New Residential Investment Corp.
Form 10-Q
August 03, 2017

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, 2017

or

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

For the transition period from ________________to________________

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

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

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

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

Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the last practicable date.
Common stock, $0.01 par value per share: 307,361,309 shares outstanding as of July 27, 2017.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- competition within the finance and real estate industries;

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

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$1,304,666	$1,399,455
Excess mortgage servicing rights, equity method investees, at fair value	181,610	194,788
Mortgage servicing rights, at fair value	1,749,343	659,483
Mortgage servicing rights financing receivable, at fair value	118,483	—
Servicer advances, at fair value[(A)]	4,836,754	5,706,593
Real estate securities, available-for-sale	7,423,273	5,073,858
Residential mortgage loans, held-for-investment	757,421	190,761
Residential mortgage loans, held-for-sale[(A)]	1,001,472	696,665
Real estate owned	95,492	59,591
Consumer loans, held-for-investment[(A)]	1,569,388	1,799,486
Consumer loans, equity method investees	45,036	—
Cash and cash equivalents[(A)]	560,016	290,602
Restricted cash	157,344	163,095
Trades receivable	2,677,542	1,687,788
Deferred tax asset, net	65,678	151,284
Other assets	456,497	326,080
	$23,000,015	$18,399,529
Liabilities and Equity		
Liabilities		
Repurchase agreements	$8,261,398	$5,190,631
Notes and bonds payable[(A)]	7,787,782	7,990,605
Trades payable	1,814,344	1,381,968
Due to affiliates	64,813	47,348
Dividends payable	153,678	115,356
Accrued expenses and other liabilities	299,042	205,444
	18,381,057	14,931,352
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 307,361,309 and 250,773,117 issued and outstanding at June 30, 2017 and December 31, 2016, respectively	3,074	2,507
Additional paid-in capital	3,756,016	2,920,730
Retained earnings	352,414	210,500
Accumulated other comprehensive income (loss)	313,300	126,363

Total New Residential stockholders’ equity	4,424,804	3,260,100
Noncontrolling interests in equity of consolidated subsidiaries	194,154	208,077
Total Equity	4,618,958	3,468,177
	$23,000,015	$18,399,529

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

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

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income	$471,952	$ 277,477	$764,490	$ 467,513
Interest expense	115,157	100,685	213,386	181,913
Net Interest Income	356,795	176,792	551,104	285,600
Impairment				
Other-than-temporary impairment (OTTI) on securities	5,115	2,819	7,227	6,073
Valuation and loss provision on loans and real estate owned	20,771	16,825	38,681	23,570
	25,886	19,644	45,908	29,643
Net interest income after impairment	330,909	157,148	505,196	255,957
Servicing revenue, net	170,851	—	211,453	—
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(19,180)	(15,263)	(18,359)	(7,337)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	4,246	(675)	4,002	2,347
Change in fair value of investments in mortgage servicing rights financing receivable	5,596	—	5,596	—
Change in fair value of investments in servicer advances	56,969	13,946	59,528	(17,278)
Gain on consumer loans investment	—	—	—	9,943
Gain on remeasurement of consumer loans investment	—	—	—	71,250
Gain (loss) on settlement of investments, net	13,371	(14,271)	(303)	(26,517)
Earnings from investments in consumer loans, equity method investees	5,880	—	5,880	—
Other income (loss), net	(9,035)	(3,460)	(2,191)	(20,209)
	57,847	(19,723)	54,153	12,199
Operating Expenses				
General and administrative expenses	16,042	7,224	27,869	19,305
Management fee to affiliate	14,186	10,008	27,260	20,016
Incentive compensation to affiliate	40,172	4,929	52,632	6,125
Loan servicing expense	13,002	14,119	26,378	15,850
Subservicing expense	55,958	—	73,662	—
	139,360	36,280	207,801	61,296
Income Before Income Taxes	420,247	101,145	563,001	206,860
Income tax expense (benefit)	82,844	7,518	88,440	(2,705)
Net Income	$337,403	$ 93,627	$474,561	$ 209,565
Noncontrolling Interests in Income of Consolidated Subsidiaries	$15,671	$ 24,975	$31,451	$ 29,177
Net Income Attributable to Common Stockholders	$321,732	$ 68,652	$443,110	$ 180,388
Net Income Per Share of Common Stock				

Basic	$ 1.05	$ 0.30	$ 1.49	$ 0.78
Diluted	$ 1.04	$ 0.30	$ 1.48	$ 0.78
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	307,344,874	230,478,390	297,029,904	230,474,796
Diluted	309,392,512	230,839,753	298,875,279	230,689,233
Dividends Declared per Share of Common Stock	$ 0.50	$ 0.46	$ 0.98	$ 0.92

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Comprehensive income (loss), net of tax				
Net income	$337,403	$93,627	$474,561	$209,565
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	170,322	60,510	201,960	56,541
Reclassification of net realized (gain) loss on securities into earnings	(16,142)	3,201	(15,023)	(9,678)
	154,180	63,711	186,937	46,863
Total comprehensive income	$491,583	$157,338	$661,498	$256,428
Comprehensive income attributable to noncontrolling interests	$15,671	$24,975	$31,451	$29,177
Comprehensive income attributable to common stockholders	$475,912	$132,363	$630,047	$227,251

See notes to condensed consolidated financial statements.

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

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

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash Flows From Operating Activities		
Net income	$474,561	$209,565
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	18,359	7,337
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(4,002)	(2,347)
Change in fair value of investments in mortgage servicing rights financing receivable	(5,596)	—
Change in fair value of investments in servicer advances	(59,528)	17,278
(Gain) / loss on remeasurement of consumer loans investment	—	(71,250)
(Gain) / loss on settlement of investments (net)	303	26,517
Earnings from investments in consumer loans, equity method investees	(5,880)	—
Unrealized (gain) / loss on derivative instruments	3,684	36,160
Unrealized (gain) / loss on other ABS	(151)	950
(Gain) / loss on transfer of loans to REO	(11,612)	(10,287)
(Gain) / loss on transfer of loans to other assets	(293)	(861)
(Gain) / loss on Excess MSR recapture agreements	(1,342)	(1,420)
Accretion and other amortization	(545,386)	(331,915)
Other-than-temporary impairment	7,227	6,073
Valuation and loss provision on loans and real estate owned	38,681	23,570
Non-cash portions of servicing revenue, net	1,618	—
Non-cash directors’ compensation	698	300
Deferred tax provision	85,606	(4,131)
Changes in:		
Other assets	(25,621)	39,664
Servicer advances receivable	(7,780)	—
Due to affiliates	17,465	(11,802)
Accrued expenses and other liabilities	12,985	29,271
Other operating cash flows:		
Interest received from excess mortgage servicing rights	32,174	82,163
Interest received from servicer advance investments	96,639	94,870
Interest received from Non-Agency RMBS	118,339	50,074
Interest received from residential mortgage loans, held-for-investment	3,097	2,815
Interest received from PCD consumer loans, held-for-investment	28,262	18,567
Distributions of earnings from investments in excess mortgage servicing rights, equity method investees	7,433	15,532
Distributions of earnings from investments in consumer loans, equity method investees	1,229	—
Purchases of residential mortgage loans, held-for-sale	(3,193,841)	(469,665)
Proceeds from sales of purchased residential mortgage loans, held-for-sale	2,523,335	519,615
Principal repayments from purchased residential mortgage loans, held-for-sale	45,867	64,963
Net cash provided by (used in) operating activities	(343,470)	341,606

Continued on next page.

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

	Six Months Ended June 30, 2017	2016
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	—	(2,022)
SpringCastle Transaction, net of cash acquired	—	(49,943)
Restricted cash acquired from SpringCastle transaction	—	74,604
Purchase of servicer advance investments	(6,341,861)	(7,814,541)
Purchase of MSRs and Servicer Advances	(1,177,658)	—
Purchase of Agency RMBS	(4,561,503)	(3,227,130)
Purchase of Non-Agency RMBS	(1,826,031)	(1,273,231)
Purchase of residential mortgage loans	(586,154)	(319)
Purchase of derivatives	—	(4,457)
Purchase of real estate owned and other assets	(19,168)	(9,602)
Purchase of investment in consumer loans, equity method investees	(192,467)	—
Draws on revolving consumer loans	(27,240)	(16,483)
Payments for settlement of derivatives	(98,399)	(52,612)
Return of investments in excess mortgage servicing rights	95,144	94,250
Return of investments in excess mortgage servicing rights, equity method investees	9,747	4,891
Return of investments in consumer loans, equity method investees	136,021	—
Principal repayments from servicer advance investments	7,491,101	8,772,662
Principal repayments from Agency RMBS	50,412	42,442
Principal repayments from Non-Agency RMBS	265,767	143,837
Principal repayments from residential mortgage loans	21,277	17,825
Principal repayments from consumer loans	212,883	100,751
Proceeds from sale of Agency RMBS	3,534,480	3,236,165
Proceeds from sale of Non-Agency RMBS	154,498	95,683
Proceeds from settlement of derivatives	44,764	5,445
Proceeds from sale of real estate owned	38,528	30,484
Net cash provided by (used in) investing activities	(2,775,859)	168,699

Continued on next page.

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

	Six Months Ended June 30, 2017	2016
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(20,745,543)	(12,026,068)
Margin deposits under repurchase agreements and derivatives	(550,012)	(182,666)
Repayments of notes and bonds payable	(4,947,215)	(4,474,167)
Payment of deferred financing fees	(5,325)	(37,144)
Common stock dividends paid	(262,874)	(212,034)
Borrowings under repurchase agreements	23,815,777	12,605,745
Return of margin deposits under repurchase agreements and derivatives	547,290	160,055
Borrowings under notes and bonds payable	4,741,739	3,741,665
Issuance of common stock	835,465	—
Costs related to issuance of common stock	(936)	—
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(45,374)	(28,441)
Purchase of Noncontrolling Interest in the Buyer	—	—
Net cash provided by (used in) financing activities	3,382,992	(453,055)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	263,663	57,250
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	453,697	344,638
Cash, Cash Equivalents, and Restricted Cash, End of Period	$717,360	$401,888
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$198,553	$75,690
Cash paid during the period for income taxes	4,765	265
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$153,678	$106,017
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,814,344	1,431,003
Sale of investments, primarily Agency RMBS, settled after quarter end	2,677,542	1,509,016
Transfer from residential mortgage loans to real estate owned and other assets	71,747	36,485
Non-cash distributions from Consumer Loan Companies	—	25
Non-cash distributions from LoanCo	16,062	—
Non-cash contingent consideration	—	5,581
MSR purchase price holdback	71,265	—
Real estate securities retained from loan securitizations	284,874	36,902
Remeasurement of Consumer Loan Companies noncontrolling interest	—	110,438

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2017
(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

As of June 30, 2017, New Residential conducted its business through the following segments: (i) investments in excess mortgage servicing rights (“Excess MSRs”), (ii) investments in mortgage servicing rights (“MSRs”), (iii) investments in Servicer Advances (including the basic fee component of the related MSRs), (iv) investments in real estate securities, (v) investments in residential mortgage loans, (vi) investments in consumer loans and (vii) corporate.

Approximately 2.4 million shares of New Residential’s common stock were held by Fortress, through its affiliates, and its principals as of June 30, 2017. In addition, Fortress, through its affiliates, held options relating to approximately 16.1 million shares of New Residential’s common stock as of June 30, 2017.

Interim Financial Statements

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential's consolidated financial statements for the year ended December 31, 2016 and notes thereto included in New Residential's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"). Capitalized terms used herein, and not otherwise defined, are defined in New Residential's consolidated financial statements for the year ended December 31, 2016.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies will be required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 is effective for New Residential in the first quarter of 2018. Early adoption is only permitted after December 31, 2016. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in ASU No. 2014-09. New Residential has evaluated the new guidance and determined that interest income, gains and losses on financial instruments and income from servicing residential mortgage loans are outside the scope of ASC No. 606. For income from servicing residential mortgage loans, New Residential considered that the FASB Transition Resource Group members generally agreed that an entity should look to ASC No. 860, Transfers and Servicing, to determine the appropriate accounting for these fees and ASC No. 606 contains a scope exception for contracts that fall under ASC No. 860. As a result, New Residential does not expect the adoption of ASU No. 2014-09 to have a material impact on its condensed consolidated financial statements.

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

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

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. The standard provides guidance on the treatment of certain transactions within the statement of cash flows. ASU No. 2016-15 is effective for New Residential in the first quarter of 2018. Early adoption is permitted. New Residential adopted ASU No. 2016-15 in the third quarter of 2016 and it did not have an impact on its condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory. The standard requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU No. 2016-16 is effective for New Residential in the first quarter of 2018. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements have not been issued. New Residential does not expect the adoption of ASU No. 2016-16 to have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash. The standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. ASU No. 2016-18 is effective for New Residential in the first quarter of 2018. Early adoption

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is permitted. New Residential adopted ASU No. 2016-18 in the fourth quarter of 2016 and has included changes in restricted cash in its statements of cash flows for all periods presented.

2. OTHER INCOME, ASSETS AND LIABILITIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Gain (loss) on sale of real estate securities, net	$21,257	$(382)	$22,250	$15,751
Gain (loss) on sale of residential mortgage loans, net	26,373	(1,672)	28,938	605
Gain (loss) on settlement of derivatives	(27,734)	(14,395)	(39,570)	(44,774)
Gain (loss) on liquidated residential mortgage loans	(3,628)	3	(5,844)	(272)
Gain (loss) on sale of REO	(2,702)	2,835	(5,312)	2,986
Other gains (losses)	(195)	(660)	(765)	(813)
	$13,371	$(14,271)	$(303)	$(26,517)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Unrealized gain (loss) on derivative instruments	$(8,010)	$(11,603)	$(3,684)	$(36,160)
Unrealized gain (loss) on other ABS	(607)	(1,218)	151	(950)
Gain (loss) on transfer of loans to REO	4,978	7,804	11,612	10,287
Gain (loss) on transfer of loans to other assets	81	344	293	861
Gain on Excess MSR recapture agreements	715	688	1,342	1,420
Other income (loss)	(6,192)	525	(11,905)	4,333
	$(9,035)	$(3,460)	$(2,191)	$(20,209)

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Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	June 30, 2017	December 31, 2016		June 30, 2017	December 31, 2016
Margin receivable, net	$58,203	$55,481	Interest payable	$30,230	$23,108
Other receivables	10,837	16,350	Accounts payable	63,160	31,299
Principal and interest receivable	66,159	52,738	Derivative liabilities (Note 10)	55	3,021
Receivable from government agency	45,667	54,706	Current taxes payable	2,688	2,314
Call rights	337	337	Due to servicers	72,445	77,148
Derivative assets (Note 10)	14,177	6,762	MSR purchase price holdback	118,519	60,436
Servicing fee receivables	43,364	7,405	Other liabilities	11,945	8,118
Ginnie Mae EBO servicer advance receivable, net	12,025	14,829		$299,042	$205,444
Due from servicers	35,790	22,134			
Servicer advances receivable, net[(A)]	147,721	81,582			
Prepaid expenses	10,646	9,487			
Other assets	11,571	4,269			
	$456,497	$326,080			

(A) Represents Servicer Advances due to New Residential's licensed servicer subsidiary, New Residential Mortgage LLC (Note 5).

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

	Six Months Ended June 30,	
	2017	2016
Accretion of servicer advance interest income	$316,512	$156,749
Accretion of excess mortgage servicing rights income	49,546	76,231
Accretion of net discount on securities and loans[(A)]	187,039	109,228
Amortization of deferred financing costs	(6,800)	(9,320)
Amortization of discount on notes and bonds payable	(911)	(973)
	$545,386	$331,915

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

3. SEGMENT REPORTING

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

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

	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2017								
Interest income	$18,128	$2,535	$244,308	$113,475	$25,638	$67,698	$170	$471,952
Interest expense	9,005	10,600	40,720	29,571	11,628	13,633	—	115,157
Net interest income (expense)	9,123	(8,065)	203,588	83,904	14,010	54,065	170	356,795
Impairment	—	—	—	5,115	5,261	15,510	—	25,886
Servicing revenue, net	—	170,851	—	—	—	—	—	170,851
Other income (loss)	(14,219)	5,596	54,774	(15,374)	21,174	5,896	—	57,847
Operating expenses	112	59,318	605	297	8,406	11,544	59,078	139,360
Income (Loss) Before Income Taxes	(5,208)	109,064	257,757	63,118	21,517	32,907	(58,908)	420,247
Income tax expense (benefit)	—	(10,666)	88,547	—	4,793	170	—	82,844
Net Income (Loss)	$(5,208)	$119,730	$169,210	$63,118	$16,724	$32,737	$(58,908)	$337,403
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$3,328	$—	$—	$12,343	$—	$15,671
Net income (loss) attributable to common stockholders	$(5,208)	$119,730	$165,882	$63,118	$16,724	$20,394	$(58,908)	$321,732

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

Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$—	$9,148	$—	$—	$22,303	$—	$31,451
Net income (loss) attributable to common stockholders	$17,256	$141,139	$184,675	$128,006	$24,323	$36,621	$(88,910)	$443,110

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	Servicing Related Assets			Residential Securities and Loans				
	Excess MSRs	MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
June 30, 2017								
Investments	$1,486,276	$1,867,826	$4,936,226	$7,323,801	$1,854,385	$1,614,424	$—	$19,082,938
Cash and cash equivalents	888	443,792	76,969	6,016	2,521	25,902	3,928	560,016
Restricted cash	24,719	10,476	67,254	—	—	54,895	—	157,344
Other assets	2,424	192,065	83,715	2,759,043	108,829	40,313	13,328	3,199,717
Total assets	$1,514,307	$2,514,159	$5,164,164	$10,088,860	$1,965,735	$1,735,534	$17,256	$23,000,015
Debt	$764,601	$1,008,104	$4,594,409	$6,697,202	$1,461,034	$1,523,830	$—	$16,049,180
Other liabilities	2,177	208,230	20,706	1,830,355	40,252	6,943	223,214	2,331,877
Total liabilities	766,778	1,216,334	4,615,115	8,527,557	1,501,286	1,530,773	223,214	18,381,057
Total equity	747,529	1,297,825	549,049	1,561,303	464,449	204,761	(205,958)	4,618,958
Noncontrolling interests in equity of consolidated subsidiaries	—	—	159,167	—	—	34,987	—	194,154
Total New Residential stockholders' equity	$747,529	$1,297,825	$389,882	$1,561,303	$464,449	$169,774	$(205,958)	$4,424,804
Investments in equity method investees	$181,610	$—	$—	$—	$—	$45,036	$—	$226,646

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended June 30, 2016							
Interest income	$33,263	$ 82,793	$68,214	$ 14,272	$ 78,309	$626	$277,477
Interest expense	5,181	58,795	10,933	6,904	18,872	—	100,685
Net interest income (expense)	28,082	23,998	57,281	7,368	59,437	626	176,792
Impairment	—	—	2,819	855	15,970	—	19,644
Servicing revenue, net	—	—	—	—	—	—	—
Other income (loss)	(15,875)	15,064	(24,403)	5,491	—	—	(19,723)
Operating expenses	298	944	477	2,718	12,614	19,229	36,280
Income (Loss) Before Income Taxes	11,909	38,118	29,582	9,286	30,853	(18,603)	101,145
Income tax expense (benefit)	—	7,397	—	42	75	4	7,518
Net Income (Loss)	$11,909	$ 30,721	$29,582	$ 9,244	$ 30,778	$(18,607)	$93,627

Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$ 10,345	$—	$ —	$ 14,630	$—	$24,975
Net income (loss) attributable to common stockholders	$11,909	$ 20,376	$29,582	$ 9,244	$ 16,148	$(18,607)	$68,652

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	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Six Months Ended June 30, 2016							
Interest income	$76,231	$163,760	$114,127	$33,765	$78,310	$1,320	$467,513
Interest expense	8,115	121,870	18,417	14,294	19,217	—	181,913
Net interest income (expense)	68,116	41,890	95,710	19,471	59,093	1,320	285,600
Impairment	—	—	6,073	7,600	15,970	—	29,643
Servicing revenue, net	—	—	—	—	—	—	—
Other income (loss)	(4,182)	(12,327)	(60,864)	8,364	81,193	15	12,199
Operating expenses	530	2,047	938	6,943	14,218	36,620	61,296
Income (Loss) Before Income Taxes	63,404	27,516	27,835	13,292	110,098	(35,285)	206,860
Income tax expense (benefit)	—	(2,605)	—	(179)	75	4	(2,705)
Net Income (Loss)	$63,404	$30,121	$27,835	$13,471	$110,023	$(35,289)	$209,565
Noncontrolling interests in income (loss) of consolidated subsidiaries	$—	$14,547	$—	$—	$14,630	$—	$29,177
Net income (loss) attributable to common stockholders	$63,404	$15,574	$27,835	$13,471	$95,393	$(35,289)	$180,388

4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

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

	Servicer			
	Nationstar	SLS(A)	Ocwen(B)	Total
Balance as of December 31, 2016	$611,293	$3,935	$784,227	$1,399,455
Purchases	—	—	—	—
Interest income	21,263	(495)	28,778	49,546
Other income	1,342	—	—	1,342
Proceeds from repayments	(62,691)	(1,023)	(63,604)	(127,318)
Change in fair value	215	339	(18,913)	(18,359)
Balance as of June 30, 2017	$571,422	$2,756	$730,488	$1,304,666

(A) Specialized Loan Servicing LLC ("SLS").
(B) Ocwen Loan Servicing LLC, a subsidiary of Ocwen Financial Corporation (together with its subsidiaries, including Ocwen Loan Servicing LLC, "Ocwen"), services the loans underlying the Excess MSRs and Servicer Advances acquired from HLSS.

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

New Residential has entered into a "recapture agreement" with respect to each of the Excess MSR investments serviced by Nationstar and SLS. Under such arrangements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar of a loan in the original portfolio. New Residential has a similar recapture agreement with Ocwen; however, this agreement allows for Ocwen to retain the Excess MSR on recaptured loans up to a threshold and no payments have been made to New Residential under such arrangement to date. These recapture agreements do not apply to New Residential's investments in Servicer Advances (Note 6).

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

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

	June 30, 2017							December 31, 2016
	UPB of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years(A)	Amortized Cost Basis(B)	Carrying Value(C)	Carrying Value(C)
		New Residential(D)	Fortress-managed funds	Nationstar				
Agency								
Original and Recaptured Pools	$72,609,125	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	5.9	$277,034	$304,980	$330,323
Recapture Agreements	—	32.5% - 66.7% (53.2%)	0.0% - 40.0%	20.0% - 35.0%	12.6	21,630	48,995	51,434
	72,609,125				6.4	298,664	353,975	381,757
Non-Agency(E)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	$70,867,185	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	5.3	$167,751	$199,753	$219,980
Recapture Agreements	—	33.3% - 100.0% (59.4%)	0.0% - 50.0%	0.0% - 33.3%	12.5	9,157	20,450	13,491
Ocwen Serviced Pools	111,983,880	100.0%	— %	— %	6.4	706,586	730,488	784,227
	182,851,065				6.3	883,494	950,691	1,017,698
Total	$255,460,190				6.3	$1,182,158	$1,304,666	$1,399,455

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.
(C) Carrying Value represents the fair value of the pools or recapture agreements, as applicable.
(D) Amounts in parentheses represent weighted averages.
(E) New Residential also invested in related Servicer Advances, including the basic fee component of the related MSR as of June 30, 2017 (Note 6) on $169.6 billion UPB underlying these Excess MSRs.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Original and Recaptured Pools	$(21,736)	$(18,694)	$(28,984)	$(12,997)
Recapture Agreements	2,556	3,431	10,625	5,660
	$(19,180)	$(15,263)	$(18,359)	$(7,337)

As of June 30, 2017, a weighted average discount rate of 9.7% was used to value New Residential’s investments in Excess MSRs (directly and through equity method investees).

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

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

	June 30, 2017	December 31, 2016
Excess MSR assets	$344,521	$372,391
Other assets	18,698	17,184
Other liabilities	—	—
Equity	$363,219	$389,575
New Residential's investment	$181,610	$194,788
New Residential's ownership	50.0 %	50.0 %

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income	$8,931	$4,240	$13,114	$12,321
Other income (loss)	(420)	(5,569)	(5,065)	(7,583)
Expenses	(19)	(21)	(45)	(44)
Net income	$8,492	$(1,350)	$8,004	$4,694

New Residential's investments in equity method investees changed during the six months ended June 30, 2017 as follows:

Balance at December 31, 2016	$194,788
Contributions to equity method investees	—
Transfers to direct ownership	—
Distributions of earnings from equity method investees	(7,433)
Distributions of capital from equity method investees	(9,747)
Change in fair value of investments in equity method investees	4,002
Balance at June 30, 2017	$181,610

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

	June 30, 2017					
	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	New Residential Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and Recaptured Pools	$56,215,426	66.7 %	50.0 %	$230,946	$291,907	5.8
Recapture Agreements	—	66.7 %	50.0 %	26,102	52,614	12.8
Total	$56,215,426			$257,048	$344,521	6.5

(A) The remaining interests are held by Nationstar.

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

(C) Represents the carrying value of the Excess MSRs held in equity method investees, in which New Residential holds a 50% interest. Carrying value represents the fair value of the pools or recapture agreements, as applicable.

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

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2017
(dollars in tables in thousands, except share data)

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

	Aggregate Direct and Equity Method Investees Percentage of Total Outstanding Unpaid Principal Amount			
State Concentration	June 30, 2017		December 31, 2016	
California	24.0	%	24.1	%
Florida	8.7	%	8.6	%
New York	8.1	%	7.9	%
Texas	4.6	%	4.6	%
New Jersey	4.2	%	4.2	%
Maryland	3.8	%	3.7	%
Illinois	3.5	%	3.5	%
Virginia	3.1	%	3.1	%
Georgia	3.1	%	3.1	%
Massachusetts	2.7	%	2.7	%
Arizona	2.5	%	2.5	%
Washington	2.5	%	2.6	%
Other U.S.	29.2			