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

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

FORM 10-Q

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

For the quarterly period ended June 30, 2018

or

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

For the transition period from ________________to________________

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

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

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

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

Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.
Common stock, $0.01 par value per share: 339,862,769 shares outstanding as of July 20, 2018.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;

- the availability and terms of capital for future investments;

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

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$495,299	$1,173,713
Excess mortgage servicing rights, equity method investees, at fair value	159,034	171,765
Mortgage servicing rights, at fair value	2,232,126	1,735,504
Mortgage servicing rights financing receivables, at fair value	1,904,919	598,728
Servicer advance investments, at fair value[(A)]	843,438	4,027,379
Real estate and other securities, available-for-sale	8,084,927	8,071,140
Residential mortgage loans, held-for-investment	690,771	691,155
Residential mortgage loans, held-for-sale	2,021,319	1,725,534
Real estate owned	125,701	128,295
Consumer loans, held-for-investment[(A)]	1,212,917	1,374,263
Consumer loans, equity method investees	57,820	51,412
Cash and cash equivalents[(A)]	193,236	295,798
Restricted cash	161,441	150,252
Servicer advances receivable	3,215,361	675,593
Trades receivable	1,076,626	1,030,850
Other assets	468,796	312,181
	$22,943,731	$22,213,562
Liabilities and Equity		
Liabilities		
Repurchase agreements	$8,757,134	$8,662,139
Notes and bonds payable[(A)]	6,707,776	7,084,391
Trades payable	1,168,865	1,169,896
Due to affiliates	48,648	88,961
Dividends payable	169,931	153,681
Deferred tax liability, net	8,403	19,218
Accrued expenses and other liabilities	284,050	239,114
	17,144,807	17,417,400
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 339,862,769 and 307,361,309 issued and outstanding at June 30, 2018 and December 31, 2017, respectively	3,399	3,074
Additional paid-in capital	4,246,135	3,763,188
Retained earnings	1,000,488	559,476

Accumulated other comprehensive income (loss)	458,771	364,467
Total New Residential stockholders’ equity	5,708,793	4,690,205
Noncontrolling interests in equity of consolidated subsidiaries	90,131	105,957
Total Equity	5,798,924	4,796,162
	$22,943,731	$22,213,562

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

(A) New Residential's Condensed Consolidated Balance Sheets include the assets and liabilities of certain consolidated VIEs, Advance Purchaser LLC (the "Buyer") (Note 6) and the Consumer Loan SPVs (Note 9), which primarily hold investments in Servicer Advance Investments and consumer loans, respectively, financed with notes and bonds payable. The balance sheets of the Buyer and the Consumer Loan SPVs are included in Notes 6 and 9, respectively. The creditors of the Buyer and the Consumer Loan SPVs do not have recourse to the general credit of New Residential and the assets of the Buyer and the Consumer Loan SPVs are not directly available to satisfy New Residential's obligations. See Note 8 regarding deconsolidation of the RPL Borrowers.

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income	$403,805	$ 471,952	$787,378	$ 764,490
Interest expense	133,916	115,157	258,303	213,386
Net Interest Income	269,889	356,795	529,075	551,104
Impairment				
Other-than-temporary impairment (OTTI) on securities	12,631	5,115	19,301	7,227
Valuation and loss provision (reversal) on loans and real estate owned (REO)	3,658	20,771	22,665	38,681
	16,289	25,886	41,966	45,908
Net interest income after impairment	253,600	330,909	487,109	505,196
Servicing revenue, net	146,193	170,851	363,429	211,453
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(5,276)	(19,180)	(50,967)	(18,359)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	1,705	4,246	2,228	4,002
Change in fair value of investments in mortgage servicing rights financing receivables	(119,103)	5,596	151,973	5,596
Change in fair value of servicer advance investments	(1,752)	56,969	(81,228)	59,528
Gain (loss) on settlement of investments, net	14,655	13,371	117,957	(303)
Earnings from investments in consumer loans, equity method investees	2,982	5,880	7,788	5,880
Other income (loss), net	9,977	(9,035)	19,961	(2,191)
	(96,812)	57,847	167,712	54,153
Operating Expenses				
General and administrative expenses	20,575	16,042	40,582	27,869
Management fee to affiliate	15,453	14,186	30,563	27,260
Incentive compensation to affiliate	26,732	40,172	41,321	52,632
Loan servicing expense	11,035	13,002	22,549	26,378
Subservicing expense	45,958	55,958	92,555	73,662
	119,753	139,360	227,570	207,801
Income Before Income Taxes	183,228	420,247	790,680	563,001
Income tax expense (benefit)	(2,608)	82,844	(9,520)	88,440
Net Income	$185,836	$ 337,403	$800,200	$ 474,561
Noncontrolling Interests in Income of Consolidated Subsidiaries	$11,078	$ 15,671	$21,189	$ 31,451
Net Income Attributable to Common Stockholders	$174,758	$ 321,732	$779,011	$ 443,110
Net Income Per Share of Common Stock				
Basic	$0.52	$ 1.05	$2.34	$ 1.49

Diluted	$0.51	$ 1.04	$2.32	$ 1.48
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	336,311,253	307,344,874	333,364,426	297,029,904
Diluted	339,538,503	309,392,512	336,476,481	298,875,279
Dividends Declared per Share of Common Stock	$0.50	$ 0.50	$1.00	$ 0.98

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Comprehensive income (loss), net of tax				
Net income	$185,836	$337,403	$800,200	$474,561
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	18,069	170,322	37,045	201,960
Reclassification of net realized (gain) loss on securities into earnings	21,362	(16,142)	57,259	(15,023)
	39,431	154,180	94,304	186,937
Total comprehensive income	$225,267	$491,583	$894,504	$661,498
Comprehensive income attributable to noncontrolling interests	$11,078	$15,671	$21,189	$31,451
Comprehensive income attributable to common stockholders	$214,189	$475,912	$873,315	$630,047

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(dollars in thousands)

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2017	307,361,309	$3,074	$3,763,188	$559,476	$364,467	$4,690,205	$105,957	$4,796,162
Dividends declared	—	—	—	(337,999)	—	(337,999)	—	(337,999)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(37,015)	(37,015)
Issuance of common stock	28,750,000	288	481,965	—	—	482,253	—	482,253
Option exercise	3,694,228	36	(36)	—	—	—	—	—
Director share grants	57,232	1	1,018	—	—	1,019	—	1,019
Comprehensive income (loss)								
Net income (loss)	—	—	—	779,011	—	779,011	21,189	800,200
Net unrealized gain (loss) on securities	—	—	—	—	37,045	37,045	—	37,045
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	57,259	57,259	—	57,259
Total comprehensive income (loss)						873,315	21,189	894,504
Equity - June 30, 2018	339,862,769	$3,399	$4,246,135	$1,000,488	$458,771	$5,708,793	$90,131	$5,798,924

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED), CONTINUED
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(dollars in thousands)

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2016	250,773,117	$ 2,507	$ 2,920,730	$ 210,500	$ 126,363	$ 3,260,100	$ 208,077	$ 3,468,177
Dividends declared	—	—	—	(301,196)	—	(301,196)	—	(301,196)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(45,374)	(45,374)
Issuance of common stock	56,545,787	566	833,963	—	—	834,529	—	834,529
Other dilution	—	—	625	—	—	625	—	625
Director share grants	42,405	1	698	—	—	699	—	699
Comprehensive income (loss)								
Net income (loss)	—	—	—	443,110	—	443,110	31,451	474,561
Net unrealized gain (loss) on securities	—	—	—	—	201,960	201,960	—	201,960
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(15,023)	(15,023)	—	(15,023)
Total comprehensive income (loss)						630,047	31,451	661,498
Equity - June 30, 2017	307,361,309	$ 3,074	$ 3,756,016	$ 352,414	$ 313,300	$ 4,424,804	$ 194,154	$ 4,618,958

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 2018	2017
Cash Flows From Operating Activities		
Net income	$800,200	$474,561
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in fair value of investments in excess mortgage servicing rights	50,967	18,359
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(2,228)	(4,002)
Change in fair value of investments in mortgage servicing rights financing receivables	(151,973)	(5,596)
Change in fair value of servicer advance investments	81,228	(59,528)
(Gain) / loss on settlement of investments (net)	(117,957)	303
Earnings from investments in consumer loans, equity method investees	(7,788)	(5,880)
Unrealized (gain) / loss on derivative instruments	(3,686)	3,684
Unrealized (gain) / loss on other ABS	(4,804)	(151)
(Gain) / loss on transfer of loans to REO	(10,490)	(11,612)
(Gain) / loss on transfer of loans to other assets	120	(293)
(Gain) / loss on Excess MSRs	(4,270)	(1,342)
(Gain) / loss on Ocwen common stock	(4,800)	—
Accretion and other amortization	(359,105)	(545,386)
Other-than-temporary impairment	19,301	7,227
Valuation and loss provision on loans and real estate owned	22,665	38,681
Non-cash portions of servicing revenue, net	(61,859)	1,618
Non-cash directors' compensation	1,019	698
Deferred tax provision	(10,815)	85,606
Changes in:		
Servicer advances receivable	425,215	(7,780)
Other assets	(79,511)	(25,621)
Due to affiliates	(40,313)	17,465
Accrued expenses and other liabilities	39,032	12,985
Other operating cash flows:		
Interest received from excess mortgage servicing rights	21,399	32,174
Interest received from servicer advance investments	17,826	96,639
Interest received from Non-Agency RMBS	98,268	118,339
Interest received from residential mortgage loans, held-for-investment	4,350	3,097
Interest received from PCD consumer loans, held-for-investment	17,858	28,262
Distributions of earnings from excess mortgage servicing rights, equity method investees	6,530	7,433
Distributions of earnings from consumer loan equity method investees	3,263	1,229
Purchases of residential mortgage loans, held-for-sale	(2,402,258)	(3,193,841)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	1,776,239	2,523,335
Principal repayments from purchased residential mortgage loans, held-for-sale	73,153	45,867
Net cash provided by (used in) operating activities	196,776	(343,470)

Continued on next page.

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

	Six Months Ended June 30,	
	2018	2017
Cash Flows From Investing Activities		
Purchase of servicer advance investments	(1,313,291)	(6,341,861)
Purchase of MSRs, MSR financing receivables and servicer advances receivable	(628,841)	(1,177,658)
Purchase of Agency RMBS	(2,210,812)	(4,561,503)
Purchase of Non-Agency RMBS	(947,955)	(1,826,031)
Purchase of residential mortgage loans	(85,778)	(586,154)
Purchase of derivatives	—	—
Purchase of real estate owned and other assets	(23,948)	(19,168)
Purchase of investment in consumer loans, equity method investees	(205,641)	(192,467)
Draws on revolving consumer loans	(20,636)	(27,240)
Payments for settlement of derivatives	(40,980)	(98,399)
Return of investments in excess mortgage servicing rights	31,097	95,144
Return of investments in excess mortgage servicing rights, equity method investees	8,429	9,747
Return of investments in consumer loans, equity method investees	191,145	136,021
Principal repayments from servicer advance investments	1,326,252	7,491,101
Principal repayments from Agency RMBS	43,403	50,412
Principal repayments from Non-Agency RMBS	374,084	265,767
Principal repayments from residential mortgage loans	69,133	21,277
Proceeds from sale of residential mortgage loans	21,155	—
Principal repayments from consumer loans	152,512	212,883
Proceeds from sale of Agency RMBS	2,956,351	3,534,480
Proceeds from sale of Non-Agency RMBS	66,198	154,498
Proceeds from settlement of derivatives	110,467	44,764
Proceeds from sale of real estate owned	71,994	38,528
Net cash provided by (used in) investing activities	(55,662)	(2,775,859)

Continued on next page.

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

	Six Months Ended June 30,	
	2018	2017
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(33,450,992)	(20,745,543)
Margin deposits under repurchase agreements and derivatives	(670,912)	(550,012)
Repayments of notes and bonds payable	(5,053,552)	(4,947,215)
Payment of deferred financing fees	(10,614)	(5,325)
Common stock dividends paid	(321,749)	(262,874)
Borrowings under repurchase agreements	33,542,060	23,815,777
Return of margin deposits under repurchase agreements and derivatives	604,930	547,290
Borrowings under notes and bonds payable	4,683,103	4,741,739
Issuance of common stock	482,696	835,465
Costs related to issuance of common stock	(442)	(936)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(37,015)	(45,374)
Purchase of noncontrolling interests in the Buyer	—	—
Net cash provided by (used in) financing activities	(232,487)	3,382,992
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(91,373)	263,663
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	446,050	453,697
Cash, Cash Equivalents, and Restricted Cash, End of Period	$354,677	$717,360
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$248,990	$198,553
Cash paid during the period for income taxes	3,176	4,765
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$169,931	$153,678
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,168,865	1,814,344
Sale of investments, primarily Agency RMBS, settled after quarter end	1,076,626	2,677,542
Transfer from residential mortgage loans to real estate owned and other assets	56,789	71,747
Non-cash distributions from LoanCo	12,613	16,062
MSR purchase price holdback	1,210	71,265
Real estate securities retained from loan securitizations	224,359	284,874
Ocwen transaction (Note 5) - excess mortgage servicing rights	638,567	—
Ocwen transaction (Note 5) - servicer advance investments	3,175,891	—
Ocwen transaction (Note 5) - mortgage servicing rights financing receivables	1,017,993	—

See notes to condensed consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2018
(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

New Residential Investment Corp. (together with its subsidiaries, "New Residential") is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Drive Shack Inc. ("Drive Shack"), formerly Newcastle Investment Corp., was the sole stockholder of New Residential until the spin-off, which was completed on May 15, 2013. Following the spin-off, New Residential is an independent publicly traded real estate investment trust ("REIT") primarily focused on investing in residential mortgage related assets. New Residential is listed on the New York Stock Exchange ("NYSE") under the symbol "NRZ."

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

New Residential has entered into a management agreement (the "Management Agreement") with FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"), pursuant to which the Manager provides a management team and other professionals who are responsible for implementing New Residential's business strategy, subject to the supervision of New Residential's board of directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. The Manager also managed Drive Shack and manages investment funds that until June 2018, owned a majority of the outstanding common stock of OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) (together with its subsidiaries, "OneMain"), former managing member of the Consumer Loan Companies (Note 9). The Manager also manages investment funds that indirectly own approximately 40.5% of the outstanding interests in Nationstar Mortgage LLC ("Nationstar"), a leading residential mortgage servicer.

As of June 30, 2018, New Residential conducted its business through the following segments: (i) investments in excess mortgage servicing rights ("Excess MSRs"), (ii) investments in mortgage servicing rights ("MSRs"), (iii) Servicer Advance Investments (including the basic fee component of the related MSRs), (iv) investments in real estate securities, (v) investments in residential mortgage loans, (vi) investments in consumer loans and (vii) corporate.

Approximately 0.5 million shares of New Residential's common stock were held by Fortress, through its affiliates, as of June 30, 2018. In addition, Fortress, through its affiliates, held options relating to approximately 4.0 million shares of New Residential's common stock as of June 30, 2018.

Interim Financial Statements

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2017 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2017. Certain prior period amounts have been reclassified to conform to the current period's presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies are required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 was effective for New Residential in the first quarter of 2018. New Residential has evaluated the new guidance and determined that interest income, gains and losses on financial instruments and income from servicing residential mortgage loans are outside the scope of ASC No. 606. For income from servicing residential mortgage loans, New Residential considered that the FASB Transition Resource Group members generally agreed that an entity should look to ASC No. 860, Transfers and Servicing, to determine the appropriate accounting for these fees and ASC No. 606 contains a scope exception for contracts that fall under ASC No. 860. In addition, NRM determined that ancillary income generated from services for mortgage loans and REO properties represent servicing fees due to a servicer, through contractual terms, that would no longer be received by a servicer if the owners of the serviced loans were to exercise their authority to shift the servicing to another servicer and, therefore, similarly fall under ASC No. 860. As a result, the adoption of ASU No. 2014-09 did not have a material impact on the condensed consolidated financial statements.

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

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

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

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

2. OTHER INCOME, ASSETS AND LIABILITIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Gain (loss) on sale of real estate securities, net	$(8,731)	$21,257	$(37,958)	$22,250
Gain (loss) on sale of residential mortgage loans, net	9,228	26,373	(5,423)	28,938
Gain (loss) on settlement of derivatives	19,270	(27,734)	56,633	(39,570)
Gain (loss) on liquidated residential mortgage loans	(769)	(3,628)	(1,154)	(5,844)
Gain (loss) on sale of REO	(4,343)	(2,702)	(7,143)	(5,312)
Gains reclassified from change in fair value of investments in excess MSRs and servicer advance investments	—	—	113,002	—
Other gains (losses)	—	(195)	—	(765)
	$14,655	$13,371	$117,957	$(303)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Unrealized gain (loss) on derivative instruments	$1,240	$(8,010)	$3,686	$(3,684)
Unrealized gain (loss) on other ABS	5,117	(607)	4,804	151
Gain (loss) on transfer of loans to REO	6,320	4,978	10,490	11,612
Gain (loss) on transfer of loans to other assets	(175)	81	(120)	293
Gain (loss) on Excess MSRs	1,365	715	4,270	1,342
Gain (loss) on Ocwen common stock	(972)	—	4,800	—
Other income (loss)	(2,918)	(6,192)	(7,969)	(11,905)
	$9,977	$(9,035)	$19,961	$(2,191)

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	June 30, 2018	December 31, 2017		June 30, 2018	December 31, 2017
Margin receivable, net	$119,211	$53,150	Interest payable	$33,260	$28,821
Other receivables	66,167	10,635	Accounts payable	45,030	73,017
Principal and interest receivable	53,576	48,373	Derivative liabilities (Note 10)	7,811	697
Receivable from government agency	25,020	41,429	Current taxes payable	—	—
Call rights	327	327	Due to servicers	76,749	24,571
Derivative assets (Note 10)	10	2,423	MSR purchase price holdback	100,080	101,290
Servicing fee receivables	74,095	60,520	Other liabilities	21,120	10,718
Ginnie Mae EBO servicer advances receivable, net	2,269	8,916		$284,050	$239,114
Due from servicers	58,181	38,601			
Ocwen common stock, at fair value	24,059	19,259			
Prepaid expenses	9,479	7,308			
Other assets	36,402	21,240			
	$468,796	$312,181			

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

	Six Months Ended June 30,	
	2018	2017
Accretion of servicer advances receivable discount and servicer advance investments	$146,024	$316,512
Accretion of excess mortgage servicing rights income	20,743	49,546
Accretion of net discount on securities and loans[(A)]	197,331	187,039
Amortization of deferred financing costs	(3,963)	(6,800)
Amortization of discount on notes and bonds payable	(1,030)	(911)
	$359,105	$545,386

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

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSRs, (ii) investments in MSRs, (iii) Servicer Advance Investments, (iv) investments in real estate securities, (v) investments in residential mortgage loans, (vi) investments in consumer loans, and (vii) corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation related to the Management Agreement and (iii) corporate cash and related interest income. Securities owned by New Residential (Note 7) that are collateralized by servicer advances and consumer loans are included in the Servicer Advances and Consumer Loans segments, respectively. Secured corporate loans effectively collateralized by Excess MSRs are included in the Excess MSRs segment.

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

	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2018								
Interest income	$11,384	$167,754	$12,494	$115,592	$40,685	$55,022	$874	$403,805
Interest expense	2,470	46,834	6,431	48,548	18,614	11,019	—	133,916
Net interest income (expense)	8,914	120,920	6,063	67,044	22,071	44,003	874	269,889
Impairment	—	—	—	12,631	(9,430)	13,088	—	16,289
Servicing revenue, net	—	146,193	—	—	—	—	—	146,193
Other income (loss)	(2,973)	(118,334)	(1,633)	16,783	5,727	4,478	(860)	(96,812)
Operating expenses	14	50,111	267	643	10,275	8,839	49,604	119,753
Income (Loss) Before Income Taxes	5,927	98,668	4,163	70,553	26,953	26,554	(49,590)	183,228
Income tax expense (benefit)	—	—	203	—	(2,811)	—	—	(2,608)
Net Income (Loss)	$5,927	$98,668	$3,960	$70,553	$29,764	$26,554	$(49,590)	$185,836
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$1,056	$—	$—	$10,022	$—	$11,078
Net income (loss) attributable to common stockholders	$5,927	$98,668	$2,904	$70,553	$29,764	$16,532	$(49,590)	$174,758

	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2018								
Interest income	$20,743	$334,272	$31,385	$216,725	$75,077	$107,670	$1,506	$787,378
Interest expense	6,959	90,945	12,861	90,078	34,925	22,535	—	258,303
Net interest income (expense)	13,784	243,327	18,524	126,647	40,152	85,135	1,506	529,075
Impairment	—	—	—	19,301	(4,247)	26,912	—	41,966
Servicing revenue, net	—	363,429	—	—	—	—	—	363,429
Other income (loss)	(4,862)	153,443	(8,210)	27,352	(14,490)	9,568	4,911	167,712
Operating expenses	75	102,389	411	940	19,222	18,276	86,257	227,570
Income (Loss) Before Income Taxes	8,847	657,810	9,903	133,758	10,687	49,515	(79,840)	790,680
Income tax expense (benefit)	—	(6,729)	(224)	—	(2,811)	244	—	(9,520)

Net Income (Loss)	$8,847	$664,539	$10,127	$133,758	$13,498	$49,271	$(79,840)	$800,200
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$2,439	$—	$—	$18,750	$—	$21,189
Net income (loss) attributable to common stockholders	$8,847	$664,539	$7,688	$133,758	$13,498	$30,521	$(79,840)	$779,011

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
June 30, 2018								
Investments	$654,333	$4,137,045	$843,438	$8,084,927	$2,837,791	$1,270,737	$—	$17,828,271
Cash and cash equivalents	489	120,857	32,154	4,885	10,403	17,283	7,165	193,236
Restricted cash	3,718	104,677	9,441	—	—	43,605	—	161,441
Other assets	3,617	3,306,219	3,749	1,211,807	116,590	39,167	79,634	4,760,783
Total assets	$662,157	$7,668,798	$888,782	$9,301,619	$2,964,784	$1,370,792	$86,799	$22,943,731
Debt	$197,563	$4,845,717	$639,252	$6,365,317	$2,237,388	$1,179,673	$—	$15,464,910
Other liabilities	1,140	208,277	(14,004)	1,195,845	48,873	15,199	224,567	1,679,897
Total liabilities	198,703	5,053,994	625,248	7,561,162	2,286,261	1,194,872	224,567	17,144,807
Total equity	463,454	2,614,804	263,534	1,740,457	678,523	175,920	(137,768)	5,798,924
Noncontrolling interests in equity of consolidated subsidiaries	—	—	58,286	—	—	31,845	—	90,131
Total New Residential stockholders' equity	$463,454	$2,614,804	$205,248	$1,740,457	$678,523	$144,075	$(137,768)	$5,708,793
Investments in equity method investees	$159,034	$—	$—	$—	$—	$57,820	$—	$216,854

	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2017								
Interest income	$18,128	$2,535	$244,308	$113,475	$ 25,638	$ 67,698	$170	$471,952
Interest expense	9,005	10,600	40,720	29,571	11,628	13,633	—	115,157
Net interest income (expense)	9,123	(8,065)	203,588	83,904	14,010	54,065	170	356,795
Impairment	—	—	—	5,115	5,261	15,510	—	25,886
Servicing revenue, net	—	170,851	—	—	—	—	—	170,851
Other income (loss)	(14,219)	5,596	54,774	(15,374)	21,174	5,896	—	57,847
Operating expenses	112	59,318	605	297	8,406	11,544	59,078	139,360
Income (Loss) Before Income Taxes	(5,208)	109,064	257,757	63,118	21,517	32,907	(58,908)	420,247
Income tax expense (benefit)	—	(10,666)	88,547	—	4,793	170	—	82,844
Net Income (Loss)	$(5,208)	$119,730	$169,210	$63,118	$ 16,724	$ 32,737	$(58,908)	$337,403

Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$3,328	$—	$—	$12,343	$—	$15,671
Net income (loss) attributable to common stockholders	$(5,208)	$119,730	$165,882	$63,118	$16,724	$20,394	$(58,908)	$321,732

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2017								
Interest income	$49,546	$2,560	$321,012	$207,283	$ 43,631	$140,104	$354	$764,490
Interest expense	19,077	11,587	84,596	50,452	19,168	28,506	—	213,386
Net interest income (expense)	30,469	(9,027)	236,416	156,831	24,463	111,598	354	551,104
Impairment	—	—	—	7,227	3,243	35,438	—	45,908
Servicing revenue, net	—	211,453	—	—	—	—	—	211,453
Other income (loss)	(13,015)	5,809	56,575	(20,970)	19,838	5,916	—	54,153
Operating expenses	198	79,041	1,429	628	14,259	22,982	89,264	207,801
Income (Loss) Before Income Taxes	17,256	129,194	291,562	128,006	26,799	59,094	(88,910)	563,001
Income tax expense (benefit)	—	(11,945)	97,739	—	2,476	170	—	88,440
Net Income (Loss)	$17,256	$141,139	$193,823	$128,006	$ 24,323	$58,924	$(88,910)	$474,561
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$9,148	$—	$ —	$22,303	$—	$31,451
Net income (loss) attributable to common stockholders	$17,256	$141,139	$184,675	$128,006	$ 24,323	$36,621	$(88,910)	$443,110

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

	Servicer			
	Nationstar	SLS[(A)]	Ocwen[(B)]	Total
Balance as of December 31, 2017	$532,233	$2,913	$638,567	$1,173,713
Purchases	—	—	—	—
Interest income	21,037	(294)	—	20,743
Other income	3,460	—	—	3,460
Proceeds from repayments	(53,161)	(339)	—	(53,500)
Proceeds from sales	—	—	—	—
Change in fair value	(10,681)	131	(40,417)	(50,967)
New Ocwen Agreements (Note 5)	—	—	(598,150)	(598,150)
Balance as of June 30, 2018	$492,888	$2,411	$—	$495,299

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

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

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

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

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

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

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

	June 30, 2018							December 31, 2017
	UPB of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years(A)	Amortized Cost Basis(B)	Carrying Value(C)	Carrying Value(C)
		New Residential(D)	Fortress-managed funds	Nationstar				
Agency								
Original and Recaptured Pools	$60,151,459	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	5.8	$233,707	$261,558	$280,033
Recapture Agreements	—	32.5% - 66.7% (53.3%)	0.0% - 40.0%	20.0% - 35.0%	13.0	16,792	38,013	44,603
	60,151,459				6.3	250,499	299,571	324,636
Non-Agency(E)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	$59,189,735	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.6	$144,681	$178,345	$190,696
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.8	5,897	17,383	19,814
Ocwen Serviced Pools	—	—%	—%	—%	—	—	—	638,567
	59,189,735				5.9	150,578	195,728	849,077
Total	$119,341,194				6.1	$401,077	$495,299	$1,173,713

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

New Residential also invested in related Servicer Advance Investments, including the basic fee component of the related MSR as of June 30, 2018 (Note 6) on $44.9 billion UPB underlying these Excess MSRs.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Original and Recaptured Pools	$(2,567)	$(21,736)	$(45,689)	$(28,984)
Recapture Agreements	(2,709)	2,556	(5,278)	10,625
	$(5,276)	$(19,180)	$(50,967)	$(18,359)

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

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

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

	June 30, 2018	December 31, 2017
Excess MSR assets	$297,022	$321,197
Other assets	21,732	22,333
Other liabilities	(687)	—
Equity	$318,067	$343,530
New Residential's investment	$159,034	$171,765
New Residential's ownership	50.0 %	50.0 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income	$6,864	$8,931	$12,091	$13,114
Other income (loss)	(3,453)	(420)	(7,635)	(5,065)
Expenses	—	(19)	—	(45)
Net income (loss)	$3,411	$8,492	$4,456	$8,004

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

Balance at December 31, 2017	$171,765
Contributions to equity method investees	—
Distributions of earnings from equity method investees	(6,530)
Distributions of capital from equity method investees	(8,429)
Change in fair value of investments in equity method investees	2,228
Balance at June 30, 2018	$159,034

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

	June 30, 2018					
	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	New Residential Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and Recaptured Pools	$47,430,395	66.7 %	50.0 %	$197,193	$253,967	5.6

Recapture Agreements	—	66.7 %	50.0 %	21,515	43,055	12.7
Total	$47,430,395			$218,708	$297,022	6.3

(A) The remaining interests are held by Nationstar.

Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest.

(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.

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(C) Represents the carrying value of the Excess MSRs held in equity method investees, in which New Residential holds a 50% interest. Carrying value represents the fair value of the pools or recapture agreements, as applicable.
(D) The weighted average life represents the weighted average expected timing of the receipt of cash flows of each investment.

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

	Aggregate Direct and Equity Method Investees Percentage of Total Outstanding Unpaid Principal Amount	
State Concentration	June 30, 2018	December 31, 2017
California	24.8 %	24.0 %
Florida	8.0 %	8.7 %
New York	6.5 %	8.5 %
Texas	4.5 %	4.6 %
New Jersey	3.9 %	4.1 %
Maryland	3.8 %	3.7 %
Illinois	3.6 %	3.5 %
Georgia	3.5 %	3.1 %
Virginia	3.3 %	3.0 %
Arizona	2.7 %	2.5 %
Washington	2.6 %	2.4 %
Pennsylvania	2.5 %	2.6 %
Other U.S.	30.3 %	29.3 %
	100.0 %	100.0 %

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

See Note 11 regarding the financing of Excess MSRs.

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

Mortgage Servicing Rights

In 2016, a subsidiary of New Residential, New Residential Mortgage LLC ("NRM"), became a licensed or otherwise eligible mortgage servicer. NRM is presently licensed or otherwise eligible to hold MSRs in all states within the United States and the District of Columbia. Additionally, NRM has received approval from the Federal Housing Administration ("FHA") to hold MSRs associated with FHA-insured mortgage loans, from the Federal National Mortgage Association ("Fannie Mae") to hold MSRs associated with loans owned by Fannie Mae, and from the Federal Home Loan Mortgage Corporation ("Freddie Mac") to hold MSRs associated with loans owned by Freddie Mac. Fannie Mae and Freddie Mac are collectively referred to as the Government Sponsored Enterprises ("GSEs"). As an approved Fannie Mae Servicer, Freddie Mac Servicer and FHA-approved mortgagee, NRM is required to conduct aspects of its operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. NRM engages third party licensed mortgage servicers as subservicers to perform the operational servicing duties in connection with the MSRs it acquires, in exchange for a subservicing fee which is recorded as "Subservicing expense" on New Residential's Condensed Consolidated Statements of Income. As of June 30, 2018, these subservicers include Ocwen, Nationstar, Ditech, PHH, Shellpoint, and Flagstar, which subservice 27.0%, 26.0%, 22.4%, 13.0%, 10.9%, and 0.7% of the underlying UPB of the related mortgages, respectively (includes both Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables).

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New Residential has entered into recapture agreements with respect to each of its MSR investments subserviced by Ditech (defined below), Nationstar, and Shellpoint (defined below). Under the recapture agreements, New Residential is generally entitled to the MSRs on any initial or subsequent refinancing by Ditech, Nationstar, or Shellpoint of a loan in the original portfolios.

Ditech MSRs

In August 2016, NRM entered into a flow and bulk agreement for the purchase and sale of mortgage servicing rights (the “Ditech Purchase Agreement”) with Ditech Financial LLC (“Ditech”), a subsidiary of Ditech Holding Corporation. During the six months ended June 30, 2018, pursuant to the Ditech Purchase Agreement, NRM purchased Ditech Flow MSRs with respect to certain Fannie Mae and Freddie Mac residential mortgage loans with a total UPB of $2.0 billion for a purchase price of approximately $18.2 million. Ditech subservices the related residential mortgage loans.

On January 16, 2018, pursuant to the Ditech Purchase Agreement, NRM purchased MSRs and related servicer advances receivable with respect to certain Freddie Mac residential mortgage loans with a total UPB of $11.5 billion, for a purchase price of approximately $101.5 million.

Shellpoint

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

Pursuant to Amendment No. 1 (the “Amendment”) to the Original SPA (as amended by the Amendment, the “Shellpoint SPA”), on July 3, 2018, Shellpoint Purchaser purchased all of the outstanding equity interests of Shellpoint (the “Shellpoint Acquisition”) for a purchase price of approximately $212.0 million based on the tangible book value of Shellpoint, subject to certain customary closing and post-closing adjustments. See Note 18 regarding the Shellpoint Acquisition completed on July 3, 2018.

Other MSRs

On February 28, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Freddie Mac and Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $3.3 billion for a purchase price of approximately $33.5 million. The Freddie

Mac and Fannie Mae residential mortgage loans were interim subserviced by the seller until they were transferred to Shellpoint, as NRM’s designated subservicer, on March 16, 2018 and April 1, 2018, respectively.

On March 28, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $7.9 billion for a purchase price of approximately $95.2 million. The Fannie Mae residential mortgage loans are being interim subserviced by the seller until they are transferred to Shellpoint as NRM’s designated subservicer.

On May 25, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Freddie Mac and Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $2.1 billion for a purchase price of approximately $26.3 million. The Freddie Mac and Fannie Mae residential mortgage loans were interim subserviced by the seller until they were transferred to Shellpoint, as NRM’s designated subservicer, on June 15, 2018 and July 2, 2018, respectively.

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On May 31, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Freddie Mac and Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $4.7 billion for a purchase price of approximately $61.7 million. The Freddie Mac and Fannie Mae residential mortgage loans were interim subserviced by the seller until they were transferred to Shellpoint, as NRM's designated subservicer, on June 15, 2018 and July 2, 2018, respectively.

On June 4, 2018, NRM entered into an agreement to purchase the MSRs, and related servicer advances receivable, with respect to a pool of existing Freddie Mac and Fannie Mae residential mortgage loans with an aggregate total UPB of approximately $2.1 billion for a purchase price of approximately $19.3 million. The Freddie Mac and Fannie Mae residential mortgage loans were interim subserviced by the seller until they were transferred to Shellpoint, as NRM's designated subservicer, on June 15, 2018 and July 2, 2018, respectively.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Servicing fee revenue	$131,286	$120,432	$250,509	$185,901
Ancillary and other fees	27,714	24,982	51,061	27,170
Servicing fee revenue and fees	159,000	145,414	301,570	213,071
Amortization of servicing rights	(65,439)	(64,305)	(120,566)	(90,601)
Change in valuation inputs and assumptions	52,632	89,742	182,425	88,983
Servicing revenue, net	$146,193	$170,851	$363,429	$211,453

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

Balance as of December 31, 2017	$1,735,504
Purchases	434,763
Amortization of servicing rights(A)	(120,566)
Change in valuation inputs and assumptions	182,425
Balance as of June 30, 2018	$2,232,126

(A) Based on the ratio of the current UPB of the underlying residential mortgage loans relative to the original UPB of the underlying residential mortgage loans.

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

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Amortized Cost Basis	Carrying Value(B)
Agency	$199,993,032	6.4	$1,790,527	$2,232,126
Non-Agency	56,984	6.8	—	—
Total	$200,050,016	6.4	$1,790,527	$2,232,126

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) Carrying Value represents fair value. As of June 30, 2018, a weighted average discount rate of 8.6% was used to value New Residential’s investments in MSRs.

Mortgage Servicing Rights Financing Receivable

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

PHH Transaction

As of June 30, 2018, MSRs purchased from PHH, and related servicer advances receivables, with respect to private-label residential mortgage loans of approximately $5.3 billion in total UPB with a purchase price of approximately $31.4 million had not been settled. As a result of the length of the initial term of the related subservicing agreement between NRM and PHH, although the MSRs were legally sold, solely for accounting purposes, New Residential determined that substantially all of the risks and rewards inherent in owning the MSRs had not been transferred to NRM, and that the purchase agreement would not be treated as a sale under GAAP. New Residential has entered into a recapture agreement with respect to each of its MSR investments subserviced by PHH. Under the recapture agreement, New Residential is generally entitled to the MSRs on any initial or subsequent refinancing by PHH of a loan in the original portfolio.

Ocwen Transaction

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

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

On January 18, 2018, New Residential entered into a new agreement regarding the rights to MSRs (the "New Ocwen RMSR Agreement") including a servicing addendum thereto (the "Ocwen Servicing Addendum"), Amendment No. 1 to Transfer Agreement (the "New Ocwen Transfer Agreement") and a Brokerage Services Agreement (the "Ocwen

Brokerage Services Agreement" and, collectively, the "New Ocwen Agreements") with Ocwen. The New Ocwen Agreements modify and supplement the arrangements among the parties set forth in the Original Ocwen Agreements, the Ocwen Master Agreement, the Ocwen Transfer Agreement, and the Ocwen Subservicing Agreement (together with the Original Ocwen Agreements, the Ocwen Master Agreement, and the Ocwen Transfer Agreement, the "Existing Ocwen Agreements"). NRM made a lump-sum "Fee Restructuring Payment" of $279.6 million to Ocwen on January 18, 2018, the date of the New Ocwen RMSR Agreement, with respect to such Existing Ocwen Subject MSRs.

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

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

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The New Ocwen RMSR Agreement provides, among other things:

- the Existing Ocwen Subject MSRs will remain in the parties' ownership structure under the Existing Ocwen Agreements while they continue to seek third party consents to transfer Ocwen's remaining rights to the Existing Ocwen Subject MSRs to New Residential or any permitted assignee of New Residential;
- Ocwen will continue to service the related mortgage loans pursuant to the terms of the Ocwen Servicing Addendum until the transfer of the Existing Ocwen Subject MSRs;
- under the arrangements contemplated by the New Ocwen RMSR Agreement, Ocwen will receive substantially identical compensation for servicing the related mortgage loans underlying the Existing Ocwen Subject MSRs that it would receive if the Existing Ocwen Subject MSRs had been transferred to NRM as named servicer and Ocwen subserviced such mortgage loans for NRM as named servicer;
- in the event that the required third party consents are not obtained with respect to any Existing Ocwen Subject MSRs by certain dates specified in the New Ocwen RMSR Agreement, in accordance with the process set forth in the New Ocwen RMSR Agreement, the Rights to MSRs (as defined in the Existing Ocwen Agreements) related to such Existing Ocwen Subject MSRs could either: (i) remain subject to the New Ocwen RMSR Agreement at the option of New Residential, (ii) if New Residential does not opt for the New Ocwen RMSR Agreement to remain in place with respect to certain Existing Ocwen Subject MSRs, Ocwen may acquire such Existing Ocwen Subject MSRs at a price determined in accordance with the terms of the New Ocwen RMSR Agreement, or (iii) if Ocwen does not acquire such Existing Ocwen Subject MSRs, be sold to a third party in accordance with the terms of the New Ocwen RMSR Agreement, as determined pursuant to the terms of the New Ocwen RMSR Agreement;
- New Residential agreed to waive any rights New Residential may have had under the Existing Ocwen Agreements to replace Ocwen as named servicer with respect to the Existing Ocwen Subject MSRs based on Ocwen's residential servicer rating agency related downgrades; and
- Ocwen will offer refinancing opportunities to borrowers and New Residential is entitled to the MSRs on any initial or subsequent refinancing by Ocwen of a loan in the original portfolio.

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

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

Agreement and Altisource Letter Agreement.

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Ginnie Mae Transactions

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Servicing fee revenue	$192,462	$2,675	$394,414	$2,675
Ancillary and other fees	40,360	75	70,595	75
Less: subservicing expense	(65,115)	(294)	(130,821)	(294)
Interest income, investments in mortgage servicing rights financing receivables	$167,707	$2,456	$334,188	$2,456

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Amortization of servicing rights	$(56,840)	$(1,127)	$(105,543)	$(1,127)
Change in valuation inputs and assumptions	(62,263)	6,723	257,516	6,723
Change in fair value of investments in mortgage servicing rights financing receivables	$(119,103)	$5,596	$151,973	$5,596

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

Balance as of December 31, 2017	$598,728
Investments made	138,993
New Ocwen Agreements	1,017,993
Proceeds from sales	(2,768)
Amortization of servicing rights[(A)]	(105,543)
Change in valuation inputs and assumptions	257,516
Balance as of June 30, 2018	$1,904,919

(A) Based on the ratio of the current UPB of the underlying residential mortgage loans relative to the original UPB of the underlying residential mortgage loans.

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

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Amortized Cost Basis	Carrying Value(B)
Agency	$45,771,115	5.9	$396,305	$478,133
Non-Agency	94,727,185	6.8	1,004,298	1,291,498
Ginnie Mae	11,160,791	8.0	137,216	135,288
Total	$151,659,091	6.6	$1,537,819	$1,904,919

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Carrying Value represents fair value. As of June 30, 2018, a weighted average discount rate of 10.2% was used to value New Residential's investments in mortgage servicing rights financing receivables.

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

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount June 30, 2018	December 31, 2017
California	20.0 %	19.0 %
New York	7.9 %	6.3 %
Florida	6.9 %	6.0 %
Texas	5.3 %	5.7 %
New Jersey	4.9 %	5.2 %
Illinois	4.0 %	4.1 %
Massachusetts	3.8 %	3.8 %
Maryland	3.4 %	2.8 %
Pennsylvania	3.2 %	3.3 %
Virginia	3.2 %	3.1 %
Other U.S.	37.4 %	40.7 %
	100.0 %	100.0 %

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

Servicer Advances Receivable

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

In addition to receiving cash flows from the MSRs, NRM, as servicer, has the obligation to fund future servicer advances on the underlying pool of mortgages (Note 14). These servicer advances are recorded when advanced and are included in servicer advances receivable.

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(dollars in tables in thousands, except share data)

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

	June 30, 2018	December 31, 2017
Principal and interest advances	$832,272	$ 172,467
Escrow advances (taxes and insurance advances)	2,143,021	482,884
Foreclosure advances	226,916	16,017
Total(A) (B)	$3,202,209	$ 671,368

(A) Includes $172.3 million and $167.9 million of servicer advances receivable related to Agency MSRs, respectively, recoverable from the Agencies.
(B) Net of $13.2 million and $4.2 million, respectively, in unamortized discount and accrual for advance recoveries.

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

See Note 11 regarding the financing of MSRs.

6. SERVICER ADVANCE INVESTMENTS

All of New Residential's Servicer Advance Investments are comprised of outstanding servicer advances, the requirement to purchase all future servicer advances made with respect to a specified pool of residential mortgage loans, and the basic fee component of the related MSR. New Residential elected to record its Servicer Advance Investments, including the right to the basic fee component of the related MSRs, at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of market factors.

A taxable wholly-owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 72.8% interest in the Buyer as of June 30, 2018. As of June 30, 2018, third-party co-investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of $389.6 million and New Residential has funded capital commitments to the Buyer of $312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of June 30, 2018, the noncontrolling third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall $320.6 million and $285.7 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.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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See Note 5 regarding the New Ocwen Agreements. Subsequent to the New Ocwen Agreements, the Servicer Advance Investments serviced by Ocwen became reclassified, as described in Note 5.

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

	Amortized Cost Basis	Carrying Value(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years)(B)
June 30, 2018					
Servicer Advance Investments	$821,289	$843,438	5.8 %	5.8 %	5.5
As of December 31, 2017					
Servicer Advance Investments	$3,924,003	$4,027,379	6.8 %	7.3 %	5.1

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Change in Fair Value of Servicer Advance Investments	$(1,752)	$56,969	$(81,228)	$59,528

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

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Notes and Bonds Payable	Loan-to-Value ("LTV")(A)		Cost of Funds(C)	
					Gross	Net(B)	Gross	Net
June 30, 2018								
Servicer Advance Investments(D)	$44,895,549	$692,323	1.5 %	$662,010	89.2%	88.1%	3.7%	3.1%
December 31, 2017								
Servicer Advance Investments(D)	$139,460,371	$3,581,876	2.6 %	$3,461,718	93.2%	92.0%	3.3%	3.0%

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

	June 30, 2018	December 31, 2017
Principal and interest advances	$112,367	$ 909,133
Escrow advances (taxes and insurance advances)	268,741	1,636,381
Foreclosure advances	311,215	1,036,362
Total	$692,323	$ 3,581,876

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income, gross of amounts attributable to servicer compensation	$22,161	$133,098	$42,548	$206,954
Amounts attributable to base servicer compensation	(2,035)	(102,359)	(4,007)	(106,506)
Amounts attributable to incentive servicer compensation	(7,634)	209,730	(7,160)	216,064
Interest income from Servicer Advance Investments	$12,492	$240,469	$31,381	$316,512

New Residential has determined that the Buyer is a VIE. The following table presents information on the assets and liabilities related to this consolidated VIE.

	As of June 30, 2018	December 31, 2017
Assets		
Servicer advance investments, at fair value	$810,581	$ 1,002,102
Cash and cash equivalents		