

Altisource Residential Corp
Form S-11/A
December 26, 2013
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As filed with the Securities and Exchange Commission on December 26, 2013

Registration No. 333-192422

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

Amendment No. 2

to

FORM S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

ALTISOURCE RESIDENTIAL CORPORATION

(Exact name of registrant as specified in its charter)

c/o Altisource Asset Management Corporation

402 Strand Street

Frederiksted, United States Virgin Islands 00840-3531

(340) 692-1055

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Stephen H. Gray, Esq.

General Counsel and Secretary

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Altisource Residential Corporation

c/o Altisource Asset Management Corporation

402 Strand Street

Frederiksted, United States Virgin Islands 00840-3531

(340) 692-1055 (Phone)

(340) 692-1046 (Fax)

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Jennifer A. Bensch, Esq.	Myles Pollin, Esq.
Weil, Gotshal & Manges LLP	James O Connor, Esq.
767 Fifth Avenue	Sidley Austin LLP
New York, NY 10153	787 Seventh Avenue
(212) 310-8000 (Phone)	New York, NY 10019
(212) 310-8007 (Fax)	(212) 839-5300 (Phone)
	(212) 839-5599 (Fax)

Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. "

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

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x

(Do not check if a
smaller reporting company)

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed maximum	Amount of registration fee
	aggregate offering price (1)(2)	
Common Stock, \$0.01 par value per share	\$100,000,000	\$12,880(3)

- (1) Includes shares subject to the underwriters' option to purchase additional shares.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (3) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission acting pursuant to Section 8(a) may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale thereof is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION, DATED DECEMBER 26, 2013

Shares

Common Stock

\$ per share

Altisource Residential Corporation is a Maryland corporation formed in 2012. On December 21, 2012, we separated from Altisource Portfolio Solutions, S.A., which we refer to as Altisource, and became a publicly traded company. We are focused on acquiring, owning and managing single-family rental properties throughout the United States. We acquire single-family rental properties primarily through the acquisition of sub-performing and non-performing loan portfolios. We conduct substantially all of our activities through our wholly owned subsidiary Altisource Residential, L.P., a Delaware limited partnership, which we refer to as our operating partnership. We are managed by Altisource Asset Management Corporation, which we refer to as AAMC or our Manager. We rely on AAMC for administering our business, providing portfolio management services and performing certain of our corporate governance functions.

We are offering _____ shares of our common stock as described in this prospectus. Our shares of common stock are listed on the New York Stock Exchange under the symbol RESI. On December 13, 2013, the last reported sales price for our common stock on the New York Stock Exchange was \$30.10 per share.

We intend to elect and qualify to be taxed as a real estate investment trust for U.S. federal income tax purposes, or a REIT, beginning with our taxable year ending December 31, 2013. To assist us in qualifying 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 or capital stock without the prior consent of our Board of Directors. See Description of Capital Stock Restrictions on Ownership and Transfer of Our Capital Stock.

We are an emerging growth company under the federal securities laws. Investing in our common stock involves risks. See Risk Factors beginning on page 14 for a discussion of the following and other risks:

- We have a limited operating history. If we are unable to implement our business strategy as planned, we will be materially and adversely affected;
- A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing or non-performing loans, which increases our risk of loss;
- Competition in identifying and acquiring single-family rental properties and related loans could adversely affect our ability to implement our business strategy, which could materially and adversely affect us;
- Our inability to promptly foreclose upon defaulted residential mortgage loans could increase our costs and/or diminish our expected return on investments;
- Fair values of our investments are imprecise and may materially and adversely affect our operating results and credit availability, which, in turn, would materially and adversely affect us;

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AAMC utilizes analytical models and data in connection with the valuation of our investments, and any incorrect, misleading or incomplete information used in connection therewith would subject us to potential risks;

We intend to leverage our investments, which may materially and adversely affect our return on our investments and may reduce cash available for distribution to our stockholders;

We have conflicts of interest with our Manager and our service providers, and the Chairman and other members of our Board of Directors, as well as our management team, have, or could have in the future, conflicts of interest due to their respective relationships with these entities, and such conflicts may be resolved in a manner adverse to us; and

Failure to qualify as a REIT would have a material adverse effect on us.

	Per Share	Total
Public Offering Price	\$	\$
Underwriting Discounts and Commissions	\$	\$
Proceeds, Before Expenses, to Us ⁽¹⁾	\$	\$

(1) See Underwriting for information regarding expenses, including certain underwriters' expenses, payable by us.

We have granted the underwriters the option to purchase up to _____ additional shares of our common stock from us on the same terms and conditions as set forth above, less the underwriting discount, within 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any state or other securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock sold in this offering will be ready for delivery on or about _____, 2013.

Joint Book-Running Managers

Citigroup Credit Suisse Deutsche Bank Securities J.P. Morgan Wells Fargo Securities
Co-Managers

JMP Securities

Keefe, Bruyette & Woods

A Stifel Company

Piper Jaffray

Prospectus dated _____, 2013

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You should rely only on the information contained in this prospectus, or in any free writing prospectus prepared by us. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

Market, Industry and Other Data

Unless otherwise indicated, information contained in this prospectus concerning the sub-performing and non-performing residential mortgage loan markets, the residential real estate market, the housing market and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of those markets. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe our market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise.

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Reclassification and Renaming of Our Common Stock

On April 4, 2013, we reclassified our previously authorized Class A common stock into Class B common stock and renamed our Class B common stock the common stock (the Reclassification). Prior to the Reclassification, no Class A common stock was outstanding. Unless otherwise indicated, prior to the Reclassification, all references herein to common stock refer to the Class B common stock. See Description of Capital Stock.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It does not contain all of the information that you should consider before making a decision to invest in our common stock. You should read carefully the more detailed information set forth elsewhere in this prospectus, including under Risk Factors and in our consolidated financial statements and related notes.

Except where the context suggests otherwise, the terms Residential, RESI, company, we, us, and our refer to Altisource Residential Corporation, a Maryland corporation, and its consolidated subsidiaries; and operating partnership refers to Altisource Residential, L.P., a Delaware limited partnership, the subsidiary through which we conduct our business. Our Manager or AAMC refers to Altisource Asset Management Corporation, a United States Virgin Islands corporation, our external manager, and its consolidated subsidiaries. Altisource refers to Altisource Portfolio Solutions S.A., a Luxembourg corporation, and its consolidated subsidiaries. Ocwen refers to Ocwen Financial Corporation, a Florida corporation, and its consolidated subsidiaries.

Our Company

Altisource Residential Corporation is a Maryland corporation formed in 2012 that is organized and operated in a manner intended to qualify as a REIT. Residential is focused on acquiring, owning and managing single-family rental properties throughout the United States. We acquire our single-family rental properties primarily through the acquisition of sub-performing and non-performing loan portfolios, which we believe is a differentiated approach that strategically better positions us to take advantage of market opportunities compared to market participants solely focused on real estate-owned, or REO, acquisitions. We conduct substantially all of our activities through our wholly owned subsidiary Altisource Residential, L.P. We intend to elect and qualify to be taxed as a REIT, beginning with our taxable year ending December 31, 2013, and we currently expect to maintain this status for the foreseeable future.

Our principal objective is to generate attractive risk-adjusted returns for our stockholders over the long term through dividends and capital appreciation. We believe that the events affecting the housing and mortgage market in recent years have created a significant supply of single-family rental properties available for rental purposes. We believe we have an opportunity to acquire single-family rental properties through the acquisition of sub-performing and non-performing loan portfolios at attractive valuations relative to historical levels. We expect our integrated approach of acquiring sub-performing and non-performing residential mortgage loans and converting them to REO will enable us to compete more effectively for attractive investment opportunities. Furthermore, we believe that our access to Ocwen's servicing expertise helps us maximize the value of our loan portfolios and provides us with a competitive advantage over other companies with a similar focus. We also believe that our relationship with Altisource and access to its nationwide vendor network will enable us to competitively bid on large sub-performing or non-performing residential mortgage loan portfolios with assets dispersed throughout the United States.

On December 21, 2012, which we refer to as the separation date, we separated from Altisource and became a stand-alone publicly traded company through the contribution to us by Altisource of \$100 million of equity capital and the distribution of our shares of common stock to the stockholders of Altisource. We are managed by AAMC. We rely on AAMC for administering our business and performing certain of our corporate governance functions. AAMC also provides portfolio management services in connection with our acquisition of sub-performing and non-performing loans and single-family rental properties. AAMC was formed on March 15, 2012 as a wholly owned subsidiary of Altisource and was spun off from Altisource into a stand-alone publicly traded company concurrently with our separation from Altisource.

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On the separation date, we entered into long-term service agreements with Ocwen, a leading residential mortgage loan servicer, and Altisource, a leading provider of real estate and mortgage portfolio management, asset recovery and customer relationship management services. We believe that these service agreements will provide us with a competitive advantage in acquiring and resolving sub-performing and non-performing loans and in acquiring and managing single-family rental properties.

Our Manager and Our Service Providers

Under our asset management agreement with AAMC, which we refer to as the asset management agreement, AAMC administers our day-to-day business activities and operations. Among other services, AAMC provides us with a management team and appropriate support personnel who have substantial experience in acquiring and managing sub-performing and non-performing loans. We do not currently have any employees and do not expect to have any employees in the foreseeable future. Each of our executive officers is an employee or officer or both, of AAMC and is paid by AAMC. AAMC's management has significant corporate governance experience that we believe will enable us to manage our business and organizational structure efficiently. We are contractually required to reimburse AAMC for expenditures it incurs related to managing our business, which we refer to as expense reimbursement, and to pay AAMC an incentive management fee based on the amount of cash available for distribution to our stockholders, as more fully described under the section **Our Manager and the Asset Management Agreement** appearing elsewhere in this prospectus.

Our long-term service agreements with Ocwen and Altisource provide efficiency and predictability in certain major components of our cost structure. Although our overall costs will vary in different circumstances, we believe that our efforts will benefit from the efficiency and predictability provided by these agreements.

Ocwen specializes in providing high-quality servicing of non-conforming and delinquent residential mortgage loans that require a high-touch approach. Under our servicing agreement with Ocwen, Ocwen services our acquired residential mortgage loans and offers loan modification, assisted deed-in-lieu, assisted deed-for-lease and other loss mitigation programs to our borrowers.

Altisource has built a nationwide vendor network providing services in 208 major markets across the United States and is a leading provider of property inspection, preservation and disposition services. Altisource has qualified, contracted with and trained 48 general contractors and 260 property managers in these markets to provide property inspection, preservation and disposition services. Altisource's vendor contracts are in the form of continuing service agreements, and vendors are not engaged on a job-by-job basis. Under our master services agreement with Altisource, Altisource provides renovation management, lease management and property management services associated with the single-family rental properties we acquire or otherwise take title to in the future. Management of these services is directed by a 22 person Altisource team, and supplemental support is provided by the 302 employees of Altisource's national field services business.

In addition to the Ocwen servicing agreement and the Altisource master services agreement, we also have a trademark license agreement with Altisource that provides us with a non-exclusive, non-transferable, non-sublicensable, royalty free license to use the name Altisource. We also have a support services agreement with Altisource to provide services to us in such areas as human resources, vendor management operations, corporate services, risk management, quality assurance, consumer psychology, treasury, finance and accounting, legal, tax and compliance.

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The following illustration provides the structure of the services provided to us by AAMC under the asset management agreement, Altisource under the master services agreement and Ocwen under the servicing agreement:

Market Opportunity

According to the Federal Reserve and Green Street Advisors Inc. (Green Street Advisors), debt outstanding on residential mortgage loans was approximately \$10.8 trillion on 132.8 million households in the United States as of December 31, 2012, representing the largest consumer asset class and the second largest asset class outside of government debt securities. Secular and cyclical trends are prompting a significant realignment within the mortgage sector. This includes the increase in sales of residential mortgage assets by banks and other mortgage lenders due to elevated operating costs resulting from the new regulatory paradigm, higher delinquencies and impairments. In addition, we expect that dislocations in the residential mortgage loan origination market since 2008 and shifting demographic trends will drive strong demand for single-family rental properties. We believe that this realignment has created two distinct but related market opportunities for entities with the financial resources and nationwide operating infrastructure to acquire large portfolios of residential assets on a competitive basis relative to traditional regionally focused market constituents. Given our services agreements with Altisource, we have access to a national vendor network that we believe allows us to pursue attractive opportunities across the entire United States.

The Market Opportunity for Purchasing Sub-Performing and Non-Performing Residential Mortgage Loans

We expect to continue to acquire our single-family rental properties primarily through our acquisition of sub-performing and non-performing loan portfolios. We expect the supply of non-performing loans, sub-performing loans (defined as loans that are more than 60 days delinquent), properties in foreclosure and REO to increase over the next several years as banks and other mortgage lenders seek to dispose of their inventory, which has averaged approximately 5.0 million units over the last 5 years according to Green Street Advisors. We believe, for the following reasons, that acquiring single-family rental properties through this distressed loan channel is more attractive than other acquisition channels such as foreclosure auctions and other REO acquisitions.

First, we believe there are fewer participants in the sub-performing and non-performing loan marketplace than in the foreclosure auction and other REO acquisition channels due to the large size of portfolios offered for

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sale on an all or none basis and the required operational infrastructure involved in servicing loans and managing single-family rental properties across various states. We believe the relatively lower level of competition for sub-performing and non-performing loans, combined with growing supply, provides buyers with the opportunity for a higher discount rate relative to the foreclosure auction and other REO acquisition channels and therefore a relatively lower cost to ultimately acquire single-family rental properties.

Second, by purchasing residential mortgage loans rather than the underlying property, sellers of the loans will be able to avoid paying the costs typically associated with home sales, such as broker commissions and closing costs of up to 10% of gross proceeds of the sale. We believe this will motivate the sellers to accept a lower price for the sub-performing and non-performing loans than they would if selling REO.

As a result of the foregoing, we believe we have a significant opportunity to operate in the single-family rental property market at a lower acquisition price and therefore a higher return relative to competitors that focus on direct purchases of single-family rental properties.

The Market Opportunity for Single-Family Rental Properties

According to Green Street Advisors, the U.S. rental market is large and diverse, with institutional-quality apartment buildings representing approximately 16.4 million units of the total U.S. rental housing stock of 39.6 million units, as of December 31, 2012. The remaining 23.2 million units consist of smaller apartment complexes and a mix of single-family homes, condominiums, townhomes, duplexes, triplexes and mobile homes, the vast majority of which are owned by relatively small scale investors. Single-unit, single-family rental properties in the United States, which are our primary focus, totaled 14.0 million units, or 11% of the total U.S. housing market, as of December 31, 2012, according to Green Street Advisors.

The origination of subprime and alternative residential mortgage loans has dramatically declined since 2008. Additionally, banks and other mortgage lenders have increased their credit standards and down payment requirements for originating new loans. The combination of these factors has resulted in a significant number of families that cannot qualify to obtain new residential mortgage loans due to their employment status, income level, impaired credit history or lack of savings. We believe that many homeowners displaced by foreclosure or who cannot afford to own will prefer to live in single-family rental properties with similar characteristics and amenities to owned homes. In addition, we believe that in certain demographic areas, new households are being formed at a rate that exceeds the new homes being added to the market, which is conducive for future demand of single-family rental properties. Based on the above factors, we believe that demand for single-family rental properties will either increase or at least remain relatively constant at these heightened levels in the near term and in the foreseeable future.

Our Business Strategy

Overview

We believe our business model provides us with operating capabilities that are difficult to replicate and positions us to capitalize on the substantial market opportunities described above. Specifically, we believe our acquisition strategy, multifaceted loan resolution methodologies and access to an established, nationwide renovation, leasing and property management infrastructure provide us with multiple avenues of value creation and will help us to achieve our business objective of generating attractive risk-adjusted returns for our stockholders primarily through dividends and secondarily through capital appreciation.

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Acquisition Strategy

We expect to continue to acquire single-family rental properties primarily through our acquisition of sub-performing and non-performing loan portfolios. Based on the experience of AAMC's management team, we believe that this distressed loan channel gives us a cost advantage over other acquisition channels such as foreclosure auctions and REO acquisitions for the reasons discussed above.

Multifaceted Loan Resolution Methodologies

Through our relationship with Ocwen, we employ various loan resolution methodologies with respect to our residential mortgage loans, including loan modification, collateral resolution and collateral disposition. To help us achieve our business objective, we intend to focus on (1) converting a portion of our sub-performing and non-performing loans to performing status and (2) managing the foreclosure process and timelines with respect to the remainder of those loans. Our preferred resolution methodology is to modify the sub-performing and non-performing loans. Once successfully modified, we expect that borrowers will typically refinance these loans with other lenders at or near the estimated value of the underlying property, potentially generating attractive returns for us. We believe modification followed by refinancing generates near-term cash flows, provides the highest possible economic outcome for us and is a socially responsible business strategy because it keeps more families in their homes. In certain circumstances, we may also consider selling these modified loans. We expect a majority of our residential mortgage loans will enter into foreclosure, ultimately becoming REO that we can convert into single-family rental properties that we believe will generate long-term returns for our stockholders. If an REO property does not meet our investment criteria, we expect to engage in REO liquidation and short sale processes to dispose of the property and generate cash for reinvestment in other acquisitions. We believe that the optionality provided by our multifaceted resolution approach will enable us to bid on large portfolios in an effective manner as all loans may not be amenable to a single resolution strategy.

Established Nationwide Property Management Infrastructure

We believe that our 15-year master services agreement with Altisource will allow us to operate and manage single-family rental properties with efficiency and predictability in certain major components of our cost structure due to Altisource's capabilities and low costs, driven in part by its technology and global workforce. Altisource has developed a nationwide operating infrastructure consisting of technology, standardized and centrally managed processes and a back office organization that qualifies vendors, solicits the appropriate vendors to perform requested work, assigns the work to the vendor who accepts the offer, verifies the work is complete and pays the vendor. This infrastructure allows Altisource to provide services throughout the United States, which we believe provides us with the following competitive advantages:

our management of single-family rental properties using Altisource's nationwide vendor network is not dependent upon scale; accordingly, unlike many of our competitors, we do not require a critical size of single-family rental properties in a geographic area to attain operating efficiencies;

sub-performing and non-performing loan portfolios typically contain properties that are geographically dispersed, requiring a cost-effective nationwide property management system; because of our arrangement with Altisource, we believe we are positioned to bid effectively on portfolios with large geographic dispersion;

Altisource's rental marketing strategy is specifically designed to advertise listings across popular industry-focused websites, utilizing their high organic and paid search rankings to generate large volumes of prospective tenants;

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our contracted relationships with nationwide manufacturers and material suppliers, negotiated by Altisource, enable the ordering and delivery management of flooring, appliances, paint, fixtures and lighting for all renovation and unit turn work (*i.e.* work associated with turnover from one tenant to the next);

Altisource has developed a proprietary inspection and estimating application utilized by third-party inspection vendors to identify required renovation work and prepare detailed scopes of work to provide a consistent end product. In addition, this application catalogs major HVAC systems, appliances and construction materials, enabling more accurate forecasting of long term maintenance requirements; and

Altisource's ongoing tenant management services are coordinated through an internal 24x7 customer service center and utilize a vendor network of 48 general contractors and three nationwide emergency vendors.

Our Financing Strategy

We intend to continue to finance our investments with leverage, the level of which may vary based upon the particular characteristics of our portfolio and on market conditions. To the extent available at the relevant time, our financing sources may include bank credit facilities, warehouse lines of credit, structured financing arrangements and repurchase agreements, among others. We may also seek to raise additional capital through public or private offerings of debt or equity securities, depending upon market conditions.

Our Strengths

Relationship with Ocwen and Proven Loan Resolution Methodologies

We intend to capitalize on the servicing capabilities of Ocwen, which we view as superior relative to other servicers in terms of cost, management experience, technology infrastructure and platform scalability. Ocwen services our acquired residential mortgage loan portfolios in accordance with the terms of their servicing agreement with us. Ocwen's servicing approach is focused on the psychological principles of influencing borrower behavior and uses non-linear optimization models for deciding the best resolution for a loan. Ocwen's use of artificial intelligence and scripting engines seeks to remove variability and human error from the process and provides scalability. Ocwen is a leader in its ability to convert loans that are 90 days or more past due to current status. Ocwen has successfully grown its servicing portfolio to approximately \$435 billion as of September 30, 2013.

Importantly, by using Ocwen's servicing platform to modify as many loans as possible, we believe that more families may remain in their homes because of our efforts.

Relationship with Altisource and its Nationwide Property Management Infrastructure

We believe that we are strategically positioned to operate single-family rental properties across the United States at an attractive cost structure, largely due to Altisource's nationwide vendor network, which provides services in 208 major markets across the United States. In 2012, Altisource completed an average of more than 170,000 inspection, maintenance and repair orders per month. This infrastructure has been

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developed over many years at a significant cost that we believe would be difficult and expensive to replicate. We believe our existing relationship with Altisource gives us a distinct advantage as it allows us to bid on large attractive portfolios regardless of geography at an attractive cost structure.

Expertise of our Manager

Our senior management team and that of our Manager includes individuals with decades of experience in the real estate, mortgage and housing markets. Throughout their careers, these executives have managed various

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real estate-related businesses and executed structured real estate and financing transactions through multiple market cycles. We believe that AAMC's asset acquisition evaluation process, which includes using proprietary historical data to project the performance of residential mortgage loans, and the experience and judgment of AAMC's executive management team in identifying, assessing, valuing and acquiring new residential mortgage loans will help us to appropriately value the portfolios at the time of purchase.

Acquisitions of Portfolios of Residential Mortgage Loans

Since our inception, we have acquired six portfolios of residential mortgage loans for an aggregate purchase price of approximately \$851.2 million. The portfolios consisted of 6,327 residential mortgage loans, substantially all of which were non-performing, having an aggregate unpaid principal balance, or UPB, of approximately \$1.56 billion and an aggregate market value of underlying properties of approximately \$1.27 billion as of the respective cut-off dates for the transactions. The cut-off date for an acquisition is a date shortly before the closing used to identify the final loans being purchased and the related unpaid principal balance and other characteristics of the loans. A substantial portion of these loans was acquired during the first nine months of 2013. We acquired the remaining portion of one of these portfolios, consisting of 1,100 mortgage loans with an aggregate UPB of \$344.8 million and an aggregate market value of underlying properties of \$298 million, from Bank of America, National Association and certain of its affiliated entities on October 21, 2013 for an aggregate purchase price of \$200.8 million using cash on hand. The October 21 acquisition is not reflected in our results for the nine months ended September 30, 2013. One of the portfolios, having a UPB of approximately \$121 million, was purchased from Ocwen, which had previously purchased this portfolio from CitiMortgage, Inc., an affiliate of Citigroup Global Markets Inc. (Citigroup), which is an underwriter in this offering. Throughout this prospectus, all UPB and market value amounts for the portfolios we have acquired are provided as of the applicable cut-off date for each transaction unless otherwise indicated.

In November 2013, we agreed in principle to acquire a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 993 mortgage loans with approximately \$183 million of UPB and approximately \$138 million in aggregate market value of underlying properties for an aggregate purchase price of approximately \$94 million. The loans were originated by various entities related and unrelated to the seller. We are actively conducting secondary due diligence on this portfolio. Subject to satisfactory due diligence results and final agreement on terms, we currently anticipate completing this acquisition in December 2013. There can be no assurance that we will be able to reach a definitive agreement with the seller regarding the acquisition of this portfolio in whole or in part on a timely basis or at all.

In November 2013, we agreed in principle to acquire a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of approximately 6,500 mortgage loans with approximately \$1.92 billion of UPB and approximately \$1.54 billion in aggregate market value of underlying properties for an aggregate purchase price of approximately \$1.07 billion. The loans were originated by various entities related and unrelated to the seller. We are actively conducting secondary due diligence on this portfolio. On December 24, 2013, we completed the first closing of this portfolio, consisting of 2,204 mortgage loans, substantially all of which were non-performing, with approximately \$657 million of UPB and approximately \$530 million in aggregate market value of underlying properties, for an aggregate purchase price of approximately \$369 million. Subject to satisfactory due diligence results and final agreement on terms, we currently anticipate completing the acquisition of the remaining portion of this portfolio in the first quarter of 2014. There can be no assurance that we will be able to reach a definitive agreement with the seller regarding the acquisition of the remainder of this portfolio in whole or in part on a timely basis or at all.

For additional information on our portfolio, please see [Business and Properties](#) [Current Portfolio](#).

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Recent Developments

Dividend

Our Board of Directors has declared a quarterly cash dividend of \$0.25 per share of common stock, which was paid on December 20, 2013 to all stockholders of record as of the close of business on December 13, 2013.

NewSource Investment

On December 21, 2012, we entered into a subscription agreement to invest \$18.0 million in the non-voting preferred stock of NewSource Reinsurance Company Ltd., which we refer to as NewSource, a title insurance and reinsurance company in Bermuda. AAMC simultaneously entered into a subscription agreement to invest \$2.0 million to acquire 100% of the common stock and voting rights of NewSource. On October 17, 2013, we and AAMC invested the full amount of our respective subscriptions in NewSource, and on December 2, 2013, NewSource became registered as a licensed reinsurer with the Bermuda Monetary Authority (BMA). We believe our investment in NewSource complements our business strategy because the acquisition of residential mortgage loans requires a detailed analysis of the chain of title and typically involves the purchase of title insurance to ensure clear and marketable title to each property.

Conflicts of Interest

Our asset management agreement with AAMC was not negotiated at arm's length and may not be on terms as favorable as we could have negotiated with an unaffiliated third party. Subject to the investment policy adopted by our Board of Directors, AAMC has significant discretion regarding the implementation of our business strategy. AAMC is not obligated to dedicate any specific personnel exclusively to us, nor are they or their personnel obligated to dedicate any specific portion of their time to the management of our business. Each of our executive officers is also an executive officer of AAMC and has interests in our relationship with AAMC that may be different than the interests of our stockholders. In particular, these individuals have a direct interest in the financial success of AAMC, which may encourage these individuals to support strategies in furtherance of the financial success of AAMC that adversely impact us. As a result of these relationships, these persons have a conflict of interest with respect to our agreements and arrangements with AAMC. Furthermore, AAMC is entitled to an incentive management fee from us under the asset management agreement based on the amount of cash available for distribution to our stockholders, which could cause it to take risks that could increase our cash available for distribution at the expense of other criteria, such as preservation of capital. Actions taken in that regard may fail to generate any returns. We also have conflicts of interest with our service providers, Ocwen and Altisource, and the Chairman and other members of our Board of Directors, as well as our management team, have, or could have in the future, conflicts of interest due to their relationships with AAMC and our service providers. Such conflicts may be resolved in a manner adverse to us. See Risk Factors Risks Related to Our Management and Our Relationship with AAMC, Altisource and Ocwen and Our Manager and the Asset Management Agreement Conflicts of Interest Relating to AAMC as our Manager.

REIT Qualification

We intend to elect and qualify to be taxed as a REIT under Sections 856 through 859 of the Internal Revenue Code of 1986, or the Code, beginning with our taxable year ending December 31, 2013 and we currently expect to maintain this status for the foreseeable future. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex

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requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our common shares. We believe that we are organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our manner of operation enables us to meet the requirements for qualification and taxation as a REIT. As a REIT, we generally are not subject to U.S. federal income tax on our REIT taxable income we distribute to our stockholders.

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Even though we intend to elect to be taxed as a REIT, we will be subject to some U.S. federal, state and local taxes on our income or property. A portion of our business is expected to be conducted through, and a portion of our income is expected to be earned in, one or more taxable REIT subsidiaries, each of which we refer to as a TRS. In general, a TRS may hold assets and engage in activities that the REIT cannot hold, may choose not to hold to maintain REIT compliance and cannot engage in directly. Additionally, a TRS may engage in any real estate or non-real estate related business. A TRS is subject to U.S. federal, state and local corporate income taxes. To maintain our REIT election, at the end of each quarter no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. If our TRS generates net income, our TRS can declare dividends to us which will be included in our taxable income and necessitate a distribution to our stockholders. Conversely, if we retain earnings at the TRS level, no distribution is required, and we can increase stockholders' equity of the consolidated entity. As discussed under Risk Factors Risks Related to Our Qualification as a REIT, the combination of the requirement to maintain no more than 25% of our assets in the TRS coupled with the effect of TRS dividends on our income tests creates compliance complexities for us in the maintenance of our qualified REIT status.

Exemption from Investment Company Act

We rely on the exception from the Investment Company Act of 1940, as amended, or the Investment Company Act, set forth in Section 3(c)(5)(C) of the Investment Company Act which excludes from the definition of investment company [a]ny person who is not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in one or more of the following businesses (C) purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. The SEC Staff generally requires that, for the exception provided by Section 3(c)(5)(C) to be available, at least 55% of an entity's assets be comprised of mortgages and other liens on and interests in real estate, also known as qualifying interests, and at least another 25% of the entity's assets must be comprised of additional qualifying interests or real estate-type interests (with no more than 20% of the entity's assets comprised of miscellaneous assets). We believe that our \$18.0 million investment commitment in NewSource does not meet the definition of qualifying interest. Any significant acquisition by us of non-real estate assets without the acquisition of substantial real estate assets could cause us to meet the definitions of an investment company. If we are deemed to be an investment company, we could be required to dispose of our NewSource investment or a portion thereof, potentially at a loss, in order to qualify for the 3(c)(5)(C) exception. We may also be required to register as an investment company if we are unable to dispose of the disqualifying assets, which could have a material adverse effect on us. See Risk Factors Risks Related to Our Structure We could be materially and adversely affected if we are deemed to be an investment company under the Investment Company Act.

Summary Risk Factors

An investment in shares of our common stock involves various risks. You should consider carefully the risks discussed below and under Risk Factors before making a decision to invest in our common stock. If any of the following risks occur, our business, financial condition, liquidity, results of operations and prospects could be materially and adversely affected. In that case, the market price of our common stock could decline, and you may lose some or all of your investment.

We have a limited operating history. If we are unable to implement our business strategy as planned, we will be materially and adversely affected;

A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing or non-performing loans, which increases our risk of loss;

Competition in identifying and acquiring single-family rental properties, whether directly or through sub-performing and non-performing loans, could adversely affect our ability to implement our business strategy, which could materially and adversely affect us;

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Our inability to promptly foreclose upon defaulted residential mortgage loans could increase our costs and/or diminish our expected return on investments;

Our revenue and expenses are not directly correlated, and, because a large percentage of our costs and expenses are fixed and some variable expenses may not decrease over time, we may not be able to adapt our cost structure to offset any declines in our revenue;

Fair values of our investments are imprecise and may materially and adversely affect our operating results and credit availability, which, in turn, would materially and adversely affect us;

AAMC utilizes analytical models and data in connection with the valuation of our investments, and any incorrect, misleading or incomplete information used in connection therewith would subject us to potential risks;

We intend to leverage our investments, which may materially and adversely affect our return on our investments and may reduce cash available for distribution to our stockholders;

We have conflicts of interest with our Manager and our service providers, and the Chairman and other members of our Board of Directors, as well as our management team, have, or could have in the future, conflicts of interest due to their respective relationships with these entities, and such conflicts may be resolved in a manner adverse to us;

Our Board of Directors has approved a very broad investment policy and guidelines for AAMC and will not review or approve each investment decision. We may change our investment policy and guidelines without stockholder consent, which may materially and adversely affect the market price of our common stock and our ability to make distributions to our stockholders;

We depend on AAMC as our Manager. We may not be able to retain our exclusive engagement of AAMC under certain circumstances, which could materially and adversely affect us. Termination of AAMC by us without cause is difficult and costly and our agreements with Ocwen and Altisource may simultaneously terminate or be terminated, as applicable;

Failure of Altisource or Ocwen to effectively perform its obligations under its agreement(s) with us could have a material adverse effect on us;

Failure to qualify as a REIT would have a material adverse effect on us;

Compliance with REIT requirements may cause us to forego otherwise attractive opportunities, which may hinder or delay our ability to implement our business strategy, which could materially and adversely affect us;

In the future, we could be required to sell assets, borrow funds or raise equity capital to fund our distributions or to make a portion of our distributions in the form of a taxable stock distribution;

Even if we qualify as a REIT, we may be subject to tax liabilities that could materially and adversely affect us;

We could be materially and adversely affected if we are deemed to be an investment company under the Investment Company Act; and

The availability and timing of cash distributions is uncertain.

Restrictions on Ownership and Transfer of Our Stock

Our Charter, with certain exceptions, authorizes our Board of Directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board of Directors, no person may own more than 9.8% in value or number of shares, whichever is more restrictive, of our outstanding shares of common or capital stock. A person that did not acquire more than 9.8% of our outstanding common or capital stock may become subject to our Charter restrictions if repurchases by us cause such person's holdings to exceed 9.8% of

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our outstanding common or capital stock. Any attempt to own or transfer shares of our common stock in excess of the ownership limit without the consent of our Board of Directors will be void or will result in those shares being transferred to a charitable trust, and the person who acquired such excess shares will not be entitled to any distributions thereon or to vote those excess shares. Our 9.8% ownership limitation may have the effect of delaying, deferring or preventing a change in control of us including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for our stockholders.

Corporate Information

We were incorporated in Maryland on July 19, 2012, and our operating partnership was formed on June 7, 2012, which we refer to in this prospectus as our Inception. Our principal executive office is located at c/o Altisource Asset Management Corporation, 402 Strand Street, Frederiksted, USVI 00840-3531. Our telephone number is (340) 692-1055. Our web address is www.altisourceresi.com. The information on or otherwise accessible through our web site does not constitute a part of this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission.

