19,402	$ 45,384	$ 45,025	$ 11,354	$ 22,171

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

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	The Buyer[(A)]	Shelter Joint Ventures	Consumer Loan Companies	The Buyer[(A)]	Shelter Joint Ventures	Consumer Loan Companies	The Buyer[(A)]	Shelter Joint Ventures	Consumer Loan Companies
Net income	$ 3,326	$ 31,188	$ 77,760	$15,892	$ 12,717	$ 69,143	$ 7,209	$ 3,135	$ 79,539
Others' ownership interest as a percent of total	26.8 %	50.1 %	46.5 %	26.8 %	49.0 %	46.5 %	27.4 %	51.0 %	46.5 %
Others' interest in net income of consolidated subsidiaries	$ 891	$ 15,625	$ 36,158	$ 4,255	$ 6,231	$ 32,151	$ 1,978	$ 1,599	$ 36,987

(A) As a result, New Residential owned 73.2%, 73.2% and 72.6% of the Buyer, on average during the years ended December 31, 2020, 2019 and 2018, respectively. See Note 12 regarding the financing of Servicer Advance Investments.

15. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

New Residential's certificate of incorporation authorizes 2,000,000,000 shares of common stock, par value $0.01 per share, and 100,000,000 shares of preferred stock, par value $0.01 per share.

On February 14, 2020, in a public offering, New Residential issued 16.1 million of its 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Preferred Series C"), par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $389.5 million. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 1.6 million shares of New Residential's common stock at the closing price per share of common stock on the pricing date, which had a fair value of approximately $1.0 million as of the grant date. The assumptions used in valuing the options were: a 1.55% risk-free rate, a 9.00% dividend yield, 17.39% volatility and a 10-year term.

On August 15, 2019, in a public offering, New Residential issued 11.3 million shares of its 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Preferred Series B"), par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $273.4 million. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 1.1 million shares of New Residential's common stock at the closing price per share of common stock on the pricing date, which had a fair value of approximately $0.7 million as of the grant date. The assumptions used in valuing the options were: a 1.56% risk-free rate, a 11.20% dividend yield, 18.23% volatility and a 10-year term.

On July 2, 2019, in a public offering, New Residential issued 6.2 million shares of its 7.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Preferred Series A"), par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $150.0 million. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 0.6 million shares of New Residential's common stock at the closing price per share of common stock on the pricing date, which had a fair value of approximately $0.5 million as of the grant date. The assumptions used in valuing the options were: a 1.91% risk-free rate, a 9.73% dividend yield, 17.95% volatility and a 10-year term.

In February 2019, New Residential issued 46.0 million shares of its common stock in a public offering at a price to the public of $16.50 per share for net proceeds of approximately $751.7 million. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 4.6 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately $3.8 million as of the grant date. The assumptions used in valuing the options were: a 2.40% risk-free rate, a 9.30% dividend yield, 19.26% volatility and a 10-year term.

(dollars in tables in thousands, except share data)

On July 30, 2018, New Residential entered into a Distribution Agreement to sell shares of its common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). During the year ended December 31, 2018, New Residential sold 0.5 million ATM Shares for aggregate proceeds of $9.1 million. In connection with the shares sold under the ATM program, New Residential granted options to the Manager relating to 0.05 million shares of New Residential's common stock at the offering prices, which had fair value of approximately $0.1 million as of the grant dates. On August 1, 2019, the Distribution Agreement was amended to, among other things, (i) add additional sales agents under the ATM Program, and (ii) restore the aggregate offering price under the ATM Program to the original amount of $500.0 million.

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

The following table summarizes the Company's ATM Program activity:

Quarter Ended	Number of Common shares	Average price per share	Gross Proceeds	Fees	Net Proceeds
March 31, 2020(A)	97,394	$ —	$ 1,662	$ —	$ 1,649
June 30, 2020	—	—	—	—	—
September 30, 2020	—	—	—	—	—
December 31, 2020	—	—	—	—	—

(A) In connection with the shares sold under the ATM program, New Residential granted options to the Manager relating to 0.01 million shares of New Residential's common stock at the offering price, which had fair value of approximately $0.2 million as of the grant date.

In November 2018, New Residential issued 28.8 million shares of its common stock in a public offering at a price to the public of $17.32 per share for net proceeds of approximately $489.2 million. To compensate the Manager for its successful efforts in raising capital for New Residential, in connection with this offering, New Residential granted options to the Manager relating to 2.9 million shares of New Residential's common stock at the public offering price, which had a fair value of approximately $3.8 million as of the grant date. The assumptions used in valuing the options were: a 3.25% risk-free rate, a 8.61% dividend yield, 17.50% volatility and a 10-year term.

The table below summarizes Preferred Shares:

	Number of Shares		Liquidation Preference(A)				Dividends Declared per Share		
	December 31,						Year Ended December 31,		
Series	2020	2019	2020	2019	Issuance Discount	Carrying Value	2020	2019	2018
Fixed-to-floating rate cumulative redeemable preferred:									
Series A, 7.50% issued July 2019	6,210	6,210	$ 155,250	$ 155,250	3.15 %	$ 150,026	$ 1.88	$ 1.16	$ —
Series B, 7.125% issued August 2019	11,300	11,300	282,500	282,500	3.15 %	273,418	1.78	0.89	—
Series C, 6.375% issued February 2020	16,100	—	402,500	—	3.15 %	389,548	1.60	—	—
Total	33,610	17,510	$ 840,250	$ 437,750		$ 812,992	$ 5.26	$ 2.05	$ —

(A) Each series has a liquidation preference of $25.00 per share.

(dollars in tables in thousands, except share data)

On December 16, 2020, New Residential's board of directors declared fourth quarter 2020 preferred dividends of $0.47 per share of Preferred Series A, $0.45 per share of Preferred Series B, and $0.40 per share of Preferred Series C or $2.91 million, $5.03 million, and $6.41 million, respectively.

Common dividends have been declared as follows:

		Per Share	
Declaration Date	**Payment Date**	**Quarterly Dividend**	**Total Amounts Distributed (millions)**
March 22, 2018	April 2018	0.50	168.1
June 21, 2018	July 2018	0.50	169.9
September 20, 2018	October 2018	0.50	170.2
December 20, 2018	January 2019	0.50	184.6
March 25, 2019	April 2019	0.50	207.7
June 18, 2019	July 2019	0.50	207.8
September 23, 2019	October 2019	0.50	207.8
December 16, 2019	January 2020	0.50	207.8
March 31, 2020	April 2020	0.05	20.8
June 22, 2020	July 2020	0.10	41.6
September 23, 2020	October 2020	0.15	62.4
December 16, 2020	January 2021	0.20	82.9

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, and its principals at December 31, 2020.

On August 20, 2019, New Residential announced that its board of directors had authorized the repurchase of up to $200.0 million of its common stock through December 31, 2020. Repurchases may be made from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 or by means of one or more tender offers, in each case, as permitted by securities laws and other legal requirements. The amount and timing of the purchases will depend on a number of factors including the price and availability of New Residential's shares, trading volume, capital availability, New Residential's performance and general economic and market conditions. The share repurchase program may be suspended or discontinued at any time. No share repurchases were made for the year ended December 31, 2019. The Company repurchased 1.0 million shares at an aggregate price of $7.4 million for the year ended December 31, 2020.

On November 2, 2020, New Residential announced that its board of directors had authorized the repurchase of up to $100.0 million of its preferred stock, which includes its 7.500% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock and 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, through December 31, 2021. Repurchases may be made from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 or by means of one or more tender offers, in each case, as permitted by securities laws and other legal requirements. The amount and timing of the purchases will depend on a number of factors including the price and availability of New Residential's shares, trading volume, capital availability, New Residential's performance and general economic and market conditions. The share repurchase program may be suspended or discontinued at any time. No share repurchases were made for the year ended December 31, 2020.

Common Stock Purchase Warrants

As discussed in Note 11, Debt Obligations, on May 19, 2020 and May 27, 2020 (collectively, the "Issuance Date"), in conjunction with the 2020 Term Loan, the Company issued the 2020 Warrants providing the lenders with the right to acquire, subject to anti-dilution adjustments, up to 43.4 million shares of the Company's common stock in the aggregate. The 2020 Warrants are exercisable in cash or on a cashless basis and expire on May 19, 2023 and are exercisable, in whole or in part, at any time or from time to time after September 19, 2020 at the following prices: approximately 24.6 million shares of common stock at $6.11 per share and approximately 18.9 million shares of common stock at $7.94 per share.

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

The table below summarizes the 2020 Warrants:

	Number of Warrants (in millions)	Weighted Average Exercise Price (per share)
December 31, 2019 outstanding warrants	—	$ —
Granted	43.4	6.79 (A)
Exercised	—	—
Expired	—	—
December 31, 2020 outstanding warrants	43.4	$ 6.79

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

Option Plan

New Residential has a Nonqualified Stock Option and Incentive Award Plan, as amended (the "Plan") which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to the Manager, and to the directors, officers, employees, service providers, consultants and advisor of the Manager who perform services for New Residential, and to New Residential's directors, officers, service providers, consultants and advisors. New Residential initially reserved 15,000,000 shares of its common stock for issuance under the Plan; on the first day of each fiscal year beginning during the 10-year term of the Plan in and after calendar year 2014, that number will be increased by a number of shares of New Residential's common stock equal to 10% of the number of shares of common stock newly issued by New Residential during the immediately preceding fiscal year (and, in the case of fiscal year 2013, after the effective date of the Plan). No adjustment was made on January 1, 2014. Increases of 9,739, 4,600,000 and 5,799,166 were made on January 1, 2021, 2020 and 2019, respectively. New Residential's board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules. Upon exercise, all options will be settled in an amount of cash equal to the excess of the fair market value of a share of common stock on the date of exercise over the exercise price per share unless advance approval is made to settle options in shares of common stock.

Upon joining the board, non-employee directors were, in accordance with the Plan, granted options relating to an aggregate of 7,000 shares of common stock. The fair value of such options was not material at the date of grant.

(dollars in tables in thousands, except share data)

New Residential's outstanding options were summarized as follows:

	December 31,	
	2020	**2019**
Held by the Manager	11,991,622	10,511,167
Issued to the Manager and subsequently assigned to certain of the Manager's employees	2,430,033	2,290,749
Issued to the independent directors	7,000	7,000
Total	14,428,655	12,808,916

The following table summarizes New Residential's outstanding options as of December 31, 2020. The last sales price on the New York Stock Exchange for New Residential's common stock in the year ended December 31, 2020 was $9.94 per share.

Recipient	**Date of Grant/ Exercise(A)**	**Number of Unexercised Options**	**Options Exercisable as of December 31, 2020**	**Weighted Average Exercise Price(B)**	**Intrinsic Value of Exercisable Options as of December 31, 2020 (millions)**
Directors	Various	7,000	7,000	$ 13.57	$ —
Manager(C)	2017	1,130,916	1,130,916	13.95	—
Manager(C)	2018	5,320,000	4,735,167	16.67	—
Manager(C)	2019	6,351,000	4,327,900	16.13	—
Manager(C)	2020	1,619,739	539,913	17.41	—
Outstanding		14,428,655	10,740,896		

(A) Options expire on the tenth anniversary from date of grant.
(B) The exercise prices are subject to adjustment in connection with return of capital dividends. A portion of New Residential's 2018 dividends was deemed to be a return of capital and the exercise prices were adjusted accordingly.
(C) The Manager assigned certain of its options to its employees as follows:

Date of Grant to Manager	**Range of Exercise Prices**	**Total Unexercised Inception to Date**
2018	$16.55 to $18.02	1,159,833
2019	$15.14 to $16.68	1,270,200
Total		2,430,033

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

	Amount	**Weighted Average Exercise Price**
December 31, 2018 outstanding options	8,498,138	
Options granted	6,352,000	$ 16.20
Options exercised	(2,041,222)	$ 13.88
Options expired unexercised	—	
December 31, 2019 outstanding options	12,808,916	
Options granted	1,619,739	$ 17.41
Options exercised	—	$ —
Options expired unexercised	—	
December 31, 2020 outstanding options	14,428,655	See table above

Income and Earnings Per Share

New Residential is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period.

(dollars in tables in thousands, except share data)

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Net income (loss)	$ (1,357,684)	$ 605,933	$ 1,004,531
Noncontrolling interests in income of consolidated subsidiaries	52,674	42,637	40,564
Dividends on preferred stock	54,295	13,281	—
Net income (loss) attributable to common stockholders	$ (1,464,653)	$ 550,015	$ 963,967
Basic weighted average shares of common stock outstanding	415,513,187	408,789,642	341,268,923
Dilutive effect of stock options(A)	—	200,465	1,868,438
Dilutive effect of common stock purchase warrants(A)	—	—	—
Diluted weighted average shares of common stock outstanding	415,513,187	408,990,107	343,137,361
Basic earnings per share attributable to common stockholders	$ (3.52)	$ 1.35	$ 2.82
Diluted earnings per share attributable to common stockholders	$ (3.52)	$ 1.34	$ 2.81

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

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Stock options	$ —	$ —	$ —
Common stock purchase warrants	7,328,961	—	—

Noncontrolling Interests

Noncontrolling interests is comprised of the interests held by third parties in consolidated entities that hold New Residential's Servicer Advance Investments (Note 7), Shelter JVs (Note 9) and Consumer Loans (Note 10).

16. COMMITMENTS AND CONTINGENCIES

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

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

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

Capital Commitments — As of December 31, 2020, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 6 for MSR investment commitments and to Note 20 for additional capital commitments entered into subsequent to December 31, 2020, if any):

MSRs and Servicer Advance Investments — New Residential and, in some cases, third-party co-investors agreed to purchase future servicer advances related to certain Non-Agency mortgage loans. In addition, New Residential's subsidiaries, NRM and NewRez, are generally obligated to fund future servicer advances related to the loans it is obligated to service. The actual amount of future advances purchased will be based on: (a) the credit and prepayment performance of the underlying loans, (b) the amount of advances recoverable prior to liquidation of the related collateral and (c) the percentage of the loans with respect to which no additional advance obligations are made. The actual amount of future advances is subject to significant uncertainty. See Notes 6 and 7 for information on New Residential's MSRs and Servicer Advance Investments, respectively.

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

In addition, as the issuer of Ginnie Mae guaranteed securitizations, NewRez holds the right to repurchase loans that are at least 90 days' delinquent from the securitizations at its discretion. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. While NewRez is not obligated to repurchase the delinquent loans, NewRez generally exercises its option to repurchase loans that will result in an economic benefit. As of December 31, 2020, New Residential's estimated liability associated with representations and warranties and Ginnie Mae repurchases was $9.8 million and $1.5 billion, respectively. See Notes 6 and 9 for information on New Residential's Ginnie Mae Buy-Back Option and mortgage origination, respectively.

Mortgage Origination Unfunded Commitments — As of December 31, 2020, NewRez was committed to fund approximately $15.0 billion of mortgage loans and had no forward loan sale commitments.

Residential Mortgage Loans — As part of its investment in residential mortgage loans, New Residential may be required to outlay capital. These capital outflows primarily consist of advance escrow and tax payments, residential maintenance and property disposition fees. The actual amount of these outflows is subject to significant uncertainty. See Note 9 for information on New Residential's residential mortgage loans.

Consumer Loans — The Consumer Loan Companies have invested in loans with an aggregate of $23.2 million of unfunded and available revolving credit privileges as of December 31, 2020. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at New Residential's discretion.

Leases — New Residential, through its wholly-owned subsidiary, Shellpoint, has leases on office space expiring through 2025. Rent expense, net of sublease income for the year ended December 31, 2020, 2019 and 2018 totaled $13.4 million, $10.3 million and $4.8 million, respectively. The Company has leases that include renewal options and escalation clauses. The terms of the leases do not impose any financial restrictions or covenants.

As of December 31, 2020, future commitments under the non-cancelable leases are as follows:

(dollars in tables in thousands, except share data)

Year Ending	Amount
2021	$ 13,439
2022	10,118
2023	5,887
2024	2,770
2025	2,146
2026 and thereafter	—
Total remaining undiscounted lease payments	34,360
Less: imputed interest	3,090
Total remaining discounted lease payments	$ 31,270

The future commitments under the non-cancelable leases have not been reduced by the sublease rentals of $1.1 million due in the future periods.

Other information related to operating leases is summarized below:

	December 31,	
	2020	2019
Weighted-average remaining lease term (years)	3.2	3.9
Weighted-average discount rate	4.5 %	4.5 %

Environmental Costs — As a residential real estate owner, New Residential is subject to potential environmental costs. At December 31, 2020, New Residential is not aware of any environmental concerns that would have a material adverse effect on its consolidated financial position or results of operations.

Debt Covenants — Certain of the Company's debt obligations are subject to loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in New Residential's equity or a failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. Refer to Note 12.

Certain Tax-Related Covenants — If New Residential is treated as a successor to Drive Shack Inc. ("Drive Shack") under applicable U.S. federal income tax rules, and if Drive Shack failed to qualify as a REIT for a taxable year ending on or before December 31, 2014, New Residential could be prohibited from electing to be a REIT. Accordingly, in the separation and distribution agreement executed in connection with New Residential's spin-off from Drive Shack, Drive Shack (i) represented that it had no knowledge of any fact or circumstance that would cause New Residential to fail to qualify as a REIT, (ii) covenanted to use commercially reasonable efforts to cooperate with New Residential as necessary to enable New Residential to qualify for taxation as a REIT and receive customary legal opinions concerning REIT status, including providing information and representations to New Residential and its tax counsel with respect to the composition of Drive Shack's income and assets, the composition of its stockholders, and its operation as a REIT; and (iii) covenanted to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ending on or before December 31, 2014 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the U.S. Internal Revenue Service ("IRS") to the effect that Drive Shack's failure to maintain its REIT status will not cause New Residential to fail to qualify as a REIT under the successor REIT rule referred to above). Additionally, New Residential covenanted to use its reasonable best efforts to qualify for taxation as a REIT for its taxable year ended December 31, 2013.

17. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

New Residential is party to a Management Agreement with its Manager which provides for automatically renewing one-year terms subject to certain termination rights. The Manager's performance is reviewed annually and the Management Agreement may be terminated by New Residential by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the affirmative vote of at least two-thirds of the independent directors, or by a majority vote of the holders of common stock. If the Management Agreement is terminated, the Manager may require New Residential to purchase from the

Manager the right of the Manager to receive the Incentive Compensation. In exchange therefor, New Residential would be obligated to pay the Manager a cash purchase price equal to the amount of the Incentive Compensation that would be paid to the Manager if all of New Residential's assets were sold for cash at their then current fair market value (taking into account, among other things, expected future performance of the underlying investments). Pursuant to the Management Agreement, the Manager, under the supervision of New Residential's board of directors, formulates investment strategies, arranges for the acquisition of assets and associated financing, monitors the performance of New Residential's assets and provides certain advisory, administrative and managerial services in connection with the operations of New Residential.

The Manager is entitled to receive a management fee in an amount equal to 1.5% per annum of New Residential's gross equity calculated and payable monthly in arrears in cash. Gross equity is generally (i) the equity transferred by Drive Shack, formerly Newcastle Investment Corp., which was the sole stockholder of New Residential until the spin-off of New Residential completed on May 15, 2013, on the date of the spin-off (ii) plus total net proceeds from preferred and common stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

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

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

In March 2020, the Company and certain of its subsidiaries sold (collectively, the "Sale") through a broker-dealer to six purchasers (collectively, "the Purchasers") of a portfolio consisting of non-agency residential mortgage-backed securities with an aggregate face value of approximately $6.1 billion (the "Securities"). The Sale generated proceeds of approximately $3.3 billion in the aggregate, excluding any unpaid but accrued interest. The Purchasers included an entity affiliated with funds managed by an affiliate of the Manager (the "Fortress Purchaser"), which purchased approximately $1.85 billion of Securities in aggregate face value for approximately $1.0 billion. In connection with the sale of the Securities to the Fortress Purchaser, the Company agreed to exercise certain rights, including call rights, that the Company holds under the securitization transactions with respect to the Securities sold to the Fortress Purchaser solely upon written direction by the Fortress Purchaser. Such rights include the rights, if any, to (i) amend and/or terminate the transactions contemplated by certain related residential mortgage servicing agreements, securitization trust agreements, pooling and servicing agreements or other agreements, (ii) acquire certain of the related residential mortgage loans, real estate owned and certain other assets in the trust subject to such residential mortgage servicing agreements, securitization trust agreements, pooling and servicing agreements or other agreements in connection with such amendment or termination against delivery of the applicable termination payment, and (iii) if applicable, direct certain related servicers, holders of subordinate securities and/or other applicable parties, to exercise the rights in (i) and (ii). Pursuant to such agreement, the Company and the Fortress Purchaser would share equally in any profits or losses arising from the exercise of any such rights, other than if the Company elects not to participate in the related transaction, in which case the Fortress Purchaser would realize all of the profits and bear all of the losses with respect thereto.

(dollars in tables in thousands, except share data)

On May 19, 2020, the Company entered into a three-year senior secured term loan facility agreement in the principal amount of $600.0 million and also issued common stock purchase warrants providing the lenders with the right to acquire up to 43.4 million shares of the Company's common stock, par value $0.01 per share. Approximately 48% of the lenders and recipients of the warrants are funds managed by an affiliate of the Manager. In September 2020, the Company used the net proceeds from a private debt offering, together with cash on hand, to fully retire all of the outstanding principal balance on the term loan facility. See Notes 12 and 15 to the Consolidated Financial Statements for further details.

Due to affiliates is composed of the following amounts:

	December 31,	
	2020	2019
Management fees	$ 7,478	$ 7,076
Incentive compensation	—	91,892
Expense reimbursements and other	1,972	4,914
Total	$ 9,450	$ 103,882

Affiliate expenses and fees were comprised of:

	Year Ended December 31,		
	2020	2019	2018
Management fees	$ 89,134	$ 79,472	$ 62,594
Incentive compensation	—	91,892	94,900
Expense reimbursements[(A)]	500	500	500
Total	$ 89,634	$ 171,864	$ 157,994

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

See Note 5 regarding co-investments with Fortress-managed funds.

See Note 15 regarding options granted to the Manager.

18. 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	Year Ended December 31, 2020	2019	2018
Reclassification of net realized (gain) loss on securities into earnings	Gain (loss) on settlement of investments, net	$ (753,713)	$ (205,989)	$ 29,936
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	13,404	25,174	30,017
Total reclassifications		$ (740,309)	$ (180,815)	$ 59,953

New Residential allocated $1.5 million of income tax expense to other comprehensive income for the year ended December 31, 2020.

(dollars in tables in thousands, except share data)

19. INCOME TAXES

Income tax (benefit) expense consists of the following:

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ (2,197)	$ 148	$ 6,146
State and Local	4,084	3,411	477
Total Current Income Tax Expense (Benefit)	1,887	3,559	6,623
Deferred:			
Federal	17,516	28,939	(68,907)
State and Local	(2,487)	9,268	(11,147)
Total Deferred Income Tax Expense (Benefit)	15,029	38,207	(80,054)
Total Income Tax (Benefit) Expense	$ 16,916	$ 41,766	$ (73,431)

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2020. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

New Residential operates various business segments, including servicing, origination, and MSR related investments, through taxable REIT subsidiaries ("TRSs") that are subject to regular corporate income taxes, which have been provided for in the provision for income taxes, as applicable. Refer to Note 4 (Segment Reporting) for further details.

The decrease in income tax expense for the year ended December 31, 2020 is primarily driven by deferred tax benefits resulting from changes in the fair value of loans and MSRs during the first quarter of 2020, offset by deferred and current tax expense generated from income in the servicing and origination business segments.

On March 27, 2020, the CARES Act was signed into law. The CARES Act provides economic relief to eligible businesses and individuals impacted by the COVID-19 pandemic and includes numerous tax provisions, such as the ability to carryback net operating losses to prior tax years. Pursuant to this new legislation, the Company filed a claim to carryback $23 million of net operating losses, resulting in a net tax benefit of $3 million. The Company is continuing to monitor and evaluate the impact of the CARES Act and other COVID-19-related legislation.

The increase in income tax expense for the year ended December 31, 2019 is primarily due to deferred tax expense generated by MSR income and loan origination income attributable to New Residential TRSs.

The difference between New Residential's reported provision for income taxes and the U.S. federal statutory rate of 21% is as follows:

	December 31,		
	2020	2019	2018
Provision at the statutory rate	21.00 %	21.00 %	21.00 %
Non-taxable REIT income	(26.30)%	(16.26)%	(25.44)%
State and local taxes	3.70 %	2.36 %	(1.19)%
Change in valuation allowance	— %	— %	(2.31)%
Change in federal tax rate	— %	— %	— %
Other	0.43 %	0.66 %	(0.30)%
Total provision	(1.17)%	7.76 %	(8.24)%

(dollars in tables in thousands, except share data)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liability are presented below:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating losses and tax credit carryforwards[A]	$ 5,636	$ 79,897
Basis Differences related to assets and investments	18,868	16,279
Unrealized mark to market	75	10,084
Other	630	1,194
Total deferred tax assets	25,209	107,454
Less valuation allowance	—	—
Net deferred tax assets	$ 25,209	$ 107,454
Deferred tax liabilities:		
Mortgage servicing rights	$ (16,189)	$ (65,582)
Basis Differences related to assets and investments	(12,539)	(29,022)
Fixed asset depreciation	(1,231)	(4,181)
Other	(3,109)	—
Total deferred tax (liability)	$ (33,068)	$ (98,785)
Net deferred tax assets (liability)	$ (7,859)	$ 8,669

(A) As of December 31, 2020, New Residential's TRSs had approximately $15.0 million of net operating loss carryforwards for federal and state income tax purposes which may be available to offset future taxable income, if and when it arises. Approximately, $13.8 million of these federal and state net operating loss carryforwards will begin to expire in 2034. The utilization of the net operating loss carryforwards to reduce future income taxes will depend on the TRSs ability to generate sufficient taxable income prior to the expiration of the carryforward period.

In assessing the realizability of deferred tax assets, New Residential considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. As of December 31, 2020, the Company believes it is more likely than not that it will fully realize its deferred tax assets.

New Residential and its TRSs file income tax returns with the U.S. federal government and various state and local jurisdictions. Generally, New Residential is no longer subject to tax examinations by tax authorities for tax years ended prior to December 31, 2017. New Residential recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes on the consolidated statements of operations. As of December 31, 2020, New Residential has no material uncertainties to be recognized. New Residential does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date.

Common stock distributions were taxable as follows:

Year	Dividends per Share	Ordinary Income	Long-term Capital Gain	Return of Capital
2020[A]	$ 0.62	78.01 %	— %	21.99 %
2019[B]	1.87	77.53 %	15.82 %	6.65 %
2018[C]	1.60	78.03 %	1.03 %	20.94 %

(A) The entire $0.20 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

(dollars in tables in thousands, except share data)

(B) The entire $0.50 per share dividend declared in December 2019 and paid in January 2020 is treated as received by stockholders in 2020.

(C) The entire $0.50 per share dividend declared in December 2018 and paid in January 2019 is treated as received by stockholders in 2019.

Series A Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-term Capital Gain	Return of Capital
2020(A)	$ 1.88	100 %	— %	— %
2019	$ 0.69	84.18 %	15.82 %	— %

(A) The entire $0.47 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

Series B Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-term Capital Gain	Return of Capital
2020(A)	$ 1.78	100 %	— %	—
2019	$ 0.45	84.18 %	15.82 %	— %

(A) The entire $0.45 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

Series C Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-term Capital Gain	Return of Capital
2020(A)	$ 1.20	100 %	— %	— %

(A) The entire $0.40 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

20. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to December 31, 2020 (referred to as “subsequent events”) through the issuance of these consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

Corporate Activities

On December 16, 2020, New Residential’s board of directors declared a fourth quarter 2020 dividend of $0.20 per common share or $82.9 million, which was paid on January 29, 2021 to stockholders of record as of December 31, 2020.

On February 8, 2021, New Residential’s board of directors authorized the repurchase of up to $200.0 million of its common stock through December 31, 2021. Repurchases may be made from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 or by means of one or more tender offers, in each case, as permitted by securities laws and other legal requirements. The amount and timing of the purchases will depend on a number of factors including the price and availability of New Residential’s shares, trading volume, capital availability, New Residential’s performance and general economic and market conditions. No share repurchases have been made as of the date of issuance of these consolidated financial statements. The share repurchase program may be suspended or discontinued at any time.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financing Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the *2013 Internal Control-Integrated Framework*.

Based on our assessment, management concluded that, as of December 31, 2020, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears at the beginning of "Financial Statements and Supplementary Data."

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Any information required by this Item 10 is incorporated by reference to our definitive proxy statement for the 2021 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after the fiscal year ended December 31, 2020 (our "Definitive Proxy Statement") under the headings "Proposal No. 1 Election of Directors" and "Executive Officers."

Item 11. Executive Compensation

The information required by this Item 11 is incorporated by reference to our Definitive Proxy Statement under the headings "Executive and Manager Compensation" and "Compensation Committee Report."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 is incorporated by reference to our Definitive Proxy Statement under the heading "Security Ownership of Management and Certain Beneficial Owners."

See also "Nonqualified Stock Option and Incentive Award Plan" in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities" which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, Director Independence

The information required by this Item 13 is incorporated by reference to our Definitive Proxy Statement under the headings "Proposal No. 1 Election of Directors—Determination of Director Independence" and "Certain Relationships and Related Transactions."

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 is incorporated by reference to our Definitive Proxy Statement under the heading "Proposal No. 2 Approval of Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm—Principal Accountant Fees and Services."

PART IV

Item 15. Exhibits; Financial Statement Schedules

(a) and (c) Financial statements and schedules:

See "Financial Statements and Supplementary Data."

(b) Exhibits filed with this Form 10-K:

Exhibit Number	Exhibit Description
2.1†	Separation and Distribution Agreement, dated as of April 26, 2013, by and between New Residential Investment Corp. and Newcastle Investment Corp. (incorporated by reference to Exhibit 2.1 to Amendment No. 6 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 29, 2013)
2.2†	Purchase Agreement, dated as of March 5, 2013, by and among the Sellers listed therein, HSBC Finance Corporation and SpringCastle Acquisition LLC (incorporated by reference to Exhibit 99.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed March 11, 2013)
2.3†	Master Servicing Rights Purchase Agreement, dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
2.4†	Sale Supplement (Shuttle 1), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
2.5†	Sale Supplement (Shuttle 2), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.3 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
2.6†	Sale Supplement (First Tennessee), dated as of December 17, 2013, by and between Nationstar Mortgage LLC and Advance Purchaser LLC (incorporated by reference to Exhibit 2.4 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 23, 2013)
2.7†	Purchase Agreement, dated as of March 31, 2016, by and among SpringCastle Holdings, LLC, Springleaf Acquisition Corporation, Springleaf Finance, Inc., NRZ Consumer LLC, NRZ SC America LLC, NRZ SC Credit Limited, NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC, NRZ SC Finance V LLC, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P., and solely with respect to Section 11(a) and Section 11(g), NRZ SC America Trust 2015-1, NRZ SC Credit Trust 2015-1, NRZ SC Finance Trust 2015-1, and BTO Willow Holdings, L.P. (incorporated by reference to Exhibit 2.10 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, filed on May 4, 2016)
2.8†	Securities Purchase Agreement, dated as of November 29, 2017, by and among NRM Acquisition LLC, Shellpoint Partners LLC, the Sellers party thereto and Shellpoint Services LLC, as original representative of the Seller (incorporated by reference to Exhibit 2.8 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 15, 2018)
2.9†	Amendment No. 1 to the Securities Purchase Agreement, dated as of July 3, 2018, by and among NRM Acquisition LLC, Shellpoint Partners LLC, the Sellers party thereto and Shellpoint Representative LLC, as replacement representative of the Sellers (incorporated by reference to Exhibit 2.9 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018)
2.10	Asset Purchase Agreement among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company, dated June 17, 2019 (incorporated by reference to Exhibit 2.10 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019)
2.11	Amendment No. 1 to the Asset Purchase Agreement, dated as of July 9, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.11 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)
2.12	Amendment No. 2 to the Asset Purchase Agreement, dated as of August 30, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.12 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.13 Amendment No. 3 to the Asset Purchase Agreement, dated as of September 4, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.13 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.14 Amendment No. 4 to the Asset Purchase Agreement, dated as of September 5, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.14 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.15 Amendment No. 5 to the Asset Purchase Agreement, dated as of September 6, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.15 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.16 Amendment No. 6 to the Asset Purchase Agreement, dated as of September 9, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.16 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.17 Amendment No. 7 to the Asset Purchase Agreement, dated as of September 17, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.17 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.18 Amendment No. 8 to the Asset Purchase Agreement, dated as of September 30, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.18 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019)

2.19 Amendment No. 9 to the Asset Purchase Agreement, dated as of November 27, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.19 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020)

2.20 Amendment No. 10 to the Asset Purchase Agreement, dated as of December 12, 2019, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.20 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020)

2.21 Amendment No. 11 to the Asset Purchase Agreement, dated as of January 17, 2020, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.21 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020)

2.22 Amendment No. 12 to the Asset Purchase Agreement, dated as of January 24, 2020, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.22 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020)

2.23 Settlement and Release Agreement, dated as of January 27, 2020, among New Residential Investment Corp., Ditech Holding Corporation, a Maryland corporation, and Ditech Financial LLC, a Delaware limited liability company (incorporated by reference to Exhibit 2.23 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2019, filed on February 19, 2020)

3.1 Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)

3.2 Amended and Restated Bylaws of New Residential Investment Corp. (incorporated by reference to Exhibit 3.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)

3.3 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 17, 2014)

3.4 Certificate of Designations of New Residential Investment Corp., designating the Company's 7.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.4 to New Residential Investment Corp.'s Form 8-A, filed July 2, 2019)

3.5 Certificate of Designations of New Residential Investment Corp., designating the Company's 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.5 to New Residential Investment Corp.'s Form 8-A, filed August 15, 2019)

Certificate of Designations of New Residential Investment Corp., designating the Company's 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.6 to New Residential Investment Corp.'s Form 8-A filed February 14, 2020)

4.1 Specimen Series A Preferred Stock Certificate (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A filed July 2, 2019)

4.2 Specimen Series B Preferred Stock Certificate of New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A, filed August 15, 2019)

4.3 Specimen Series C Preferred Stock Certificate of New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-A, filed February 14, 2020)

4.4 Second Amended and Restated Indenture, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 7, 2018)

4.5 Omnibus Amendment to Term Note Indenture Supplements, dated as of August 17, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed August 22, 2017)

4.6 Series 2016-T2 Indenture Supplement, dated as of October 25, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 31, 2016)

4.7 Series 2016-T3 Indenture Supplement, dated as of October 25, 2016, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed October 31, 2016)

4.8 Series 2016-T4 Indenture Supplement, dated as of December 15, 2016, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016)

4.9 Series 2016-T5 Indenture Supplement, dated as of December 15, 2016, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed December 16, 2016)

4.10 Series 2017-T1 Indenture Supplement, dated as of February 7, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K filed February 7, 2017)

4.11 Series 2018-VF1 Indenture Supplement, dated as of March 22, 2018, to the Amended and Restated Indenture, dated as of August 17, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed March 28, 2018)

4.12 Omnibus Amendment to Certain Agreements Relating to the NRZ Advance Receivables Trust 2015-ON1, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, Credit Suisse AG, New York Branch, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 7, 2018)

4.13 Amendment No. 1 to Series 2018-VF1 Indenture Supplement, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.3 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 7, 2018)

4.14 Amendment No. 2 to Series 2018-VF1 Indenture Supplement, dated as of September 28, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.11 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q, filed May 2, 2019)

4.15 Amendment No. 3 to Series 2018-VF1 Indenture Supplement, dated as of March 11, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, JPMorgan Chase Bank, N.A. and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed March 15, 2019)

4.16 Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC, d/b/a Shellpoint Mortgage Servicing and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed July 26, 2019)

4.17 Series 2019-T1 Indenture Supplement, dated as of July 25, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to New Residential Investment Corp.'s Form 8-K, filed July 26, 2019)

4.18 Series 2019-T2 Indenture Supplement, dated as of August 15, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed August 16, 2019)

4.19 Series 2019-T3 Indenture Supplement, dated as of September 20, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed September 20, 2019)

4.20 Series 2019-T4 Indenture Supplement, dated as of October 15, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed October 18, 2019)

4.21 Series 2019-T5 Indenture Supplement, dated as of October 31, 2019, to the Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, NewRez LLC d/b/a Shellpoint Mortgage Servicing, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Form 8-K, filed November 6, 2019)

4.22 Form of Debt Securities Indenture (including Form of Debt Security) (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Registration Statement on Form S-3, filed May 16, 2014)

4.23 Indenture, dated as of September 16, 2020, between New Residential Investment Corp. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed September 16, 2020)

4.24 Description of Securities Registered under Section 12 of the Exchange Act

10.1 Third Amended and Restated Management and Advisory Agreement, dated as of May 7, 2015, by and between New Residential Investment Corp. and FIG LLC (incorporated by reference to Exhibit 10.4 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015)

10.2 Form of Indemnification Agreement by and between New Residential Investment Corp. and its directors and officers (incorporated by reference to Exhibit 10.2 to Amendment No. 3 to New Residential Investment Corp.'s Registration Statement on Form 10, filed March 27, 2013)

10.3 New Residential Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of April 29, 2013 (incorporated by reference to Exhibit 10.1 to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)

10.4 Amended and Restated New Residential Investment Corp. Nonqualified Stock Option and Incentive Plan, adopted as of November 4, 2014 (incorporated by reference to Exhibit 10.6 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014)

10.5 Investment Guidelines (incorporated by reference to Exhibit 10.4 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)

10.6 Excess Servicing Spread Sale and Assignment Agreement, dated as of December 8, 2011, by and between Nationstar Mortgage LLC and NIC MSR I LLC (incorporated by reference to Exhibit 10.5 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011)

10.7 Excess Spread Refinanced Loan Replacement Agreement, dated as of December 8, 2011, by and between Nationstar Mortgage LLC and NIC MSR I LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011)

10.8 Future Spread Agreement for FHLMC Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR IV LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)

10.9 Future Spread Agreement for FNMA Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR V LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)

10.10 Future Spread Agreement for Non-Agency Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR VI LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)

10.11 Future Spread Agreement for GNMA Mortgage Loans, dated as of May 13, 2012, by and between Nationstar Mortgage LLC and NIC MSR VII, LLC (incorporated by reference to Exhibit 10.8 to Drive Shack Inc.'s Current Report on Form 8-K, filed May 15, 2012)

10.12 Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of May 31, 2012, by and between Nationstar Mortgage LLC and NIC MSR III LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 6, 2012)

10.13 Future Spread Agreement for FHLMC Mortgage Loans, dated as of May 31, 2012, by and between Nationstar Mortgage LLC and NIC MSR III LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 6, 2012)

10.14 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)

10.15 Amended and Restated Future Spread Agreement for FNMA Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)

10.16 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.3 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)

10.17 Amended and Restated Future Spread Agreement for FHLMC Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)

10.18 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.5 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)

10.19 Amended and Restated Future Spread Agreement for Non-Agency Mortgage Loans, dated as of June 7, 2012, by and between Nationstar Mortgage LLC and NIC MSR II LLC (incorporated by reference to Exhibit 10.6 to Drive Shack Inc.'s Current Report on Form 8-K, filed June 7, 2012)

10.20 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR V LLC (incorporated by reference to Exhibit 10.1 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)

10.21 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR IV LLC (incorporated by reference to Exhibit 10.2 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)

10.22 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR VI LLC (incorporated by reference to Exhibit 10.3 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)

10.23 Amended and Restated Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of June 28, 2012, by and between Nationstar Mortgage LLC and NIC MSR VII LLC (incorporated by reference to Exhibit 10.4 to Drive Shack Inc.'s Current Report on Form 8-K, filed July 5, 2012)

10.24 Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of December 31, 2012, by and between Nationstar Mortgage LLC and MSR VIII LLC (incorporated by reference to Exhibit 10.35 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.25 Future Spread Agreement for GNMA Mortgage Loans, dated as of December 31, 2012, by and between Nationstar Mortgage LLC and MSR VIII LLC (incorporated by reference to Exhibit 10.36 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.26 Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR IX LLC (incorporated by reference to Exhibit 10.37 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.27 Future Spread Agreement for FHLMC Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR IX LLC (incorporated by reference to Exhibit 10.38 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.28 Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR X LLC (incorporated by reference to Exhibit 10.39 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.29 Future Spread Agreement for FNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR X LLC (incorporated by reference to Exhibit 10.40 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.30 Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XI LLC (incorporated by reference to Exhibit 10.41 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.31 Future Spread Agreement for GNMA Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XI LLC (incorporated by reference to Exhibit 10.42 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.32 Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XII LLC (incorporated by reference to Exhibit 10.43 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.33 Future Spread Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XII LLC (incorporated by reference to Exhibit 10.44 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.34 Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XIII LLC (incorporated by reference to Exhibit 10.45 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.35 Future Spread Agreement for Non-Agency Mortgage Loans, dated as of January 6, 2013, by and between Nationstar Mortgage LLC and MSR XIII LLC (incorporated by reference to Exhibit 10.46 to Drive Shack Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012)

10.36 Interim Servicing Agreement, dated as of April 1, 2013, by and among the Interim Servicers listed therein, HSBC Finance Corporation, as Interim Servicer Representative, HSBC Bank USA, National Association, SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, Wilmington Trust, National Association, as Loan Trustee, and SpringCastle Finance LLC, as Owner Representative (incorporated by reference to Exhibit 10.35 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)

10.37 Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC, dated as of March 31, 2016 (incorporated by reference to Exhibit 10.37 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016)

10.38 Services Agreement, dated as of April 6, 2015, by and between HLSS Advances Acquisition Corp. and Home Loan Servicing Solutions, Ltd. (incorporated by reference to Exhibit 2.4 to New Residential Investment Corp.'s Current Report on Form 8-K, filed April 10, 2015)

10.39 Receivables Sale Agreement, dated as of August 28, 2015, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC and NRZ Advance Facility Transferor 2015-ON1 LLC (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

10.40 Receivables Pooling Agreement, dated as of August 28, 2015, by and between NRZ Advance Facility Transferor 2015-ON1 LLC and NRZ Advance Receivables Trust 2015-ON1 (incorporated by reference to Exhibit 10.48 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

10.41# Master Agreement, dated as July 23, 2017, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.41 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.42 Amendment No. 1 to Master Agreement, dated as of October 12, 2017, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.42 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.43# Transfer Agreement, dated as of July 23, 2017, by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (incorporated by reference to Exhibit 10.43 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.44# Amendment No. 1 to the Transfer Agreement, dated January 18, 2018, by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (incorporated by reference to Exhibit 10.44 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018)

10.45# Subservicing Agreement, dated as of July 23, 2017, by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.44 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.46# Amendment No. 1 to Subservicing Agreement, dated as of August 17, 2018, by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.46 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.47 Amendment No. 2 to Subservicing Agreement, dated as of October 5, 2020, by and between New Residential Mortgage LLC and PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC) (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.48# Cooperative Brokerage Agreement, dated as of August 28, 2017, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.45 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.49# First Amendment to Cooperative Brokerage Agreement, dated as of November 16, 2017, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.46 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 14, 2018)

10.50# Second Amendment to Cooperative Brokerage Agreement, dated as of January 18, 2018, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.47 to New Residential Investment Corp.'s Annual Report on Form 10-K for the year ended December 31, 2017, filed on February 14, 2018)

10.51 Third Amendment to Cooperative Brokerage Agreement, dated as of March 23, 2018, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.49 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018)

10.52 Fourth Amendment to Cooperative Brokerage Agreement, dated as of September 11, 2018, by and among REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. (incorporated by reference to Exhibit 10.51 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.53# Letter Agreement, dated as of August 28, 2017, by and among New Residential Investment Corp., New Residential Mortgage LLC, REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and Altisource Solutions S.a.r.l. (incorporated by reference to Exhibit 10.46 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.54# New RMSR Agreement, dated as of January 18, 2018, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.51 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018)

10.55# Amendment No. 1 to New RMSR Agreement, dated as of August 17, 2018, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.54 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.56 Amendment No. 2 to New RMSR Agreement, dated as of October 5, 2020, by and among PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC), HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.56 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.57# Subservicing Agreement, dated as of August 17, 2018, by and between New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.55 to New Residential Investment Coop.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.58 Amendment No. 1 to Subservicing Agreement, dated as of October 5, 2020, by and between NewRez, LLC (as successor-in-interest to New Penn Financial, LLC) d/b/a Shellpoint Mortgage Servicing and PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC) (incorporated by reference to Exhibit 10.58 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.59 Call Rights Letter Agreement, dated as of March 31, 2020, between New Residential Investment Corp. and Fortress Credit Opportunities V Advisors LLC (incorporated by reference to Exhibit 10.56 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020)

10.60 Senior Secured Term Loan Facility Agreement, dated as of May 19, 2020, among New Residential Investment Corp., as Parent and the Borrower, and Certain Subsidiaries of New Residential Investment Corp., as Subsidiary Guarantors, the Lenders Party thereto and Cortland Capital Market Services LLC, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.60 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.61 Pledge and Security Agreement, dated as of May 19, 2020, among each of the Pledgors Party thereto and Cortland Capital Market Services LLC, as Collateral Agent (incorporated by reference to Exhibit 10.61 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.62 Form of Common Stock Purchase Warrant No. S1, dated May 19, 2020, between New Residential Investment Corp. and Canyon Finance (Cayman) Limited or its permitted assigns (incorporated by reference to Exhibit 10.62 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.63 Form of Common Stock Purchase Warrant No. S2, dated May 19, 2020, between New Residential Investment Corp. and Canyon Finance (Cayman) Limited or its permitted assigns (incorporated by reference to Exhibit 10.63 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.64 Form of Common Stock Purchase Warrant No. S1, dated May 27, 2020, between New Residential Investment Corp. and CF NRS-E LLC or its permitted assigns (incorporated by reference to Exhibit 10.64 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.65 Form of Common Stock Purchase Warrant No. S2, dated May 27, 2020, between New Residential Investment Corp. and CF NRS-E LLC or its permitted assigns (incorporated by reference to Exhibit 10.65 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.66 Registration Rights Agreement, dated May 19, 2020, by and among New Residential Investment Corp. and the Investors set forth on Schedule 1 thereto (incorporated by reference to Exhibit 10.66 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

21.1 List of Subsidiaries of New Residential Investment Corp.

23.1 Consent of Ernst & Young LLP, independent registered public accounting firm.

31.1 Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Changes in Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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† Schedules and exhibits may have been omitted.

\# Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

The following second amended and restated limited liability company agreements of the Consumer Loan Companies are substantially identical in all material respects, except as to the parties thereto and the initial capital contributions required under each agreement, to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC that is filed as Exhibit 10.37 hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

- Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, 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 the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

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

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov. See "Business—Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

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

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

NEW RESIDENTIAL INVESTMENT CORP.

By: /s/ Michael Nierenberg

Michael Nierenberg

Chairman of the Board

February 16, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following person on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Michael Nierenberg

Michael Nierenberg

Chairman of the Board, Chief Executive Officer and President

(Principal Executive Officer)

February 16, 2021

By: /s/ Nicola Santoro, Jr.

Nicola Santoro, Jr.

Chief Financial Officer, Chief Accounting Officer and Treasurer

(Principal Financial Officer)

February 16, 2021

By: /s/ Kevin J. Finnerty

Kevin J. Finnerty

Director

February 16, 2021

By: /s/ David Saltzman

David Saltzman

Director

February 16, 2021

By: /s/ Douglas L. Jacobs

Douglas L. Jacobs

Director

February 16, 2021

By: /s/ Andrew Sloves

Andrew Sloves

Director

February 16, 2021

By: /s/ Pamela F. Lenehan

Pamela F. Lenehan

Director

February 16, 2021

By: /s/ Alan L. Tyson

Alan L. Tyson

Director

February 16, 2021

By: /s/ Robert J. McGinnis

Robert J. McGinnis

Director

February 16, 2021

Corporate Information

BOARD OF DIRECTORS

Director	Committees
Michael Nierenberg *Chairman, CEO and President of NRZ*	
Kevin J. Finnerty *Independent Director*	Audit Compensation Nominating and Corporate Governance
Douglas L. Jacobs *Independent Director*	Audit Nominating and Corporate Governance
Pamela F. Lenehan *Independent Director*	Audit
Robert J. McGinnis *Independent Director*	Audit Compensation Nominating and Corporate Governance
David Saltzman *Independent Director*	Compensation Committee
Andrew Sloves *Independent Director*	Audit Compensation Nominating and Corporate Governance

CORPORATE OFFICERS

Michael Nierenberg
Chief Executive Officer & President

Nick Santoro
Chief Financial Officer & Chief Accounting Officer

SHAREHOLDER INFORMATION

Corporate Headquarters
New Residential Investment Corp.
1345 Avenue of the Americas,
45th Floor
New York, NY 10105
www.newresi.com

Independent Registered Public Accounting Firm
Ernst & Young LLP
Five Times Square
New York, NY 10036-6530

Shareholder Services, Transfer Agent and Registrar
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449

Stock Exchange Listing
New Residential Investment Corp. is listed on the New York Stock Exchange (NYSE:NRZ)

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain items herein constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements regarding (i) the ability to perform across various rate environments, (ii) better performance of our MSR portfolio, (iii) our ability to successfully increase financing quickly in the future, (iv) ability to benefit from improved MSR values, (v) ability to grow our mortgage platform and increase recapture rates, (vi) ability to provide attractive returns across our portfolio of investments and operating companies, and grow our book value, (vii) remaining committed to the Company’s principles, (viii) ability to retain additional revenue streams, improve customer experience, increase recapture rates and organically create new assets for our portfolio and (ix) to generate strong earnings and attractive assets that will result in high-quality performance in 2021. They represent management’s current expectations regarding future events and are subject to a number of trends and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those described in the forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking statements contained herein. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see the sections entitled “Cautionary Statement Regarding Forward-Looking Statements,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s most recent Annual Report on Form 10-K, which is available on the Company’s website (www.newresi.com). New risks and uncertainties emerge from time to time, and it is not possible for New Residential to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Forward-looking statements contained herein speak only as of the date of annual report, and New Residential expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in New Residential’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

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