New Residential Investment Corp.
Form 10-Q
August 08, 2013

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, 2013

or

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

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 o

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 o Accelerated filer o Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o 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: 253,025,645 shares outstanding as of August 8, 2013.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

- reductions in cash flows received from our investments;
- our ability to take advantage of investment opportunities at attractive risk-adjusted prices;
- our ability to take advantage of investment opportunities in excess mortgage servicing rights (“Excess MSRs”);
- our ability to deploy capital accretively;
- our counterparty concentration and default risks in Nationstar Mortgage LLC (“Nationstar”), Springleaf Finance, Inc. (“Springleaf”) and other third-parties;
- a lack of liquidity surrounding our investments which could impede our ability to vary our portfolio in an appropriate manner;
- the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our residential mortgage-backed securities (“RMBS”) and consumer loan portfolios;
- the risks that default and recovery rates on our real estate securities, residential mortgage loans and consumer loans deteriorate compared to our underwriting estimates;
- changes in prepayment rates on the loans underlying certain of our assets, including, but not limited to, our Excess MSRs;
- the risk that projected recapture rates on the portfolios underlying our Excess MSRs are not achieved;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;

the relative spreads between the yield on the assets we invest in and the cost of financing;

changes in economic conditions generally and the real estate and bond markets specifically;

adverse changes in the financing markets we access affecting our ability to finance our investments;

the quality and size of the investment pipeline and the rate at which we can invest our cash;

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 entering into new financings with us;

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

impairments in the value of the collateral underlying our investments and the relation of any such impairments to our judgments as to whether changes in the market value of our securities or loans are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values;

the availability and cost of capital for future investments;

competition within the finance and real estate industries;

the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, U.S. government programs intended to stabilize the economy, the federal conservatorship of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and legislation that permits modification of the terms of loans;

our ability to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;

our ability to maintain our exemption from registration under the Investment Company Act of 1940 (the "1940 Act") and the fact that maintaining such exemption imposes limits on our operations; and

other risks detailed from time to time below, particularly under the heading "Risk Factors," and in our other reports filed with or furnished to the Securities and Exchange Commission (the "SEC").

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views only as of the date of this report. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

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 the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove 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 (formerly known as NIC MSR LLC)

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	June 30, 2013 (Unaudited)	December 31, 2012
Assets		
Real estate securities, available-for-sale	$ 1,759,239	$ 289,756
Investments in excess mortgage servicing rights, at fair value	271,420	245,036
Investments in excess mortgage servicing rights, equity method investees, at fair value	183,153	—
Investments in consumer loans, equity method investees	280,816	—
Residential mortgage loans, held-for-investment	33,636	—
Cash and cash equivalents	209,699	—
Other assets	4,479	84
	$ 2,742,442	$ 534,876
Liabilities and Equity		
Liabilities		
Repurchase agreements	$ 1,474,338	$ 150,922
Due to affiliate	3,631	5,136
Dividends payable	17,712	—
Accrued expenses and other liabilities	1,036	462
	1,496,717	156,520
Commitments and contingencies		
Stockholders' Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 253,025,645 issued and outstanding at June 30, 2013	2,530	—
Additional paid-in capital	1,157,042	362,830
Retained earnings	66,939	—
Accumulated other comprehensive income	19,214	15,526
	1,245,725	378,356
	$ 2,742,442	$ 534,876

See notes to consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Interest income	$ 22,999	$ 4,479	$ 39,190	$ 6,516
Interest expense	2,651	—-	3,550	—
Net Interest Income	20,348	4,479	35,640	6,516
Impairment				
Other-than-temporary impairment (“OTTI”) on securities	3,756	—	3,756	—
Net interest income after impairment	16,592	4,479	31,884	6,516
Other Income				
Change in fair value of investments in excess mortgage servicing rights	41,833	3,523	43,691	4,739
Change in fair value of investments in excess mortgage servicing rights, equity method investees	20,127	—	21,096	—
Earnings from investments in consumer loans, equity method investees	36,164	—	36,164	—
Gain on settlement of securities	58	—	58	—
	98,182	3,523	101,009	4,739
Operating Expenses				
General and administrative expenses	602	1,266	3,321	1,677
Management fee allocated by Newcastle	1,809	262	4,134	416
Management fee to affiliate	2,263	—	2,263	—
Incentive compensation to affiliate	878	—	878	—
	5,552	1,528	10,596	2,093
Net Income	$109,222	$6,474	$122,297	$9,162
Income Per Share of Common Stock				
Basic	$0.43	$0.03	$0.48	$0.04
Diluted	$0.43	$0.03	$0.48	$0.04
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	253,025,645	253,025,645	253,025,645	253,025,645
Diluted	256,659,488	253,025,645	254,852,605	253,025,645
Dividends Declared per Share of Common Stock	$0.07	$—	$0.07	$—

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	$109,222	$6,474	$122,297	$9,162
Other comprehensive income:				
Net unrealized gain (loss) on securities	(16,193)	—	(10)	—
Reclassification of net realized (gain) loss on securities into earnings	3,698	—	3,698	—
Other comprehensive income (loss)	(12,495)	—	3,688	—
Comprehensive income	$96,727	$6,474	$125,985	$9,162

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2013
(dollars in thousands)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Equity - December 31, 2012	—	$—	$362,830	$—	$ 15,526	$ 378,356
Dividends declared	—	—	—	(17,712)	—	(17,712)
Capital contributions	—	—	893,466	—	—	893,466
Contributions in-kind	—	—	1,093,684	—	—	1,093,684
Capital distributions	—	—	(1,228,054)	—	—	(1,228,054)
Issuance of common stock	253,025,645	2,530	(2,530)	—	—	—
Net income	—	—	37,646	84,651	—	122,297
Other comprehensive income	—	—	—	—	3,688	3,688
Equity - June 30, 2013	253,025,645	$2,530	$1,157,042	$66,939	$ 19,214	$ 1,245,725

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Six Months Ended June 30,	
	2013	2012
Cash Flows From Operating Activities		
Net income	$ 122,297	$ 9,162
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	(43,691)	(4,739)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(21,096)	—
Distributions of earnings from excess mortgage servicing rights, equity method investees	4,822	—
Earnings from consumer loan equity method investees	(36,164)	—
Distributions of earnings from consumer loan equity method investees	769	—
Accretion of discount and other amortization	(6,596)	—
(Gain) / loss on settlement of investments (net)	(58)	—
Other-than-temporary impairment ("OTTI")	3,756	—
Changes in:		
Other assets	(3,907)	—
Due to affiliate	(2,715)	353
Accrued expenses and other liabilities	574	883
Reduction of liability deemed as capital contribution by Newcastle	11,515	—
Other operating cash flows:		
Cash proceeds from investments, in excess of interest income	41,435	2,220
Net cash proceeds deemed as capital distributions to Newcastle	(52,888)	(7,879)
Net cash provided by (used in) operating activities	18,053	—
Cash Flows From Investing Activities		
Principal repayments from Non-Agency RMBS	23,592	—
Principal repayments from Agency RMBS	102,553	—
Return of investments in excess mortgage servicing rights	6,600	—
Return of investments in excess mortgage servicing rights, equity method invstees	4,018	—
Purchase of real estate securities	(265,100)	—
Proceeds from sale of investments	4,421	—
Acquisition of investments in excess mortgage servicing rights	(2,391)	—
	(53,766)	—

Acquisition of investments in excess mortgage servicing rights, equity method investees		
Principal paydowns on residential mortgage loans, held-for-investment	1,789	—
Net cash provided by (used in) investing activities	(178,284)	—

Continued on next page

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

Cash Flows From Financing Activities				
Borrowings under repurchase agreements		415,982		—
Repayments of repurchase agreements		(290,747)		—
Margin deposits under repurchase agreements		(87,579)		—
Return of margin deposits under repurchase agreements		87,216		—
Contributions in kind		245,058		—
Net cash provided by (used in) financing activities		369,930		—
Net Increase (Decrease) in Cash and Cash Equivalents		209,699		—
Cash and Cash Equivalents, Beginning of Period		—		—
Cash and Cash Equivalents, End of Period	$	209,699	$	—
Supplemental Disclosure of Cash Flow Information				
Cash paid during the period for interest expense	$	3,029	$	—
Supplemental Schedule of Non-Cash Investing and Financing Activities Prior to Date of Cash Contribution by Newcastle				
Cash proceeds from investments, in excess of interest income	$	41,435	$	2,220
Acquisition of investments in excess mortgage servicing rights		—		190,510
Acquisition of real estate securities		242,750		—
Acquisition of investments in equity method investees at fair value		125,099		—
Acquisition of residential mortgage loans, held-for-investment		35,138		—
Acquisition of investments in consumer loan equity method investees		245,421		
Borrowings under repurchase agreements		1,179,068		—
Repayments of repurchase agreements		3,902		—
Deposit paid on investment in excess mortgage servicing rights		—		16,801
Purchase price payable on investments in excess mortgage servicing rights		—		31,382
Capital contributions by Newcastle		648,408		207,311

Contributions in-kind by Newcastle		1,093,684		—
Capital distributions to Newcastle		1,228,054		7,879
Supplemental Schedule of Non-Cash Investing and Financing Activities Subsequent to Date of Cash Contribution by Newcastle				
Dividends declared but not paid	$	17,712	$	—

See notes to consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2013
(dollars in tables in thousands, except share data)

1. GENERAL

New Residential Investment Corp. (formerly known as NIC MSR LLC) (together with its subsidiaries, "New Residential") is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Newcastle Investment Corp. ("Newcastle") was the sole stockholder of New Residential until the spin-off (Note 10), which was completed on May 15, 2013. Newcastle is listed on the New York Stock Exchange under the symbol "NCT." As sole stockholder, Newcastle generally did not have any liability for the obligations of New Residential, except as described in Note 8.

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 under the symbol "NRZ".

As of June 30, 2013, New Residential had acquired, or committed to acquire, directly and through equity method investees, excess mortgage servicing rights ("Excess MSRs") on eleven pools of residential mortgage loans from Nationstar Mortgage LLC ("Nationstar"), a leading residential mortgage servicer. Furthermore, New Residential had acquired real estate securities, residential mortgage loans, and consumer loans.

New Residential intends to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes for the tax year ending December 31, 2013. 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.

New Residential has entered into a management agreement (the "Management Agreement") with FIG LLC (the "Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"), under which the Manager advises New Residential on various aspects of its business and manages its day-to-day operations, 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. For a further discussion of the Management Agreement, see Note 12. The Manager also manages Newcastle and investment funds that own a majority of Nationstar.

As of June 30, 2013, New Residential operated in the following business segments: (i) investments in Excess MSRs, (ii) investments in real estate securities and loans, (iii) investments in consumer loans and (iv) corporate.

The consolidated financial statements for periods prior to May 15, 2013 have been prepared on a spin-off basis from the consolidated financial statements and accounting records of Newcastle and reflect New Residential's historical results of operations, financial position and cash flows, in accordance with U.S. GAAP. As presented in the Consolidated Statements of Cash Flows, New Residential did not have any cash balance during periods prior to April 5, 2013, which is the first date Newcastle contributed cash to New Residential. All of its cash activity occurred in Newcastle's accounts during these periods. The consolidated financial statements for periods prior to May 15, 2013 do not necessarily reflect what New Residential's consolidated results of operations, financial position and cash flows would have been had New Residential operated as an independent company prior to the spin-off.

Certain expenses of Newcastle, comprised primarily of a portion of its management fee, have been allocated to New Residential to the extent they were directly associated with New Residential for periods prior to the spin-off on May 15, 2013. The portion of the management fee allocated to New Residential prior to the spin-off represents the product of the management fee rate payable by Newcastle (1.5%) and New Residential's gross equity, which management believes is a reasonable method for quantifying the expense of the services provided by the employees of the Manager to New Residential. The incremental cost of certain legal, accounting and other expenses related to New Residential's operations prior to May 15, 2013 are reflected in the accompanying consolidated financial statements. New Residential and Newcastle do not share any expenses following the spin-off.

The accompanying consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2012 and notes thereto included in New Residential's Registration Statement on Form 10 filed with the Securities and Exchange Commission. Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2012.

Recent Accounting Pronouncements

In February 2013, the FASB issued new guidance regarding the reporting of reclassifications out of accumulated other comprehensive income. The new guidance does not change current requirements for reporting net income or other comprehensive income in the financial statements. However, it requires companies to present the effects on the line items of net income of significant amounts reclassified out of accumulated OCI if the item reclassified is required to be reclassified to net income in its entirety during the same reporting period. Presentation should occur either on the face of the income statement where net income is presented or in the notes to the financial statements. New Residential has adopted this accounting standard and presents this information in Note 13.

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

2. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSRs, (ii) investments in real estate securities and loans, (iii) investments in consumer loans, and (iv) corporate. The corporate segment consists primarily of general and administrative expenses, the allocation of management fees by Newcastle until the spin-off on May 15, 2013, and the management fees and incentive compensation owed to the Manager by New Residential following the spin-off.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2013
(dollars in tables in thousands, except share data)

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:

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2013					
Interest income	$ 10,745	$ 12,216	$ —	$ 38	$ 22,999
Interest expense	—	2,651	—	—	2,651
Net interest income	10,745	9,565	—	38	20,348
Impairment	—	3,756	—	—	3,756
Other income	61,960	58	36,164	—	98,182
Operating expenses	34	152	—	5,366	5,552
Net income (loss)	$ 72,671	$ 5,715	$ 36,164	$ (5,328)	$ 109,222

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2013					
Interest income	$20,780	$18,372	$—	$38	$39,190
Interest expense	—	3,550	—	—	3,550
Net interest income	20,780	14,822	—	38	35,640
Impairment	—	3,756	—	—	3,756
Other income	64,787	58	36,164	—	101,009
Operating expenses	96	152	1,951	8,397	10,596
Net income (loss)	$85,471	$10,972	$34,213	$(8,359)	$122,297

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
June 30, 2013					
Investments	$454,573	$1,792,875	$280,816	$—	$2,528,264
Cash and cash equivalents	—	—	—	209,699	209,699
Other assets	—	4,379	—	100	4,479
Total assets	454,573	1,797,254	280,816	209,799	2,742,442
Debt	—	(1,474,338)	—	—	(1,474,338)
Other liabilities	(67)	(1,734)	—	(20,578)	(22,379)
Total liabilities	(67)	(1,476,072)	—	(20,578)	(1,496,717)
GAAP book value	$454,506	$321,182	$280,816	$189,221	$1,245,725
Investments in equity method investees	$183,153	$—	$280,816	$—	$463,969

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2013
(dollars in tables in thousands, except share data)

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2012					
Interest income	$4,479	$—	$—	$—	$4,479
Interest expense	—	—	—	—	—
Net interest income	4,479	—	—	—	4,479
Other income	3,523	—	—	—	3,523
Operating expenses	761	—	—	767	1,528
Net income (loss)	$7,241	$—	$—	$(767)	$6,474

	Excess MSRs	Real Estate Securities and Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2012					
Interest income	$6,516	$—	$—	$—	$6,516
Interest expense	—	—	—	—	—
Net interest income	6,516	—	—	—	6,516
Other income	4,739	—	—	—	4,739
Operating expenses	1,147	—	—	946	2,093
Net income (loss)	$10,108	$—	$—	$(946)	$9,162

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3. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS AT FAIR VALUE

Pool 1. On December 13, 2011, Newcastle announced the completion of the first co-investment between New Residential and Nationstar in Excess MSRs related to mortgage servicing rights acquired by Nationstar. New Residential invested approximately $44 million to acquire a 65% interest in the Excess MSRs on a portfolio of government-sponsored enterprise (“GSE”) residential mortgage loans with an outstanding principal balance of approximately $9.9 billion (“Pool 1”). Nationstar has co-invested on a pari passu basis with New Residential in 35% of the Excess MSRs and is the servicer of the loans, performing all servicing and advancing functions, and retaining the ancillary income, the servicing obligations and liabilities as the servicer. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential and Nationstar, subject to certain limitations.

Pool 2. On June 5, 2012, Newcastle announced the completion of a co-investment between New Residential and Nationstar in Excess MSRs related to mortgage servicing rights Nationstar acquired from Bank of America. New Residential invested approximately $42 million to acquire a 65% interest in the Excess MSRs on a portfolio of residential mortgage loans with an outstanding principal balance of approximately $10.4 billion (“Pool 2”), comprised of loans in GSE pools. Nationstar has co-invested on a pari passu basis with New Residential in 35% of the Excess MSRs and is the servicer of the loans, performing all servicing and advancing functions, and retaining the ancillary income, servicing obligations and liabilities as the servicer. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential and Nationstar, subject to certain limitations.

Pools 3, 4 and 5. On June 29, 2012, Newcastle announced the completion of a co-investment between New Residential and Nationstar in Excess MSRs related to mortgage servicing rights Nationstar acquired from Aurora Bank FSB, a subsidiary of Lehman Brothers Bancorp Inc. New Residential invested approximately $176.5 million to acquire a 65% interest in the Excess MSRs on a portfolio of residential mortgage loans with an outstanding principal balance of approximately $63.7 billion, comprised of approximately 75% non-conforming loans in private label securitizations and approximately 25% conforming loans in GSE pools. The portfolio is comprised of three pools: two GSE loan pools with outstanding principal balances of approximately $9.8 billion (“Pool 3”) and $6.3 billion (“Pool 4”), respectively, and a pool of non-conforming loans in private label securitizations with an outstanding principal balance of approximately $47.6 billion (“Pool 5”). Nationstar has co-invested on a pari passu basis with New Residential in 35% of the Excess MSRs and is the servicer of the loans, performing all servicing and advancing functions, and retaining the ancillary income, servicing obligations and liabilities as the servicer. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by New Residential and Nationstar, subject to certain limitations.

Pool 11. On May 20, 2013, New Residential entered into an excess spread agreement with Nationstar to purchase for $2.4 million a two-thirds interest in the Excess MSRs on a portion of the loans in the pool which are eligible to be refinanced by a specific third party for a period of time, with Nationstar retaining the remaining one-third interest in the Excess MSRs and all servicing rights. After this period expires, Nationstar will have the ability to refinance all of the loans in the pool. See Note 6 for information on our other agreements with Nationstar with respect to Pool 11.

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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, 2013					Six Months Ended June 30, 2013
	Unpaid Principal Balance ("UPB") of Underlying Mortgages	Amortized Cost Basis (A)	Carrying Value (B)	Weighted Average Yield	Weighted Average Life (Years) (C)	Changes in Fair Value Recorded in Other Income (D)
MSR Pool 1	$7,593,438	$28,120	$39,147	12.5 %	4.9	$ 5,290
MSR Pool 1 - Recapture Agreement	—	2,980	5,383	12.5 %	11.0	1,897
MSR Pool 2	8,570,405	31,629	37,339	12.5 %	5.1	4,666
MSR Pool 2 - Recapture Agreement	—	2,934	6,557	12.5 %	12.1	3,441
MSR Pool 3	8,380,524	25,351	33,183	12.5 %	4.8	4,976
MSR Pool 3 - Recapture Agreement	—	4,088	5,755	12.5 %	11.5	1,742
MSR Pool 4	5,381,133	10,205	13,176	12.5 %	4.6	1,952
MSR Pool 4 - Recapture Agreement	—	2,657	3,533	12.5 %	11.1	891
MSR Pool 5	39,989,031	99,530	121,102	12.5 %	5.5	19,594
MSR Pool 5 - Recapture Agreement	—	8,454	3,854	12.5 %	12.8	(758)
MSR Pool 11 - Recapture Agreement	—	2,391	2,391	12.5 %	—	—
	$69,914,531	$218,339	$271,420	12.5 %	5.8	$ 43,691

(A) 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.

(B) Carrying Value represents the fair value of the pools or Recapture Agreements, as applicable.

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

(D) The portion of the change in fair value of the Recapture Agreements relating to loans recaptured to date is reflected in the respective pool.

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the direct investments in Excess MSRs at June 30, 2013:

State Concentration	Percentage of Total Outstanding (A)	
California	31.5	%
Florida	10.1	%
New York	4.5	%
Washington	4.3	%
Arizona	3.8	%
Texas	3.6	%
Maryland	3.5	%
Colorado	3.5	%
New Jersey	3.2	%
Virginia	3.1	%
Other U.S.	28.9	%
	100.0	%

(A) Based on the information provided by the loan servicer as of June 30, 2013.

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.

4. INVESTMENTS IN REAL ESTATE SECURITIES

During 2013, New Residential acquired $547.5 million face amount of Non-Agency RMBS for approximately $362.4 million and $156.3 million face amount of Agency ARM RMBS for approximately $165.2 million net of sales. In addition, Newcastle contributed $1.0 billion face amount of Agency ARM RMBS to New Residential during this period.

The following is a summary of New Residential’s real estate securities at June 30, 2013, all of which are classified as available-for-sale and are, therefore, reported at fair value with changes in fair value recorded in other comprehensive income.

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			Gross Unrealized					Weighted Average		
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value (A)	Number of Securities	Rating (B)	Coupon	Yield	Life (Yea (C)
Agency ARM RMBS (E) (F)	$1,059,950	$1,134,190	$1,430	$(5,834)	$1,129,786	66	AAA	3.30%	1.47%	3.2
Non-Agency RMBS	927,903	605,835	33,286	(9,668)	629,453	98	CC	0.77%	4.87%	3.8
Total/Weighted Average (G)	$1,987,853	$1,740,025	$34,716	$(15,502)	$1,759,239	164	BBB	2.12%	2.65%	3.4

(A) Fair value, which is equal to carrying value for all securities. See Note 9 regarding the estimation of fair value.

(B) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the lowest rating is used. Ratings provided were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current.

(C) The weighted average life is based on the timing of expected principal reduction on the assets.

(D) Percentage of the outstanding face amount of securities and residual interests that is subordinate to New Residential's investments.

(E) Includes securities issued or guaranteed by U.S. Government agencies such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").

(F) Amortized cost basis and carrying value include principal receivable of $13.8 million.

(G) The total outstanding face amount was $ 18.4 million for fixed rate securities and $ 1.97 billion for floating rate securities.

Unrealized losses that are considered other than temporary are recognized currently in earnings. During the six months ended June 30, 2013, New Residential recorded other-than-temporary impairment charges ("OTTI") of $3.8 million with respect to real estate securities held prior to the spin-off on May 15, 2013. Based on Newcastle management's analysis of these securities, Newcastle determined it did not have the intent to hold the securities past May 15, 2013. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using management's best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

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The following table summarizes New Residential's securities in an unrealized loss position as of June 30, 2013.

		Amortized Cost Basis			Gross Unrealized				Weighted Ave	
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-Than-Temporary Impairment (A)	After Impairment	Gains	Losses	Carrying Value	Number of Securities	Rating	Coupon
Less than Twelve Months	$1,183,118	$1,104,946	$(3,429)	$1,101,517	$—	$(15,485)	$1,086,032	79	BBB	2.51%
Twelve or More Months	6,798	7,447	(40)	7,407	—	(17)	7,390	1	AAA	2.76%
Total/WA	$1,189,916	$1,112,393	$(3,469)	$1,108,924	$—	$(15,502)	$1,093,422	80	BBB	2.51%

(A) Other than temporary impairment was recorded in connection with unrealized losses at the time of spin-off as Newcastle did not have the intent and ability to hold the securities past May 15, 2013. The losses were not recorded as the result of New Residential's intent to sell the securities and are not the result of credit impairment.

The table below summarizes the geographic distribution of the collateral securing New Residential's Non-Agency RMBS at June 30, 2013:

Geographic Location	Outstanding Face Amount	Percentage of Total Outstanding
Western U.S.	$ 346,056	37.3 %
Northeastern U.S.	219,197	23.6 %
Southeastern U.S.	190,998	20.6 %
Midwestern U.S.	98,933	10.7 %
Southwestern U.S.	72,719	7.8 %
	$ 927,903	100.0 %

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments. For securities acquired during the six months ended June 30, 2013, the face amount of these real estate securities was $472.7 million, with total expected cash flows of $375.2 million and a fair value of $298.9 million.

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The following is the outstanding face amount and carrying value for securities, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments, at December 31, 2012 and June 30, 2013:

	Outstanding Face Amount	Carrying Value
December 31, 2012	$ 342,013	$ 212,129
June 30, 2013	$ 771,682	$ 495,872

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

	For the Six Months Ended June 30, 2013
Balance at December 31, 2012	$ 90,077
Additions	76,263
Accretion	(9,706)
Reclassifications from nonaccretable difference	23,679
Disposals	153
Balance at June 30, 2013	$ 180,466

5. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

On February 27, 2013, New Residential, through a subsidiary, entered into an agreement to co-invest in reverse mortgage loans with a UPB of approximately $83 million as of December 31, 2012. New Residential has invested approximately $35 million to acquire a 70% interest in the reverse mortgage loans. Nationstar has co-invested pari passu with New Residential in 30% of the reverse mortgage loans and is the servicer of the loans performing all servicing and advancing functions and retaining the ancillary income, servicing obligations and liabilities as the servicer.

Loans for which New Residential has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified as held-for-investment. Loans are presented in the consolidated balance sheet at cost net of any unamortized discount (or gross of any unamortized premium). New Residential determines at acquisition whether loans will be aggregated into pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); loans aggregated into pools are accounted for as if each pool were a single loan. Income on these loans is recognized similarly to that on securities using a level yield methodology.

To the extent that residential mortgage loans are classified as held-for-investment, New Residential must periodically evaluate each of these loans or loan pools for possible impairment. Impairment is indicated when it is deemed probable that New Residential will be unable to collect all amounts due according to the contractual terms of the loan, or for loans acquired at a discount for credit losses, when it is deemed probable that New Residential will be unable to collect as anticipated. Upon determination of impairment, New Residential would establish a specific valuation allowance with a corresponding charge to earnings. New Residential continually evaluates its loans receivable for impairment. New Residential's residential mortgage loans are aggregated into pools for evaluation based on like characteristics, such as loan type and acquisition date. Pools of loans are evaluated based on criteria such as an analysis of borrower performance, credit ratings of borrowers, loan to value ratios, the estimated value of the underlying collateral, the key terms of the loans and historical and anticipated trends in defaults and loss severities for the type and seasoning of loans being evaluated. This information is used to estimate provisions for estimated unidentified incurred losses on pools of loans. Significant judgment is required in determining impairment and in estimating the resulting loss allowance. Furthermore, New Residential must assess its intent and ability to hold its loan investments on a periodic basis. If New Residential does not have the intent to hold a loan for the foreseeable future or until its expected payoff, the loan must be classified as "held for sale" and recorded at the lower of cost or estimated value.

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The following is a summary of residential mortgage loans at June 30, 2013, all of which are classified as held for investment:

Loan Type	Outstanding Face Amount	Carrying Value	Loan Count	Wtd. Avg. Yield	Wtd. Avg. Coupon (A)	Wtd. Avg. Life (Years) (B)	Floating Rate Loans as a % of Face Amount	Delinquent Face Amount
Reverse Mortgage Loans	$ 56,730	$33,636	328	10.6 %	5.1 %	4.1	20.7 %	N/A

(A) Represents the stated interest rate on the loans. Accrued interest on reverse mortgage loans is generally added to the principal balance and paid when the loan is resolved.

(B) The weighted average life is based on the expected timing of the receipt of cash flows.

Activities related to the carrying value of residential mortgage loans are as follows:

	For the six months ended June 30, 2013
Balance at December 31, 2012	$ —
Purchases/additional fundings	35,138
Proceeds from repayments	(2,686)
Accretion of loan discount and other amortization	1,184
Balance at June 30, 2013	$ 33,636

6. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS EQUITY METHOD INVESTEES

During the six months ended June 30, 2013, 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.

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The following tables summarize the investments in equity method investees held by New Residential at June 30, 2013:

	June 30, 2013
Excess MSR Assets	$351,863
Other Assets (A)	22,394
Debt	—
Other Liabilities	(7,951)
Equity	$366,306
New Residential's Investment	$183,153
New Residential's Ownership	50.0%

(A) Includes $20.8 million of deposits related to investments which have not closed at June 30, 2013.

	Six Months Ended June 30, 2013
Interest Income	$13,756
Other Income	31,374
Expenses	(2,938)
Net Income	$42,192

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

	June 30, 2013						
	Unpaid Principal Balance	Investee Interest in Excess MSR	New Residential Interest in Investees	Amortized Cost Basis (A)	Carrying Value (B)	Weighted Average Yield	Weighted Average Life (Years) (C)
MSR Pool 6	$11,149,355	66.7%	50.0%	$ 40,027	$44,139	12.5%	4.8
MSR Pool 6 - Recapture Agreement	—	66.7%	50.0%	10,683	13,284	12.5%	10.7
MSR Pool 7	34,480,698	66.7%	50.0%	104,057	112,946	12.5%	5.1
MSR Pool 7 - Recapture Agreement	—	66.7%	50.0%	22,962	25,965	12.5%	12.0
MSR Pool 8	15,417,544	66.7%	50.0%	56,180	57,960	12.5%	5.0
MSR Pool 8 - Recapture Agreement	—	66.7%	50.0%	12,928	14,103	12.5%	11.7
MSR Pool 11	22,817,213	66.7%	50.0%	51,033	55,797	12.5%	5.3
MSR Pool 11 - Recapture Agreement	—	66.7%	50.0%	23,459	27,669	12.5%	9.9

	$83,864,810		$ 321,329	$351,863	12.5 %	6.4

(A) Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest. The amortized cost basis of the Recapture Agreements is determined based on the relative fair values of the Recapture Agreements and related Excess MSRs at the time they were acquired.

(B) 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.

(C) The weighted average life represents the weighted average expected timing of the receipt of cash flows of each investment.

Pool 6. On January 4, 2013, New Residential, through a joint venture, co-invested in Excess MSRs on a portfolio of Government National Mortgage Association (“Ginnie Mae”) residential mortgage loans with a UPB of approximately $13 billion (“Pool 6”) as of November 30, 2012. Nationstar acquired the related servicing rights from Bank of America in November 2012. New Residential contributed approximately $28.9 million for a 50% interest in a joint venture which acquired an approximately 67% interest in the Excess MSRs on this portfolio. The remaining interests in the joint venture are owned by a Fortress-managed fund and the remaining interest of approximately 33% in the Excess MSRs is owned by Nationstar. As the servicer, Nationstar performs all servicing and advancing functions, and it retains the ancillary income, servicing obligations and liabilities associated with this portfolio. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by the joint venture and Nationstar, subject to certain limitations.

Pools 7, 8, 9, 10. On January 6, 2013 New Residential, through joint ventures, agreed to co-invest in Excess MSRs on a portfolio of four pools of residential mortgage loans with a UPB of approximately $215 billion as of November 30, 2012. Approximately 53% of the loans in this portfolio are in private label securitizations (“Pool 10”), and the remainder are owned, insured or guaranteed by Fannie Mae (“Pool 7”), Freddie Mac (“Pool 8”) or Ginnie Mae (“Pool 9”). Nationstar has agreed to acquire the related servicing rights from Bank of America. New Residential committed to invest approximately $340 million (based on the November 30, 2012 UPB) for a 50% interest in joint ventures which will acquire an approximately 67% interest in the Excess MSRs on this portfolio. As of June 30, 2013, New Residential had contributed approximately $80.7 million to the joint ventures. The remaining interests in the joint ventures are owned by Fortress-managed funds and the remaining interest of approximately 33% in the Excess MSRs are owned by Nationstar. As the servicer, Nationstar performs all servicing and advancing functions, and it retains the ancillary income, servicing obligations and liabilities associated with this portfolio. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are shared on a pro rata basis by the joint ventures and Nationstar, subject to certain limitations. On January 31, 2013, New Residential completed the first closing of this co-investment. The first closing related to Excess MSRs on loans with an aggregate UPB of approximately $58 billion as of December 31, 2012, that are owned, insured, or guaranteed by Fannie Mae or Freddie Mac.

Pool 11. On May 20, 2013, New Residential acquired, through a joint venture, an interest in Excess MSRs from Nationstar on a portfolio of mortgage loans with a UPB of approximately $22.8 billion (“Pool 11”) as of March 31, 2013. New Residential has invested approximately $37.8 million to acquire a one-third interest in the Excess MSRs. Nationstar is the servicer of the loans and has retained a one-third interest in the Excess MSRs; a Fortress managed fund has acquired the remaining one-third interest. Under the terms of this investment, to the extent that any loans in the portfolio are refinanced by Nationstar, the resulting Excess MSRs are included in the portfolio, subject to certain limitations. New Residential, Nationstar and the Fortress fund share equally in these Excess MSRs.

See Recent Activities (Note 15) for information on Pools 9 and 10.

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the Excess MSR investments made through equity method investees at June 30, 2013:

State Concentration	Percentage of Total Outstanding (A)	
California	13.6	%
Florida	8.3	%
Georgia	5.8	%
Texas	5.6	%
New York	5.5	%
Illinois	4.5	%
Massachusetts	3.5	%
New Jersey	3.3	%
Washington	3.0	%
Virginia	3.0	%
Other U.S.	43.9	%
	100.0	%

(A) Based on the information provided by the loan servicer as of June 30, 2013.

7. INVESTMENTS IN CONSUMER LOAN EQUITY METHOD INVESTEES

On April 1, 2013, New Residential completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”) a co-investment in a portfolio of consumer loans with a UPB of approximately $4.2 billion as of December 31, 2012. The portfolio includes over 400,000 personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. New Residential invested approximately $250 million for 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, Springleaf Finance, Inc. (“Springleaf”), which is majority-owned by Fortress funds managed by our Manager, acquired 47%, and an affiliate of Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. Springleaf acts as the managing member of the Consumer Loan Companies. The Consumer Loan Companies financed $2.2 billion of the approximately $3.0 billion purchase price with asset-backed notes. The Consumer Loan Companies were formed on March 19, 2013, for the purpose of making this investment, and commenced operations upon the completion of the investment. After a servicing transition period, Springleaf will be the servicer of the loans and will provide all servicing and advancing functions for the portfolio.

New Residential accounts for its investment in the Consumer Loan Companies pursuant to the equity method of accounting because it can exercise significant influence over the Consumer Loan Companies, but the requirements for consolidation are not met. New Residential’s share of earnings and losses in these equity method investees is included in “Earnings from investments in consumer loans, equity method investees” on the Consolidated Statements of Income. Equity method investments are included in “Investments in consumer loans, equity method investees” on the

Consolidated Balance Sheets.

New Residential periodically reviews equity method investments for impairment in value whenever events or changes in circumstances indicate that the carrying amount of such investments may not be recoverable. New Residential will record an impairment charge to the extent that the estimated fair value of an investment is less than its carrying value and New Residential determines the impairment is other-than-temporary.

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The following tables summarize the investment the Consumer Loan Companies held by New Residential at June 30, 2013:

	June 30, 2013
Consumer Loan Assets	$ 2,835,996
Other Assets	119,163
Debt (A)	(2,018,486)
Other Liabilities	(620)
Equity	$ 936,053
New Residential's investment	$ 280,816
New Residential's ownership	30.0 %

(A) Represents asset-back notes with an interest rate of 3.75% and a maturity of April 2021. Substantially all of the net cash flow generated by the Consumer Loan Companies is required to be used to pay down the these notes. When the balance of the outstanding notes is reduced to 50% of the outstanding UPB of the performing consumer loans, the equity holders of the Consumer Loan Companies will be entitled to receive, in the aggregate, 30% of the net cash flow of the Consumer Loan Companies on a periodic basis.

	Six Months Ended June 30, 2013
Interest income	$ 168,130
Interest expense	(24,590)
Provision for finance receivable losses	(554)
Other expenses	(22,441)
Net income	$ 120,545
New Residential's equity in net income	$ 36,164

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

June 30, 2013	Unpaid Principal Balance	Interest in Consumer Loan Companies	Carrying Value (A)	Weighted Average Coupon (B)	Weighted Average Asset Yield	Weighted Average Expected Life (Years) (C)
Consumer Loans	$3,675,979	30.0 %	$2,835,996	18.6 %	14.0 %	4.5

(A) Represents the carrying value of the consumer loans held by the Consumer Loan Companies.

(B) Substantially all of the cash flow received on the loans is required to be used to make payments on the notes described above.

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

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New Residential's investments in consumer loans, equity method investees changed during the six months ended June 30, 2013 as follows:

	For the six months ended June 30, 2013
Balance at December 31, 2012	$ —
Contributions to equity method investees	245,421
Distributions of earnings from equity method investees	(769)
Earnings from investments in consumer loan equity method investees	36,164
Balance at June 30, 2013	$ 280,816

8. DEBT OBLIGATIONS

The following table presents certain information regarding New Residential's debt obligations at June 30, 2013:

							Collateral			
Repurchase Agreements (A)	Month Issued	Outstanding Face	Carrying Value	Final Stated Maturity (D)	Weighted Average Funding Cost	WAL	Outstanding Face	Amortized Cost Basis	Carrying Value	WAL (Years)
Agency ARM RMBS (B)	Various	$1,061,250	$1,061,250	Jul-13	0.39%	0.1	$1,059,950	$1,134,190	$1,129,786	3.2
Non Agency RMBS (C)	Various	413,088	413,088	Jul-13	2.03%	0.1	907,247	590,131	613,078	3.8
		$1,474,338	$1,474,338		0.85%	0.1	$1,967,197	$1,724,321	$1,742,864	3.5

(A) These repurchase agreements had approximately $0.5 million of associated accrued interest payable at June 30, 2013.

(B) The counterparties of these repurchase agreements are Goldman Sachs $357.8 million, Barclays $266.1 million, Nomura $210.2 million, Citi $138.4 million, Morgan Stanley $65.8 million and Bank of America $23.0 million.

(C) The counterparties of these repurchase agreements are Credit Suisse $267.4 million, Barclays $97.9 million, and Royal Bank of Canada $47.7 million.

(D) All of these repurchase agreements were renewed or refinanced subsequent to June 30, 2013.

All of the agreements described above are subject to customary margin call provisions. See Note 15 regarding the refinancing of repurchase agreements with Credit Suisse.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP requires the categorization of the fair value of financial instruments into three broad levels which form a hierarchy.

Level 1- Quoted prices in active markets for identical instruments.

Level 2- Valuations based principally on other observable market parameters, including

Quoted prices in active markets for similar instruments,

Quoted prices in less active or inactive markets for identical or similar instruments,

Other observable inputs (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), and

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Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3- Valuations based significantly on unobservable inputs.

New Residential follows this hierarchy for its financial instruments. The classifications are based on the lowest level of input that is significant to the fair value measurement.

The carrying value and fair value of New Residential's financial assets recorded at fair value on a recurring basis at June 30, 2013 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value		
			Level 2	Level 3	Total
Assets:					
Real estate securities, available-for-sale	$1,987,853	$1,759,239	$1,129,786	$629,453	$1,759,239
Investments in excess mortgage servicing rights, at fair value (A)	69,914,531	271,420	—	271,420	271,420
Investments in excess mortgage servicing rights, equity method investees, at fair value (A)	83,864,810	183,153	—	183,153	183,153
	$155,767,194	$2,213,812	$1,129,786	$1,084,026	$2,213,812

(A) The notional amount represents the total unpaid principal balance of the mortgage loans underlying the Excess MSRs. Generally, New Residential does not receive an excess mortgage servicing amount on nonperforming loans.

Investments in Excess MSRs Valuation

Fair value estimates of New Residential's Excess MSRs were based on internal pricing models. The valuation technique is based on discounted cash flows. Significant inputs used in the valuations included expectations of prepayment rates, delinquency rates, recapture rates, the excess mortgage servicing amount of the underlying mortgage loans and discount rates that market participants would use in determining the fair values of mortgage servicing rights on similar pools of residential mortgage loans. New Residential's management validates significant inputs and outputs of the internal pricing models by comparing them to available independent third party market parameters and models for reasonableness. New Residential believes its valuation methods and the assumptions used are appropriate and consistent with other market participants.

In order to evaluate the reasonableness of its fair value determinations, management engages an independent valuation firm to separately measure the fair value of its Excess MSRs. The independent valuation firm determines an estimated fair value range of each pool based on its own models and issues a “fairness opinion” with this range. Management compares the range included in the opinion to the value generated by its internal models. For Excess MSRs acquired prior to the current quarter, the fairness opinion relates to the valuation at the current quarter end date. For Excess MSRs acquired during the current quarter, the fairness opinion relates to the valuation at the time of acquisition. To date, New Residential has not made any significant valuation adjustments as a result of these fairness opinions.

For Excess MSRs acquired during the current quarter, New Residential revalues the Excess MSRs at the quarter end date if a payment is received between the acquisition date and the end of the quarter. Otherwise, Excess MSRs acquired during the current quarter are carried at their amortized cost basis if there has been no change in assumptions since acquisition.

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In addition, in valuing the Excess MSRs, management considered the likelihood of Nationstar being removed as the servicer, which likelihood is considered to be remote. Fair value measurements of the Excess MSRs are sensitive to changes in the assumptions or methodology used to determine fair value, and such changes could result in a significant increase or decrease in the fair value. Significant increases (decreases) in the discount rates, prepayment or delinquency rates in isolation would result in a significantly lower (higher) fair value measurement, whereas significant increases (decreases) in the recapture rates or excess mortgage servicing amount in isolation would result in a significantly higher (lower) fair value measurement. Generally, a change in the delinquency rate assumption is accompanied by a directionally similar change in the assumption used for the prepayment speed.

The following table summarizes certain information regarding the inputs used in valuing the Excess MSRs owned directly and through equity method investees as of June 30, 2013:

	Significant Inputs								
Held Directly (Note 3)	Prepayment Speed (A)		Delinquency (B)		Recapture Rate (C)		Excess Mortgage Servicing Amount (D)	Discount Rate	
MSR Pool 1	15.3	%	10.0	%	35.0	%	28 bps	12.5	%
MSR Pool 1 - Recapture Agreement	8.0	%	10.0	%	35.0	%	21 bps	12.5	%
MSR Pool 2	15.4	%	10.9	%	35.0	%	23 bps	12.5	%
MSR Pool 2 - Recapture Agreement	8.0	%	10.0	%	35.0	%	21 bps	12.5	%
MSR Pool 3	15.8	%	11.9	%	35.0	%	23 bps	12.5	%
MSR Pool 3 - Recapture Agreement	8.0	%	10.0	%	35.0	%	21 bps	12.5	%
MSR Pool 4	18.0	%	15.9	%	35.0	%	17 bps	12.5	%
MSR Pool 4 - Recapture Agreement	8.0	%	10.0	%	35.0	%	21 bps	12.5	%
MSR Pool 5	12.4	%	N/A	(E)	13.0	%	13 bps	12.5	%
MSR Pool 5 - Recapture Agreement	8.0	%	N/A	(E)	15.0	%	21 bps	12.5	%
MSR Pool 11 - Recapture Agreement	9.0	%	2.0	%	31.0	%	19 bps	12.5	%
Held through Equity Method Investees (Note 6)									
MSR Pool 6	18.9	%	8.9	%	35.0	%	25 bps	12.5	%
MSR Pool 6 - Recapture Agreement	10.0	%	6.0	%	35.0	%	23 bps	12.5	%
MSR Pool 7	13.6	%	8.0	%	35.0	%	16 bps	12.5	%
MSR Pool 7 - Recapture Agreement	10.0	%	5.0	%	35.0	%	19 bps	12.5	%

MSR Pool 8	14.9	%	7.0	%	35.0	%	19 bps		12.5	%
MSR Pool 8 - Recapture Agreement	10.0	%	5.0	%	35.0	%	19 bps		12.5	%
MSR Pool 11	19.7	%	7.7	%	38.6	%	16 bps		12.5	%
MSR Pool 11 - Recapture Agreement	10.0	%	2.5	%	35.0	%	19 bps		12.5	%

(A) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.

(B) Projected percentage of mortgage loans in the pool that will miss their mortgage payments.

(C) Percentage of voluntarily prepaid loans that are expected to be refinanced by Nationstar.

(D) Weighted average total mortgage servicing amount in excess of the basic fee.

(E) The Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO).

All of the assumptions listed have some degree of market observability, based on New Residential’s knowledge of the market, relationships with market participants, and use of common market data sources. Prepayment speed and delinquency rate projections are in the form of “curves” or “vectors” that vary over the expected life of the pool. New Residential uses assumptions that generate its best estimate of future cash flows for each investment in Excess MSRs.

When valuing Excess MSRs, New Residential uses the following criteria to determine the significant inputs:

Prepayment Speed: Prepayment speed projections are in the form of a "vector" that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect factors such as the borrower's FICO score, loan-to-value ratio, debt-to-income ratio, vintage on a loan level basis, as well as the projected effect on loans eligible for the Home Affordable Refinance Program 2.0 ("HARP 2.0"). Management considers collateral-specific prepayment experience when determining this vector. For the Recapture Agreements and recaptured loans, New Residential also considers industry research on the prepayment experience of similar loan pools (i.e., loan pools composed of refinanced loans). This data is obtained from remittance reports, market data services and other market sources.

Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed their latest mortgage payments. For the Recapture Agreements and recaptured loans, delinquency rates are based on the experience of similar loan pools originated by Nationstar and delinquency experience over the past year. Management believes this time period provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions. Additional consideration is given to loans that are expected to become 30 or more days delinquent.

Recapture Rates: Recapture rates are based on actual average recapture rates experienced by Nationstar on similar mortgage loan pools. Generally, New Residential looks to one year worth of actual recapture rates, which management believes provides a reasonable sample for projecting future recapture rates while taking into account current market conditions.

Excess Mortgage Servicing Amount: For existing mortgage pools, excess mortgage servicing amount projections are based on the actual total mortgage servicing amount in excess of a basic fee. For loans expected to be refinanced by Nationstar and subject to a Recapture Agreement, New Residential considers the excess mortgage servicing amount on loans recently originated by Nationstar over the past year and other general market considerations. Management believes this time period provides a reasonable sample for projecting future excess mortgage servicing amounts while taking into account current market conditions.

Discount Rate: The discount rates used by New Residential are derived from market data on pricing of mortgage servicing rights backed by similar collateral.

New Residential uses different prepayment and delinquency assumptions in valuing the Excess MSRs relating to the original loan pools, the Recapture Agreements and the Excess MSRs relating to recaptured loans. The prepayment speed and delinquency rate assumptions differ because of differences in the collateral characteristics, eligibility for the Home Affordable Refinance Program 2.0 ("HARP 2.0") and expected borrower behavior for original loans and loans which have been refinanced. New Residential uses the same assumptions for recapture and discount rates when valuing Excess MSRs and Recapture Agreements. These assumptions are based on historical recapture experience and market pricing.

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Excess MSRs, owned directly, measured at fair value on a recurring basis using Level 3 inputs changed during the six months ended June 30, 2013 as follows:

				Level 3 (A)			
	MSR Pool 1	MSR Pool 2	MSR Pool 3	MSR Pool 4	MSR Pool 5	MSR Pool 11	Total
Balance at December 31, 2012	$40,910	$39,322	$35,434	$15,036	$114,334	$—	$245,036
Transfers (B)							
Transfers from Level 3 (B)	—	—	—	—	—	—	—
Transfers to Level 3 (B)	—	—	—	—	—	—	—
Gains (losses) included in net income (C)	7,185	8,107	6,719	2,844	18,836	—	43,691
Interest income	3,615	2,802	3,073	1,237	10,053	—	20,780
Purchases, sales and repayments							
Purchases	—	—	—	—	—	2,391	2,391
Purchase adjustments	—	—	—	—	—	—	—
Proceeds from sales	—	—	—	—	—	—	—
Proceeds from repayments	(7,180)	(6,335)	(6,288)	(2,408)	(18,267)	—	(40,478)
Balance at June 30, 2013	$44,530	$43,896	$38,938	$16,709	$124,956	$2,391	$271,420

(A) Includes the recapture agreement for each respective pool.

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

(C) The gains (losses) recorded in earnings during the period are attributable to the change in unrealized gains (losses) relating to Level 3 assets still held at the reporting dates. These gains (losses) represent the change in fair value of the Excess MSRs and are recorded in "Change in fair value of investments in excess mortgage servicing rights" in the consolidated statements of income.

Excess Mortgage Servicing Rights Equity Method Investees Valuation

Fair value estimates of New Residential's investments were based on internal pricing models. New Residential estimated the fair value of the assets and liabilities of the underlying entities in which it holds an equity interest. The valuation technique is based on discounted cash flows. Significant inputs represent the inputs required to estimate the fair value of the Excess MSRs held by the entities and include expectations of prepayment rates, delinquency rates, recapture rates, the excess mortgage servicing amount of the underlying mortgage loans, and discount rates that market participants would use in determining the fair values of mortgage servicing rights on similar pools of residential mortgage loans. In addition, in valuing the Excess MSRs, management considered the likelihood of Nationstar being removed as servicer, which likelihood is considered to be remote. Refer to the Investments in Excess MSRs Valuation section above for further details.

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New Residential's investments in equity method investees measured at fair value on a recurring basis using Level 3 inputs changed during the six months ended June 30, 2013 as follows:

	Six Months Ended June 30, 2013
Balance at December 31, 2012	$ —
Contributions to equity method investees	178,866
Distributions of earnings from equity method investees	(4,822)
Distributions of capital from equity method investees	(11,987)
Change in fair value of investments in equity method investees	21,096
Balance at June 30, 2013	$ 183,153

Real Estate Securities Valuation

As of June 30, 2013 New Residential's securities valuation methodology and results are further detailed as follows:

			Fair Value		
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Multiple Quotes (A)	Total	Level
Non-Agency RMBS	$ 927,903	$ 605,835	$ 629,453	$ 629,453	3
Agency ARM RMBS	1,059,950	1,134,190	1,129,786	1,129,786	2
Total	$ 1,987,853	$ 1,740,025	$ 1,759,239	$ 1,759,239	

(A) Management generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold New Residential the security). Management selected one of the quotes received as being most representative of the fair value and did not use an average of the quotes. Even if New Residential receives two or more quotes on a particular security that come from non-selling brokers or pricing services, it does not use an average because management believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases there is a wide disparity between the quotes New Residential receives. Management believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on New Residential's own fair value analysis, management selects one of the quotes which is believed to more accurately reflect fair value. New Residential never adjusts quotes received. These quotations are generally received via email and contain disclaimers which state that they are "indicative" and not "actionable" — meaning that the party giving the quotation is not bound to actually purchase the security at the quoted price.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value, and such changes could result in a significant increase or decrease in the fair value. For New Residential's investments in real estate securities categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs include the discount rates, assumptions related to prepayments, default rates and loss severities. Significant increases (decreases) in any of the discount rates, default rates or loss severities in isolation would result in a significantly lower (higher) fair value measurement. The impact of changes in prepayment speeds would have differing impacts on fair value, depending on the seniority of the investment. Generally, a change in the

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default assumption is accompanied by directionally similar changes in the assumptions used for the loss severity and the prepayment speed.

Fair value estimates of New Residential's Non-Agency RMBS were based on third party indications as of June 30, 2013 and classified as Level 3. Securities measured at fair value on a recurring basis using Level 3 inputs changed during the six months ended June 30, 2013 as follows:

		Level 3 Non-Agency RMBS
Balance at December 31, 2012	$	289,756
Transfer (A)		
Transfers from Level 3		—
Transfers into Level 3		—
Total Gains (Losses)		
Included in net income as impairment		(729)
Gain on Settlement of Securities		58
Included in comprehensive income (B)		8,092
Amortization included in interest income		10,558
Purchases, sales and repayments		
Purchases		366,926
Sales		(4,421)
Proceeds from repayments		(40,787)
Balance at June 30, 2013	$	629,453

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

(B) These gains (losses) were included in net unrealized gain (loss) on securities in the consolidated statements of comprehensive income.

Loans for Which Fair Value is Only Disclosed

As of June 30, 2013, loans which New Residential has the intent and ability to hold into the foreseeable future are classified as held-for-investment. Loans held-for-investment are carried at the aggregate unpaid principal balance adjusted for any unamortized premium or discount, deferred fees or expenses, an allowance for loan losses, charge-offs and write-downs for impaired loans.

The fair value of New Residential's reverse mortgage loans held-for-investment were estimated based on a discounted cash flow analysis using internal pricing models. The significant inputs to these models include discount rates and the timing and amount of expected cash flows that management believes market participants would use in determining the fair values on similar pools of reverse mortgage loans. New Residential's loans held-for-investment are categorized within Level 3 of the fair value hierarchy.

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The following table summarizes the inputs used in valuing reverse mortgage loans as of June 30, 2013:

Reverse Mortgage Loans for Which Fair Value is Only Disclosed

Loan Type	Outstanding Face Amount	Carrying Value	Fair Value	Valuation Allowance/ (Reversal) In Current Year	Significant Inputs: Discount Rate	Significant Inputs: WAL (Years) (A)
Reverse Mortgage Loans	$56,730	$33,636	$33,845	$—	10.6 %	4.1

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

Liabilities for Which Fair Value is Only Disclosed

Repurchase agreements are not measured at fair value in the statement of position; however, management believes that their carrying value approximates fair value. Repurchase agreements are considered to be level 2 in the valuation hierarchy with significant valuation variables including the amount and timing of expected cash flows, interest rates and collateral funding spreads.

10. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

On April 26, 2013, Newcastle announced that its board of directors had formally declared the distribution of shares of common stock of New Residential, a then wholly owned subsidiary of Newcastle. Following the spin-off, New Residential is an independent, publicly-traded REIT primarily focused on investing in residential mortgage related assets. The spin-off was completed on May 15, 2013 and New Residential began trading on the New York Stock Exchange under the symbol “NRZ”. The spin-off transaction was effected as a taxable pro rata distribution by Newcastle of all the outstanding shares of common stock of New Residential to the stockholders of record of Newcastle as of May 6, 2013. The stockholders of Newcastle as of the record date received one share of New Residential common stock for each share of Newcastle common stock held.

On April 29, 2013, New Residential’s certificate of incorporation was amended so that its authorized capital stock now consists of 2,000,000,000 shares of common stock, par value $0.01 per share, and 100,000,000 shares of preferred stock, par value $0.01 per share. After completion of the spin-off, there are 253,025,645 outstanding shares of common stock which is based on the number of Newcastle’s shares of common stock outstanding on May 6, 2013 and a distribution ratio of one share of New Residential common stock for each share of Newcastle common stock.

On June 3, 2013, New Residential declared a quarterly dividend of $0.07 per common share for the quarter ended June 30, 2013, based on earnings for the period May 16, 2013 to June 30, 2013, which was paid in July 2013.

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Options

Effective upon the spin-off, New Residential has a Nonqualified Stock Option and Incentive Award Plan (the "Plan") which provides for the grant of equity-based awards, including restricted stock, stock options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to the Manager, and to the directors, officers, employees, service providers, consultants and advisor of the Manager who perform services for New Residential, and to New Residential's directors, officers, service providers, consultants and advisors. New Residential has initially reserved 30,000,000 shares of its common stock for issuance under the Plan; on the first day of each fiscal year beginning during the ten-year term of the Plan in and after calendar year 2014, that number will be increased by a number of shares of New Residential's common stock equal to 10% of the number of shares of common stock newly issued by New Residential during the immediately preceding fiscal year (and, in the case of fiscal year 2013, after the effective date of the Plan). New Residential's board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

Prior to the spin-off, Newcastle had issued options to the Manager in connection with capital raising activities. In connection with the spin-off, 21.5 million options that were held by FIG LLC, (the Manager), or by the directors, officers or employees of the Manager, were converted into an adjusted Newcastle option and a new New Residential option. The exercise price of each adjusted Newcastle option and New Residential option was set to collectively maintain the intrinsic value of the Newcastle option immediately prior to the spin-off and to maintain the ratio of the exercise price of the adjusted Newcastle option and the New Residential option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

New Residential's outstanding options at June 30, 2013 consisted of the following:

Number of Options	Strike Price	Maturity Date
116,380	$ 10.91	07/16/13
304,604	12.28	12/01/13
328,350	14.17	01/09/14
343,275	13.86	05/25/14
162,500	16.95	11/22/14
330,000	15.97	01/12/15
2,000	16.68	08/01/15
170,000	15.87	11/01/16
242,000	16.90	01/23/17
456,000	14.96	04/11/17
1,676,833	3.29	03/29/21
2,539,833	2.49	09/27/21
2,000	2.74	12/20/21
1,897,500	3.41	04/03/21

	2,300,000		3.67	05/21/22
	2,530,000		3.67	07/31/22
	5,750,000		5.12	01/11/23
	2,300,000		5.74	02/15/23
	8,000		6.79	06/02/23
Total/WA	21,459,275	$	5.35	

As of June 30, 2013, New Residential's outstanding options were summarized as follows:

Held by the manager	17,735,338
Issued to the Manager and subsequently transferred to certain of the Manager's employees	3,711,937
Issued to the independent directors	12,000
Total	21,459,275

Income and Earnings Per Share

Net income earned prior to the spin-off is included in additional paid-in capital instead of retained earnings since the accumulation of retained earnings began as of the date of spin-off.

New Residential is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period. New Residential's common stock equivalents are its outstanding stock options. During the three and six months ended June 30, 2013, based on the treasury stock method, New Residential had 3,633,843 and 1,826,960 dilutive common stock equivalents, respectively. During the three and six months ended June 30, 2012, New Residential did not have any dilutive common stock equivalents outstanding.

For the purposes of computing EPS for periods prior to the spin-off on May 15, 2013, New Residential treated the common shares issued in connection with the spin-off as if they had been outstanding for all periods presented, similar to a stock split. For the purposes of computing diluted EPS for periods prior to the spin-off on May 15, 2013, New Residential treated the 21.5 million options issued on the spin-off date as a result of the conversion of Newcastle options as if they were granted on May 15, 2013 since no New Residential awards were outstanding prior to that date.

11. COMMITMENTS AND CONTINGENCIES

Litigation – New Residential may, from time to time, be a defendant in legal actions from transactions conducted in the ordinary course of business. As of June 30, 2013, New Residential is not subject to any material litigation, individually or in the aggregate, nor, to management's knowledge, is any material litigation currently threatened against New Residential.

Indemnifications – In the normal course of business, New Residential and its subsidiaries enter into contracts that contain a variety of representations and warranties and that provide general indemnifications.

New Residential's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against New Residential that have not yet occurred. However, based on Newcastle's and its own experience, New Residential expects the risk of material loss to be remote.

Capital Commitments – As of June 30, 2013, New Residential had outstanding capital commitments related to investments in joint ventures in connection with the acquisition of Excess MSRs. See Notes 6 and 15, respectively, for a description of these commitments.

12. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

New Residential has entered into a management agreement with the Manager, an affiliate of Fortress. Pursuant to the Management Agreement, the Manager, under the supervision of New Residential's board of directors, formulates investment strategies, arranges for the acquisition of assets and associated financing, monitors the performance of New Residential's assets and provides certain advisory, administrative and managerial services in connection with the operations of New Residential.

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

In addition, effective May 15, 2013, the Manager is entitled to receive annual incentive compensation in an amount equal to the product of (A) 25% of the dollar amount by which (1) (a) New Residential's Funds from Operations before the incentive compensation per share of common stock, excluding Funds from Operations from investments in equity method investees that are invested in consumer loans as of the date hereof (the Consumer Loan Companies) and any unrealized gains or losses from mark to market valuation changes on Excess MSRs and on equity method investees invested in Excess MSRs, per REIT Share (as defined in the Management Agreement, based on the weighted average number of REIT Shares outstanding), plus (b) earnings (or losses) from the Consumer Loan Companies computed on a level-yield basis (such that the loans are treated as if they qualified as loans acquired with a discount for credit quality as set forth in ASC 310-30, as such codification was in effect on June 30, 2013) as if the Consumer Loan Companies had been acquired at their GAAP basis on May 15, 2013, earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, and gains (or losses) from debt restructuring and gains (or losses) from sales of property and other assets per share of common stock, exceed (2) an amount equal to (a) the weighted average of the book value per share of the equity transferred by Newcastle on the date of the spin-off and the prices per share of New Residential's common stock in any offerings (adjusted for prior capital dividends or capital distributions) multiplied by (b) a simple interest rate of 10% per annum, multiplied by (B) the weighted average number of shares of common stock outstanding. "Funds from Operations" means net income (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and gains (or losses) from sales of property, plus depreciation on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations will be computed on an unconsolidated basis. The computation of funds from operations may be adjusted at the direction of New Residential's independent directors based on changes in, or certain applications of, GAAP. Funds from operations is determined from the date of the spin-off and without regard to Newcastle's prior performance.

In addition to the management fee and incentive compensation, New Residential is responsible for reimbursing the Manager for certain expenses paid by the Manager on behalf of New Residential.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2013
(dollars in tables in thousands, except share data)

Due to affiliate is comprised of the following amounts:

	June 30, 2013	December 31, 2012
Management fees	$ 1,499	$ 3,392
Incentive compensation	878	—
Purchase price payable	1,254	1,744
	$ 3,631	$ 5,136

On June 27, 2013, New Residential purchased Agency ARM RMBS with an aggregate face amount of approximately $22.7 million from Newcastle for approximately $1.2 million, net of related financing. New Residential purchased the securities on the same terms as they were purchased by Newcastle.

See Notes 1, 3 and 6 for a discussion of transactions with Nationstar. As of June 30, 2013, New Residential held on its balance sheet a total face amount of $719.5 million of Non-Agency RMBS serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately $8.1 billion as of June 30, 2013.

See Note 7 for a discussion of a transaction with Springleaf.

13. RECLASSIFICATION FROM ACCUMULATED OTHER COMPREHENSIVE INCOME INTO NET INCOME

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

Accumulated Other Comprehensive Income Components	Statement of Income Location	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Reclassification of net realized (gain) loss on securities into earnings	Gain on settlement of securities	$ (58)	$ (58)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	3,756	3,756
Total reclassifications		$ 3,698	$ 3,698

14. INCOME TAXES

New Residential intends to qualify as a REIT for the tax year ending December 31, 2013. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements. New Residential was a wholly owned subsidiary of Newcastle until May 15, 2013 and, as a qualified REIT subsidiary, was a disregarded entity until such date. As a result, no provision or liability for U.S. federal or state income taxes has been included in the accompanying consolidated financial statements for the periods ended June 30, 2013 or 2012.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES (formerly known as NIC MSR LLC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2013
(dollars in tables in thousands, except share data)

15. RECENT ACTIVITIES

These financial statements include a discussion of material events that have occurred subsequent to June 30, 2013 (referred to as "subsequent events") through the issuance of these consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

On July 1, 2013, New Residential completed an additional closing of Excess MSRs that it agreed to acquire as part of the previously announced transaction between Nationstar and Bank of America (See Note 6). This closing relates to loans held in private label securitizations ("PLS") with a UPB of $43 billion, which represents approximately 45% of the total PLS UPB associated with the transaction (Pool 10). New Residential invested approximately $53 million to acquire the right to receive one-third of the monthly cash flow generated by the MSRs, net of a basic fee paid to Nationstar.

On July 15, 2013 New Residential completed an additional closing of Excess MSRs that it agreed to acquire as part of the previously announced transaction between Nationstar and Bank of America (See Note 6). This closing relates to loans held in PLS with a UPB of $4.0 billion, which represents approximately 4.2% of the total PLS UPB associated with the transaction (Pool 10). New Residential invested approximately $12 million to acquire the right to receive one-third of the monthly cash flow generated by the MSRs, net of a basic fee paid to Nationstar.

On July 18, 2013 New Residential completed an additional closing of Excess MSRs that it agreed to acquire as part of the previously announced transaction between Nationstar and Bank of America (See Note 6). This closing relates to loans that are owned, insured or guaranteed by GNMA with a UPB of about $34.7 billion, which represents all of the GNMA UPB associated with the transaction (Pool 9). New Residential invested approximately $65 million to acquire the right to receive one-third of the monthly cash flow generated by the MSRs, net of a basic fee paid to Nationstar.

On August 1, 2013, a subsidiary of New Residential entered into a master repurchase agreement with Alpine Securitization Corp., an asset-backed commercial paper facility sponsored by Credit Suisse AG, and established a maximum borrowing capacity of $350 million collateralized by its Non-Agency RMBS. This agreement is subject to customary loan covenants and events of default provisions including a 50% market capitalization decline provision, as well as a two to one indebtness to tangible net worth provision. The one year term facility is set to expire in August 2014 and is not subject to margin call provisions. The financing bears interest at LIBOR plus an applicable margin as stated below:

Monthly Payment Date	Applicable Margin	
August 2013 through October 2013	2.25	%
November 2013 through January 2014	2.50	%
February 2014 through April 2014	3.00	%
May 2014 through August 2014	3.50	%

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

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

GENERAL

New Residential is a newly listed public REIT primarily focused on investing in residential mortgage related assets. We are externally managed by an affiliate of Fortress. Our goal is to drive strong risk-adjusted returns primarily through investments in residential real estate related investments including, but not limited to, Excess MSRs, RMBS and residential mortgage loans. New Residential's investment guidelines are purposefully broad to enable us to make investments in a wide array of assets, including mortgage servicing advances and non-real estate related assets such as consumer loans. We generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation. We aim to generate attractive returns for our stockholders without the excessive use of financial leverage.

Our portfolio is currently comprised of co-investments in Excess MSRs, Agency ARM RMBS, Non-Agency RMBS, mortgage loans, consumer loans and cash. A majority of our assets consist of qualifying real estate assets for purposes of Section 3(c)(5)(C) of the 1940 Act, including investments in Agency ARM RMBS. Our asset allocation and target assets may change over time, depending on our Manager's investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below under "—Results of Operations—Our Portfolio."

On May 15, 2013, Newcastle completed the distribution of shares of New Residential to Newcastle stockholders of record as of May 6, 2013. Following the distribution, New Residential is an independent, publicly-traded REIT (NYSE: NRZ).

MARKET CONSIDERATIONS

Various market factors, which are outside of our control, affect our results of operations and financial condition. One such factor is developments in the U.S. residential housing market, which we believe are generating significant investment opportunities. Since the 2008 financial crisis, the residential mortgage industry has been undergoing major structural changes that are transforming the way mortgages are originated, owned and serviced.

A mortgage servicing right, or MSR, provides a mortgage servicer with the right to service a pool of mortgages in exchange for a portion of the interest payments made on the underlying mortgages. This amount typically ranges from 25 to 50 bps times the UPB of the mortgages.

Since 2010, banks have sold or committed to sell MSRs totaling more than $1 trillion of the approximately $10 trillion mortgage market. As of June 30, 2013, approximately 83% of MSRs were still owned by banks. We expect this number to decline as banks face pressure to reduce their MSR exposure as a result of heightened capital reserve requirements under Basel III, regulatory scrutiny and a more challenging servicing environment. As a result, we believe the volume of MSR sales is likely to be substantial for some period of time.

We estimate that MSRs on approximately $300 billion of mortgages are currently for sale, requiring a capital investment of approximately $2 – 3 billion dollars based on current pricing dynamics. We believe many non-bank servicers, who are constrained by capital, will continue to sell a portion of the Excess MSR. We also estimate that approximately $1 – 2 trillion dollars of MSRs could be sold over the next several years. In addition, approximately $1 – 2 trillion dollars of new loans are expected to be created annually. We believe this creates an opportunity to enter into “flow arrangements,” whereby loan originators agree to sell Excess MSRs on a recurring basis (often monthly or quarterly) on newly originated loans. We believe that MSRs are being sold at a material discount to historical pricing levels, although increased competition for these assets has driven prices higher.

Currently, approximately $6 trillion of the $10 trillion of residential mortgages outstanding has been securitized, according to Inside Mortgage Finance. Approximately $5 trillion are Agency ARM RMBS, which are securities issued or guaranteed by a U.S. Government agency, such as Ginnie Mae, or by a GSE, such as Fannie Mae or Freddie Mac. The balance has been securitized by either public or private trusts (“private label securitizations”), and are referred to as Non-Agency RMBS.

Since the financial crisis, there has been significant volatility in the prices for Non-Agency RMBS, which resulted from a widespread contraction in capital available for this asset class, deteriorating housing fundamentals, and an increase in forced selling by institutional investors (often in response to rating agency downgrades). While the prices of these assets have started to recover from their lows, we believe a meaningful gap still exists between current prices and the recovery value of many Non-Agency RMBS. Accordingly, we believe there are opportunities to acquire Non-Agency RMBS at attractive risk-adjusted yields, with the potential for meaningful upside if the U.S. economy and housing market continue to strengthen. We believe the value of existing Non-Agency RMBS may also rise if the number of buyers returns to pre-2007 levels. The primary causes of mark to market changes in our real estate portfolio are changes in interest rates and credit spreads.

Interest rates have risen significantly in recent months and may continue to increase, although the timing of further increases is uncertain. In the second quarter of 2013, the fair value of our investments in Excess MSRs (directly and through equity method investees) increased by approximately $59 million and the weighted average discount rate of the portfolio declined from 18% to 12.5% in part due to the substantial increase in interest rates. Credit spreads decreased, or "tightened," in the first half of 2013 relative to 2012, which has had a favorable impact on the value of our portfolio. Credit spreads measure the yield relative to a specified benchmark that the market demands on securities and loans based on such assets' credit risk. For a discussion of the way in which interest rates, credit spreads and other market factors affect us, see “Item 3. Quantitative and Qualitative Disclosures About Market Risk.”

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates. Management believes that the estimates and assumptions utilized in the preparation of the consolidated financial statements are prudent and reasonable. Actual results historically have been in line with management's estimates and judgments used in applying each of the accounting policies described below, as modified periodically to reflect current market conditions. The following is a summary of our accounting policies that are most affected by judgments, estimates and assumptions.

Excess MSRs

Upon acquisition, we elected to record each investment in Excess MSRs at fair value. We elected to record our investments in Excess MSRs at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on the Excess MSRs.

GAAP establishes a framework for measuring fair value of financial instruments and a set of related disclosure requirements. A three-level valuation hierarchy has been established based on the transparency of inputs to the valuation of a financial instrument as of the measurement date. The three levels are defined as follows:

Level 1—Quoted prices in active markets for identical instruments.

Level 2—Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3—Valuations based significantly on unobservable inputs.

The level in the fair value hierarchy within which a fair value measurement or disclosure in its entirety is based on the lowest level of input that is significant to the fair value measurement or disclosure in its entirety.

Our Excess MSRs are categorized as Level 3 under the GAAP hierarchy. The inputs used in the valuation of Excess MSRs include prepayment speed, delinquency rate, recapture rate, excess mortgage servicing amount and discount rate. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not result in an amount that is indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. Management validates significant inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness. We believe the assumptions we use are within the range that a market participant would use, and factor in the liquidity conditions in the markets. Any changes to the valuation methodology will be reviewed by management to ensure the changes are appropriate.

In order to evaluate the reasonableness of its fair value determinations, management engages an independent valuation firm to separately measure the fair value of its Excess MSRs pools. The independent valuation firm determines an estimated fair value range based on its own models and issues a “fairness opinion” with this range. Management compares the range included in the opinion to the values generated by its internal models. For Excess MSRs acquired prior to the current quarter, the fairness opinion relates to the valuation at the current quarter end date. For Excess MSRs acquired during the current quarter, the fairness opinion relates to the valuation at the time of acquisition. To date, New Residential has not made any significant valuation adjustments as a result of these fairness opinions.

For Excess MSRs acquired during the current quarter, New Residential revalues the Excess MSRs at the quarter end date if a payment is received between the acquisition date and the end of the quarter. Otherwise, Excess MSRs acquired during the current quarter are carried at their amortized cost basis if there has been no change in assumptions since acquisition.

Investments in Excess MSRs are aggregated into pools as applicable; each pool of Excess MSRs is accounted for in the aggregate. Interest income for Excess MSRs is accreted using an effective yield or “interest” method, based upon the expected income from the Excess MSRs through the expected life of the underlying mortgages. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the interest income recognized for a reporting period would be measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, our policy is to recognize interest income only on Excess MSRs in existing eligible underlying mortgages.

Under the fair value election, the difference between the fair value of Excess MSRs and their amortized cost basis is recorded as “Change in fair value of investments in excess mortgage servicing rights,” as applicable. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Excess MSRs, and therefore may differ from their effective yields.

The following tables summarize the estimated change in fair value of our interests in the Excess MSRs owned directly and through equity method investees as of June 30, 2013 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at June 30, 2013	$	447,352 (A)						
Discount rate shift in %	-20%		-10%		10%		20%	
Estimated fair value	$	488,664	$	466,478	$	428,132	$	411,463
Change in estimated fair value:								
Amount	$	41,313	$	19,127	$	(19,219)	$	(35,888)
%		9.2%		4.3%		-4.3%		-8.0%
Prepayment rate shift in %	-20%		-10%		10%		20%	
Estimated fair value	$	488,625	$	466,727	$	427,478	$	409,844
Change in estimated fair value:								
Amount	$	41,274	$	19,376	$	(19,873)	$	(37,507)
%		9.2%		4.3%		-4.4%		-8.4%
Delinquency rate shift in %	-20%		-10%		10%		20%	
Estimated fair value	$	456,047	$	451,220	$	441,568	$	436,739
Change in estimated fair value:								
Amount	$	8,696	$	3,869	$	(5,783)	$	(10,612)
%		1.9%		0.9%		-1.3%		-2.4%
Recapture rate shift in %	-20%		-10%		10%		20%	
Estimated fair value	$	432,242	$	439,250	$	453,559	$	460,716
Change in estimated fair value:								
Amount	$	(15,109)	$	(8,101)	$	6,208	$	13,365
%		-3.4%		-1.8%		1.4%		3.0%

(A) Excludes our share of the non-Excess MSR net assets of the equity method investees of $7.2 million.

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

RMBS

Our Non-Agency RMBS and Agency ARM RMBS are classified as available-for-sale. As such, they are carried at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income, to the extent impairment losses are considered temporary, as described below.

We expect that any RMBS we acquire will be categorized under Level 2 or Level 3 of the GAAP hierarchy described above under "—Application of Critical Account Policies—Excess MSRs," depending on the observability of the inputs. Fair value may be based upon broker quotations, counterparty quotations, pricing services quotations or internal pricing models. The significant inputs used in the valuation of our securities include the discount rate, prepayment speeds, default rates and loss severities, as well as other variables.

The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not be indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. Management validates significant inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness. We believe the assumptions we use are within the range that a market participant would use, and factor in the liquidity conditions in the markets. Any changes to the valuation methodology will be reviewed by management to ensure the changes are appropriate.

Pursuant to ASC 320-10-35, we must also assess whether unrealized losses on securities, if any, reflect a decline in value that is other-than-temporary and, if so, record an other-than-temporary impairment through earnings. A decline in value is deemed to be other-than-temporary if (i) it is probable that we will be unable to collect all amounts due according to the contractual terms of a security that was not impaired at acquisition (there is an expected credit loss), or (ii) if we have the intent to sell a security in an unrealized loss position or it is more likely than not that we will be required to sell a security in an unrealized loss position prior to its anticipated recovery (if any). For the purposes of performing this analysis, we will assume the anticipated recovery period is until the expected maturity of the applicable security. Also, for securities that represent beneficial interests in securitized financial assets within the scope of ASC 325-40, whenever there is a probable adverse change in the timing or amounts of estimated cash flows of a security from the cash flows previously projected, an other-than-temporary impairment will be deemed to have occurred. Our Non-Agency RMBS acquired with evidence of deteriorated credit quality for which it was probable, at acquisition, that we would be unable to collect all contractually required payments receivable, fall within the scope of ASC 310-30, as opposed to ASC 325-40. All of our other Non-Agency RMBS, those not acquired with evidence of deteriorated credit quality, fall within the scope of ASC 325-40.

Pursuant to ASC 835-30-35, income on these securities is recognized using a level yield methodology based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults). These assumptions are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes. These uncertainties and contingencies are difficult to predict and are subject to future events, and economic and market conditions, which may alter the assumptions. For securities acquired at a discount for credit losses, we recognize the excess of all cash flows expected over our investment in the securities as Interest Income on a "loss adjusted yield" basis. The loss-adjusted yield is determined based on an evaluation of the credit status of securities, as described in connection with the analysis of impairment above.

Loans

We invest in loans, including but not limited to, residential mortgage loans. Loans for which we have the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified as held-for-investment. Loans are presented in the consolidated balance sheet at cost net of any unamortized discount (or gross of any unamortized premium). We determine at acquisition whether loans will be aggregated into pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); loans aggregated into pools are accounted for as if each pool were a single loan.

Income on these loans is recognized similarly to that on our securities using a level yield methodology and is subject to similar uncertainties and contingencies, which are also analyzed on at least a quarterly basis.

Impairment of Loans

To the extent that they are classified as held-for-investment, we must periodically evaluate each of these loans or loan pools for possible impairment. Impairment is indicated when it is deemed probable that we will be unable to collect all amounts due according to the contractual terms of the loan, or for loans acquired at a discount for credit losses, when it is deemed probable that we will be unable to collect as anticipated. Upon determination of impairment, we would establish a specific valuation allowance with a corresponding charge to earnings. We continually evaluate our loans receivable for impairment.

Our residential mortgage loans are aggregated into pools for evaluation based on like characteristics, such as loan type and acquisition date. Pools of loans are evaluated based on criteria such as an analysis of borrower performance, credit ratings of borrowers, loan to value ratios, the estimated value of the underlying collateral, the key terms of the loans and historical and anticipated trends in defaults and loss severities for the type and seasoning of loans being evaluated. This information is used to estimate provisions for estimated unidentified incurred losses on pools of loans. Significant judgment is required in determining impairment and in estimating the resulting loss allowance. Furthermore, we must assess our intent and ability to hold our loan investments on a periodic basis. If we do not have the intent to hold a loan for the foreseeable future or until its expected payoff, the loan must be classified as "held for sale" and recorded at the lower of cost or estimated value.

Investment Consolidation

The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered are the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders, the relation of the equity holders to each other and a determination of the primary beneficiary in entities in which we have a variable interest. These analyses involve estimates, based on the assumptions of management, as well as judgments regarding significance and the design of entities.

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

Our investments in Non-Agency RMBS are variable interests. We monitor these investments and analyze the potential need to consolidate the related securitization entities pursuant to the VIE consolidation requirements.

These analyses require considerable judgment in determining whether an entity is a VIE and determining the primary beneficiary of a VIE since they involve subjective determinations of significance, with respect to both power and economics. The result could be the consolidation of an entity that otherwise would not have been consolidated or the de-consolidation of an entity that otherwise would have been consolidated.

We have not consolidated the securitization entities that issued our Non-Agency RMBS. This determination is based, in part, on our assessment that we do not have the power to direct the activities that most significantly impact the economic performance of these entities, such as if we owned a majority of the currently controlling class. In addition, we are not obligated to provide, and have not provided, any financial support to these entities.

We have not consolidated the entities in which we hold a 50% interest that made an investment in Excess MSRs. We have determined that the decisions that most significantly impact the economic performance of these entities will be made collectively by us and the other investor in the entities. In addition, these entities have sufficient equity to permit the entities to finance their activities without additional subordinated financial support. Based on our analysis, these entities do not meet any of the VIE criteria under ASC 810-10-15-14.

Investments in Equity Method Investees

New Residential accounts for its investment in the Consumer Loan Companies pursuant to the equity method of accounting because it can exercise significant influence over the Consumer Loan Companies, but the requirements for consolidation are not met. New Residential's share of earnings and losses in these equity method investees is included in "Earnings from investments in consumer loans, equity method investees" on the Consolidated Statements of Income. Equity method investments are included in "Investments in consumer loans, equity method investees" on the Consolidated Balance Sheets.

The Consumer Loan Companies classify their investments in consumer loans as held-for-investment, as they have the intent and ability to hold for the foreseeable future, or until maturity or payoff. The Consumer Loan Companies record the consumer loans at cost net of any unamortized discount or loss allowance. The Consumer Loan Companies determined at acquisition that these loans would be aggregated into pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); the loans aggregated into pools are accounted for as if each pool were a single loan.

Pursuant to ASC 825-10-25, we have elected to measure our investments in equity method investees which are invested in Excess MSRs at fair value. The equity method investees have also elected to measure their investments in Excess MSRs at fair value pursuant to ASC 825-10-25.

Income Taxes

Our financial results are generally not expected to reflect provisions for current or deferred income taxes. We intend to operate in a manner that allows us to qualify for taxation as a REIT. As a result of our expected REIT qualification, we do not generally expect to pay U.S. federal or state and local corporate level taxes. Many of the REIT requirements, however, are highly technical and complex. If we were to fail to meet the REIT requirements, we would be subject to U.S. federal, state and local income and franchise taxes.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued new guidance regarding the reporting of reclassifications out of accumulated other comprehensive income. The new guidance does not change current requirements for reporting net income or other comprehensive income in the financial statements. However, it requires companies to present the effects on the line items of net income of significant amounts reclassified out of accumulated OCI if the item reclassified is required to be reclassified to net income in its entirety during the same reporting period. Presentation should occur either on the face of the income statement where net income is presented or in the notes to the financial statements. New Residential has early adopted this accounting standard and opted to present this information in a note to the financial statements.

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

We are an emerging growth company as defined in the JOBS Act, and we have irrevocably elected not to take advantage of the delayed adoption of new or revised accounting standards applicable to public companies. We will therefore be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

RESULTS OF OPERATIONS

The following tables summarizes the changes in our results of operations for the three and six months ended June 30, 2013 compared to the three and six months ended June 30, 2012 (dollars in thousands):

	Three Months Ended June 30,		Increase (Decrease)	
	2013	2012	Amount	%
Interest income	$22,999	$4,479	$18,520	413.5 %
Interest expense	2,651	—	2,651	N.M.
Net Interest Income	20,348	4,479	15,869	354.3 %
Impairment				
Other-than-temporary impairment ("OTTI") on securities	3,756	—	3,756	N.M.
Net interest income after impairment	16,592	4,479	12,113	270.4 %
Other Income				
Change in fair value of investments in excess mortgage servicing rights	41,833	3,523	38,310	1087.4 %
Change in fair value of investments in excess mortgage servicing rights, equity method investees	20,127	—	20,127	N.M.
Earnings from investments in consumer loans, equity method investees	36,164	—	36,164	N.M.
Gain on settlement of securities	58	—	58	N.M.
	98,182	3,523	94,659	2686.9 %
Operating Expenses				
General and administrative expenses	602	1,266	(664)	-52.4 %
Management fee allocated by Newcastle	1,809	262	1,547	590.5 %
Management fee to affiliate	2,263	—	2,263	N.M.
Incentive compensation to affiliate	878	—	878	N.M.
	5,552	1,528	4,024	263.4 %
Net Income	$109,222	$6,474	$102,748	1587.1 %

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	Six Months Ended June 30,		Increase (Decrease)	
	2013	2012	Amount	%
Interest income	$ 39,190	$ 6,516	$ 32,674	501.4 %
Interest expense	3,550	—	3,550	N.M.
Net Interest Income	35,640	6,516	29,124	447.0 %
Impairment				
Other-than-temporary impairment ("OTTI") on securities	3,756	—	3,756	N.M.
Net interest income after impairment	31,884	6,516	25,368	389.3 %
Other Income				
Change in fair value of investments in excess mortgage servicing rights	43,691	4,739	38,952	821.9 %
Change in fair value of investments in excess mortgage servicing rights, equity method investees	21,096	—	21,096	N.M.
Earnings from investments in consumer loans, equity method investees	36,164	—	36,164	N.M.
Gain on settlement of securities	58	—	58	N.M.
	101,009	4,739	96,270	2031.4 %
Operating Expenses				
General and administrative expenses	3,321	1,677	1,644	98.0 %
Management fee allocated by Newcastle	4,134	416	3,718	893.8 %
Management fee to affiliate	2,263	—	2,263	N.M.
Incentive compensation to affiliate	878	—	878	N.M.
	10,596	2,093	8,503	406.3 %
Net Income	$ 122,297	$ 9,162	$ 113,135	1234.8 %

Interest Income

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Interest income increased by $18.5 million primarily due to increases in interest income as a result of new investments in real estate securities and excess mortgage servicing rights.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Interest income increased by $32.7 million primarily due to increases in interest income as a result of new investments in real estate securities and excess mortgage servicing rights.

Interest Expense

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Interest expense increased by $2.7 million due to repurchase agreement financing entered into since June 2012 on our Agency ARM RMBS and Non-Agency RMBS.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Interest expense increased by $3.6 million due to repurchase agreement financing entered into since June 2012 on our Agency ARM RMBS and Non-Agency RMBS.

Other than Temporary Impairment (“OTTI”) on Securities

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

The other-than-temporary impairment on securities increased by $3.8 million due to the recognition of impairment on our Agency ARM RMBS and Non-Agency RMBS securities in connection with the spin-off on May 15, 2013.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

The other-than-temporary impairment on securities increased by $3.8 million due to the recognition of impairment on our Agency ARM RMBS and Non-Agency RMBS securities in connection with the spin-off on May 15, 2013.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

The change in fair value of investments in excess mortgage servicing rights increased $38.3 million due to the acquisition of investments in the second quarter of 2012 and subsequent net increases in value.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

The change in fair value of investments in excess mortgage servicing rights increased $39.0 million due to the acquisition of investments in the second quarter of 2012 and subsequent net increases in value.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights, Equity Method Investees

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

The change in fair value of investments in excess mortgage servicing rights, equity method investees increased $20.1 million due to the acquisition of these investments in 2013 and subsequent net increases in value.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

The change in fair value of investments in excess mortgage servicing rights, equity method investees increased $21.1 million due to the acquisition of these investments in 2013 and subsequent net increases in value.

Earnings from Investments in Consumer Loans, Equity Method Investees

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Earnings from investments in consumer loans, equity method investees increased $36.2 million due to the acquisition of these investments in the second quarter of 2013 and subsequent income recognized by the investees.

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Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Earnings from investments in consumer loans, equity method investees increased $36.2 million due to the acquisition of these investments in the second quarter of 2013 and subsequent income recognized by the investees.

Gain on Settlement of Securities

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Gain on settlement of securities increased by $58 thousand due to the sale of two Non-Agency RMBS during the three months ended June 30, 2013.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Gain on settlement of securities increased by $58 thousand due to the sale of two Non-Agency RMBS during the six months ended June 30, 2013.

General and Administrative Expenses

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

General and administrative expenses decreased by $0.7 million primarily due to a decrease in professional fees associated with acquiring new investments.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

General and administrative expense increased by $1.6 million primarily due to an increase in professional fees primarily related to the investment in consumer loans.

Management Fee Allocated by Newcastle

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Management fee allocated by Newcastle increased $1.5 million due to an increase in our equity, as a result of capital contributions from Newcastle subsequent to the first quarter of 2012.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Management fee allocated by Newcastle increased by $3.7 million due to an increase in our equity, as a result of capital contributions from Newcastle subsequent to the first quarter of 2012.

Management Fee to Affiliate

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Management fee to affiliate increased $2.3 as a result of the management agreement becoming effective on May 15, 2013.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Management fee to affiliate increased $2.3 as a result of the management agreement becoming effective on May 15, 2013.

Incentive Compensation to Affiliate

Three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Incentive compensation to affiliate increased $0.9 million as a result of the management agreement becoming effective on May 15, 2013 and subsequent investment performance.

Six months ended June 30, 2013 compared to the six months ended June 30, 2012

Incentive compensation to affiliate increased $0.9 million as a result of the management agreement becoming effective on May 15, 2013 and subsequent investment performance.

OUR PORTFOLIO

Our portfolio is currently comprised of Excess MSRs, Agency and Non-Agency RMBS, residential mortgage loans and consumer loans, as described in more detail below. A majority of our assets consist of qualifying real estate assets for purposes of Section 3(c)(5)(C) of the 1940 Act, including investments in Agency ARM RMBS. Our asset allocation and target assets may change over time, depending on our Manager's investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below.

Excess MSRs

As of June 30, 2013, we had approximately $454.6 million estimated carrying value of Excess MSRs (held directly and through joint ventures), including deposits on investments that have not closed through joint ventures. As of June 30, 2013, our completed investments represent a 33% to 65% interest in the Excess MSRs (held either directly or through joint ventures) on pools of mortgage loans with an aggregate UPB of approximately $153.8 billion. Nationstar is the servicer of the loans underlying all of our investments in Excess MSRs to date, and it earns a basic fee in exchange for providing all servicing functions. In addition, Nationstar retains a 33% to 35% interest in the Excess MSRs and all ancillary income associated with the portfolios. We do not have any servicing duties, liabilities or obligations associated with the servicing of the portfolios underlying any of our investments. Each of our investments to date is subject to a recapture agreement with Nationstar. Under the recapture agreements, we are generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. In other words, we are generally entitled to a pro rata interest in the Excess MSRs on both (i) a loan resulting from a refinancing by Nationstar of a loan in the original portfolio, and (ii) a loan resulting from a refinancing by Nationstar of a previously recaptured loan.

The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of June 30, 2013 (dollars in thousands):

	Collateral Characteristics												
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score (A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage % (B)	1 Month CPR (D)	1 Month CRR (E)	1 Month CDR (F)	1 Mo Re Ra
Pool 1													
Original Pool	$34,515	$9,940,385	$6,579,008	46,209	678	5.7%	277	79	20.0%	32.2%	29.3%	4.1%	52
Recaptured Loans	4,632	—	1,014,430	5,155	747	4.3%	329	5	0.0 %	3.1 %	3.1 %	0.0%	0.
Recapture Agreements	5,383	—	—	—	—	—	—	—	—	—	—	—	—
	44,530	9,940,385	7,593,438	51,364	687	5.5%	284	69	17.3%	28.3%	25.8%	3.5%	46
Pool 2													
Original Pool	33,309	10,383,891	7,843,608	40,966	611	5.0%	317	69	11.0%	27.1%	22.9%	5.3%	52
Recaptured Loans	4,030	—	726,797	3,685	750	4.3%	331	3	0.0 %	0.7 %	0.7 %	0.0%	0.
Recapture Agreements	6,557	—	—	—	—	—	—	—	—	—	—	—	—
	43,896	10,383,891	8,570,405	44,651	623	4.8%	318	63	10.1%	24.9%	21.0%	4.9%	49
Pool 3													
Original Pool	31,663	9,844,114	8,039,505	49,890	677	4.3%	287	92	39.0%	20.0%	17.5%	3.0%	39
Recaptured Loans	1,520	—	341,019	2,080	733	4.1%	329	2	0.0 %	0.9 %	0.9 %	0.0%	0.
Recapture Agreements	5,755	—	—	—	—	—	—	—	—	—	—	—	—
	38,938	9,844,114	8,380,524	51,970	679	4.3%	289	88	37.4%	19.2%	16.8%	2.9%	37
Pool 4													
Original Pool	12,755	6,250,549	5,286,319	26,393	675	3.5%	309	83	58.0%	15.3%	7.3 %	8.5%	40
Recaptured Loans	421	—	94,814	484	752	4.2%	340	3	0.0 %	0.2 %	0.2 %	0.0%	0.
Recapture Agreements	3,533	—	—	—	—	—	—	—	—	—	—	—	—
	16,709	6,250,549	5,381,133	26,877	676	3.5%	310	82	57.0%	15.0%	7.2 %	8.4%	39
Pool 5													
Original Pool	121,009	47,572,905	39,967,801	172,125	655	4.5%	290	88	55.0%	14.8%	6.3 %	9.0%	0.
Recapture Loans	93	—	21,230	74	755	3.6%	334	4	2.0 %	0.0 %	0.0 %	0.0%	0.

Recapture Agreements	3,854	—	—	—	—	—	—	—	—	—	—	—	—
	124,956	47,572,905	39,989,031	172,199	655	4.5%	290	88	55.0%	14.8%	6.3 %	9.0%	0.
Pool 11													
Recapture Agreements	2,391	—	—	—	—	—	—	—	—	—	—	—	—
	2,391	—	—	—	—	—	—	—	—	—	—	—	—
Total/WA	$271,420	$83,991,844	$69,914,531	347,061	659	4.6%	294	82	43.4%	18.0%	11.6%	7.1%	3

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	Collateral Characteristics						
	Uncollected Payments (C)	Delinquency 30 Days (C)	Delinquency 60 Days (C)	Delinquency 90+ Days (C)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Pool 1							
Original Pool	10.1 %	6.0 %	1.9 %	1.2 %	4.2 %	0.9 %	2.7 %
Recaptured Loans	0.5 %	0.4 %	0.1 %	0.0 %	0.1 %	0.0 %	0.0 %
Recapture Agreements	—	—	—	—	—	—	—
	8.8 %	5.3 %	1.7 %	1.0 %	3.7 %	0.8 %	2.3 %
Pool 2							
Original Pool	14.8 %	5.3 %	2.1 %	1.6 %	7.9 %	1.0 %	4.9 %
Recaptured Loans	0.1 %	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Recapture Agreements	—	—	—	—	—	—	—
	13.6 %	4.9 %	1.9 %	1.5 %	7.2 %	0.9 %	4.5 %
Pool 3							
Original Pool	13.6 %	4.6 %	1.3 %	1.0 %	7.3 %	2.2 %	3.3 %
Recaptured Loans	0.2 %	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %	0.1 %
Recapture Agreements	—	—	—	—	—	—	—
	13.1 %	4.4 %	1.2 %	1.0 %	7.0 %	2.1 %	3.2 %
Pool 4							
Original Pool	17.0 %	3.6 %	1.7 %	1.3 %	10.5 %	2.0 %	4.2 %
Recaptured Loans	0.0 %	0.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Recapture Agreements	—	—	—	—	—	—	—
	16.7 %	3.5 %	1.7 %	1.3 %	10.3 %	2.0 %	4.1 %
Pool 5							
Original Pool	25.1 %	9.8 %	2.0 %	3.4 %	15.7 %	1.9 %	4.9 %
Recapture Loans	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Recapture Agreements	—	—	—	—	—	—	—
	25.1 %	9.8 %	2.0 %	3.4 %	15.7 %	1.9 %	4.9 %
Pool 11							
Recapture Agreements	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Total/WA	19.8 %	7.6 %	1.8 %	2.4 %	11.9 %	1.7 %	4.3 %

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

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

(C) Uncollected Payments represents the percentage of the total principal balance of the pool that corresponds to loans for which the most recent payment was not made. Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30–59 days, 60–89 days or 90 or more days, respectively.

(D) 1 Month CPR or the constant prepayment rate represents the annualized rate of the prepayments during the month as a percentage of the total principal balance of the pool.

(E) 1 Month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the month as a percentage of the total principal balance of the pool.

(F) 1 Month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the month as a percentage of the total principal balance of the pool.

The following table summarizes the collateral characteristics as of June 30, 2013 of the loans underlying Excess MSR investments made through equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 67% interest in the Excess MSRs.

Collateral Characteristics

	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score (A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage % (B)	1 Month CPR (D)	1 Month CRR (E)	1 Month CDR (F)
Pool 6												
Original Pool	$43,649	$12,987,190	$10,800,203	75,183	662	5.6%	307	52	0.0 %	26.2%	22.5%	4.8 %
Recaptured Loans	490	—	349,152	721	717	3.5%	357	1	0.0 %	0.0 %	0.0 %	0.0 %
Recapture Agreements	13,284	—	—	—	—	—	—	—	—	—	—	—
	57,423	12,987,190	11,149,355	75,904	664	5.5%	309	50	0.0 %	25.5%	21.9%	4.6 %
Pool 7 (G)												
Original Pool	112,559	37,965,199	34,244,919	234,275	682	5.1%	282	83	24.0%	22.5%	22.4%	0.1 %
Recaptured Loans	387	—	235,779	1,525	727	4.3%	325	1	0.0 %	0.0 %	0.0 %	0.0 %
Recapture Agreements	25,965	—		—	—	—	—	—	—	—	—	—
	138,911	37,965,199	34,480,698	235,800	682	5.1%	282	82	23.8%	22.3%	22.2%	0.1 %
Pool 8 (H)												
Original Pool	57,538	17,655,383	15,140,773	93,328	701	5.5%	292	73	14.0%	35.5%	34.4%	1.7 %
Recaptured Loans	422	—	276,771	1,539	763	4.3%	322	1	0.0 %	0.1 %	0.1 %	0.0 %
Recapture Agreements	14,103	—	—	—	—	—	—	—	—	—	—	—
	72,063	17,655,383	15,417,544	94,867	702	5.5%	293	72	13.7%	34.9%	33.8%	1.7 %
Pool 11												
Original Pool	55,797	22,817,213	22,817,213	137,843	614	5.4%	294	68	4.0 %	N/A	N/A	N/A
Recapture Agreements	27,669	—	—	—	—	—	—	—	—	—	—	—
	83,466	22,817,213	22,817,213	137,843	614	5.4%	294	68	4.0 %	0.0 %	0.0 %	0.0 %
Total/WA	$351,863	$91,424,985	$83,864,810	544,414	665	5.3%	291	72	13.4%	19.0%	18.3%	1.0 %

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	Collateral Characteristics						
	Uncollected Payments (C)	Delinquency 30 Days (C)	Delinquency 60 Days (C)	Delinquency 90+ Days (C)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Pool 6							
Original Pool	12.4 %	6.2 %	1.7 %	1.7 %	6.6 %	0.6 %	2.2 %
Recaptured Loans	0.0 %	0.0 %	0.2 %	0.0 %	0.0 %	0.0 %	0.0 %
Recapture Agreements	—	—	—	—	—	—	—
	12.0 %						