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

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from ________________to________________

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

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

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

(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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 ¨
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: 340,354,429 shares outstanding as of October 26, 2018.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- the availability and terms of capital for future investments;

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

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	$467,061	$1,173,713
Excess mortgage servicing rights, equity method investees, at fair value	154,939	171,765
Mortgage servicing rights, at fair value	2,872,004	1,735,504
Mortgage servicing rights financing receivables, at fair value	1,681,072	598,728
Servicer advance investments, at fair value(A)	799,936	4,027,379
Real estate and other securities, available-for-sale	11,650,257	8,071,140
Residential mortgage loans, held-for-investment (includes $123,606 and $0 at fair value at September 30, 2018 and December 31, 2017, respectively)(A)	776,323	691,155
Residential mortgage loans, held-for-sale	1,996,303	1,725,534
Residential mortgage loans, held-for-sale, at fair value	524,863	—
Real estate owned	115,160	128,295
Residential mortgage loans subject to repurchase	110,181	—
Consumer loans, held-for-investment(A)	1,140,769	1,374,263
Consumer loans, equity method investees	44,787	51,412
Cash and cash equivalents(A)	330,148	295,798
Restricted cash	155,749	150,252
Servicer advances receivable	3,217,121	675,593
Trades receivable	3,424,865	1,030,850
Other assets	629,231	312,181
	$30,090,769	$22,213,562
Liabilities and Equity		
Liabilities		
Repurchase agreements	$14,387,020	$8,662,139
Notes and bonds payable (includes $117,470 and $0 at fair value at September 30, 2018 and December 31, 2017, respectively)(A)	7,254,946	7,084,391
Trades payable	1,791,191	1,169,896
Residential mortgage loans repurchase liability	110,181	—
Due to affiliates	74,135	88,961
Dividends payable	170,177	153,681
Deferred tax liability, net	3,910	19,218
Accrued expenses and other liabilities(A)	462,161	239,114
	24,253,721	17,417,400
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 340,354,429 and 307,361,309 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	3,404	3,074

Additional paid-in capital	4,256,045	3,763,188
Retained earnings	1,014,919	559,476
Accumulated other comprehensive income (loss)	468,952	364,467
Total New Residential stockholders’ equity	5,743,320	4,690,205
Noncontrolling interests in equity of consolidated subsidiaries	93,728	105,957
Total Equity	5,837,048	4,796,162
	$30,090,769	$22,213,562

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

(A) New Residential's Condensed Consolidated Balance Sheets include the assets and liabilities of certain consolidated VIEs, Advance Purchaser LLC (the "Buyer") (Note 6), Shellpoint Asset Funding Trust 2013-1 ("SAFT 2013-1") and the Shelter retail mortgage origination joint ventures ("Shelter JVs") (Note 8) and the Consumer Loan SPVs (Note 9), which primarily hold investments in Servicer Advance Investments, residential mortgage loans and consumer loans, respectively, financed with notes and bonds payable. The balance sheets of the Buyer, SAFT 2013-1, Shelter JVs and the Consumer Loan SPVs are included in Notes 6, 8 and 9, respectively. The creditors of the Buyer, SAFT 2013-1, Shelter JVs and the Consumer Loan SPVs do not have recourse to the general credit of New Residential and the assets of the Buyer, SAFT 2013-1, Shelter JVs 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest income	$425,524	$ 397,722	$1,212,902	$1,162,212
Interest expense	162,806	125,278	421,109	338,664
Net Interest Income	262,718	272,444	791,793	823,548
Impairment				
Other-than-temporary impairment (OTTI) on securities	3,889	1,509	23,190	8,736
Valuation and loss provision (reversal) on loans and real estate owned (REO)	5,471	26,700	28,136	65,381
	9,360	28,209	51,326	74,117
Net interest income after impairment	253,358	244,235	740,467	749,431
Servicing revenue, net	175,355	58,014	538,784	269,467
Gain on sale of originated mortgage loans, net	45,732	—	45,732	—
Other Income				
Change in fair value of investments in excess mortgage servicing rights	(4,744)	(14,291)	(55,711)	(32,650)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	3,396	2,054	5,624	6,056
Change in fair value of investments in mortgage servicing rights financing receivables	(88,345)	70,232	63,628	75,828
Change in fair value of servicer advance investments	(5,353)	10,941	(86,581)	70,469
Gain (loss) on settlement of investments, net	(11,893)	1,553	106,064	1,250
Earnings from investments in consumer loans, equity method investees	4,555	6,769	12,343	12,649
Other income (loss), net	19,086	9,887	39,047	7,696
	(83,298)	87,145	84,414	141,298
Operating Expenses				
General and administrative expenses	98,587	19,919	139,169	47,788
Management fee to affiliate	15,464	14,187	46,027	41,447
Incentive compensation to affiliate	23,848	19,491	65,169	72,123
Loan servicing expense	11,060	13,690	33,609	40,068
Subservicing expense	43,148	49,773	135,703	123,435
	192,107	117,060	419,677	324,861
Income Before Income Taxes	199,040	272,334	989,720	835,335
Income tax expense (benefit)	3,563	32,613	(5,957)	121,053
Net Income	$195,477	$ 239,721	$995,677	$714,282
Noncontrolling Interests in Income of Consolidated Subsidiaries	$10,869	$ 13,600	$32,058	$45,051
Net Income Attributable to Common Stockholders	$184,608	$ 226,121	$963,619	$669,231

Net Income Per Share of Common Stock

Basic	$0.54	$0.74	$2.87	$2.23
Diluted	$0.54	$0.73	$2.86	$2.21
Weighted Average Number of Shares of Common Stock Outstanding				
Basic	340,044,440	307,361,309	335,615,566	300,511,550
Diluted	340,868,403	309,207,345	337,078,824	302,357,147
Dividends Declared per Share of Common Stock	$0.50	$0.50	$1.50	$1.48

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Comprehensive income (loss), net of tax				
Net income	$195,477	$239,721	$995,677	$714,282
Other comprehensive income (loss)				
Net unrealized gain (loss) on securities	(22,445)	75,845	14,600	277,805
Reclassification of net realized (gain) loss on securities into earnings	32,626	(5,833)	89,885	(20,856)
	10,181	70,012	104,485	256,949
Total comprehensive income	$205,658	$309,733	$1,100,162	$971,231
Comprehensive income attributable to noncontrolling interests	$10,869	$13,600	$32,058	$45,051
Comprehensive income attributable to common stockholders	$194,789	$296,133	$1,068,104	$926,180

See notes to condensed consolidated financial statements.

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

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2017	307,361,309	$3,074	$3,763,188	$559,476	$364,467	$4,690,205	$105,957	$4,796,162
Dividends declared	—	—	—	(508,176)	—	(508,176)	—	(508,176)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(51,735)	(51,735)
Issuance of common stock	29,241,659	292	491,312	—	—	491,604	—	491,604
Option exercise	3,694,228	37	(37)	—	—	—	—	—
Other dilution	—	—	(63)	—	—	(63)	—	(63)
Purchase of Noncontrolling Interests	—	—	627	—	—	627	7,448	8,075
Director share grants	57,233	1	1,018	—	—	1,019	—	1,019
Comprehensive income (loss)								
Net income (loss)	—	—	—	963,619	—	963,619	32,058	995,677
Net unrealized gain (loss) on securities	—	—	—	—	14,600	14,600	—	14,600
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	89,885	89,885	—	89,885
Total comprehensive income (loss)						1,068,104	32,058	1,100,162
Equity - September 30, 2018	340,354,429	$3,404	$4,256,045	$1,014,919	$468,952	$5,743,320	$93,728	$5,837,048

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

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2016	250,773,117	$2,507	$2,920,730	$210,500	$126,363	$3,260,100	$208,077	$3,468,177
Dividends declared	—	—	—	(454,877)	—	(454,877)	—	(454,877)
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(70,493)	(70,493)
Issuance of common stock	56,545,787	566	833,963	—	—	834,529	—	834,529
Purchase of noncontrolling interests in the Buyer	—	—	9,183	—	—	9,183	(75,043)	(65,860)
Other dilution	—	—	(4,202)	—	—	(4,202)	—	(4,202)
Director share grants	42,405	1	698	—	—	699	—	699
Comprehensive income (loss)								
Net income (loss)	—	—	—	669,231	—	669,231	45,051	714,282
Net unrealized gain (loss) on securities	—	—	—	—	277,805	277,805	—	277,805
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	(20,856)	(20,856)	—	(20,856)
Total comprehensive income (loss)						926,180	45,051	971,231
Equity - September 30, 2017	307,361,309	$3,074	$3,760,372	$424,854	$383,312	$4,571,612	$107,592	$4,679,204

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2018	2017
Cash Flows From Operating Activities		
Net income	$995,677	$714,282
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	55,711	32,650
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(5,624)	(6,056)
Change in fair value of investments in mortgage servicing rights financing receivables	(63,628)	(75,828)
Change in fair value of servicer advance investments	86,581	(70,469)
Change in fair value of residential mortgage loans, at fair value, and notes and bonds payable, at fair value	1,462	—
(Gain) / loss on settlement of investments (net)	(106,064)	(1,250)
Earnings from investments in consumer loans, equity method investees	(12,343)	(12,649)
Unrealized (gain) / loss on derivative instruments	(27,985)	124
Unrealized (gain) / loss on other ABS	(12,001)	(340)
(Gain) / loss on transfer of loans to REO	(16,609)	(16,791)
(Gain) / loss on transfer of loans to other assets	1,648	(359)
(Gain) / loss on Excess MSRs	(5,257)	(1,948)
(Gain) / loss on Ocwen common stock	(4,655)	(6,987)
Accretion and other amortization	(528,981)	(811,922)
Other-than-temporary impairment	23,190	8,736
Valuation and loss provision on loans and real estate owned	28,136	65,381
Non-cash portions of servicing revenue, net	(35,118)	81,986
Non-cash directors’ compensation	1,019	699
Deferred tax provision	(12,680)	114,016
Changes in:		
Servicer advances receivable	441,351	(7,774)
Other assets	(168,862)	(35,799)
Due to affiliates	(14,826)	32,276
Accrued expenses and other liabilities	161,246	48,442
Other operating cash flows:		
Interest received from excess mortgage servicing rights	33,521	53,067
Interest received from servicer advance investments	25,901	136,431
Interest received from Non-Agency RMBS	156,420	170,931
Interest received from residential mortgage loans, held-for-investment	6,656	5,906
Interest received from PCD consumer loans, held-for-investment	27,681	40,762
Distributions of earnings from excess mortgage servicing rights, equity method investees	7,976	11,054
Distributions of earnings from consumer loan equity method investees	6,176	4,291
Purchases of residential mortgage loans, held-for-sale	(3,295,378)	(4,146,740)
Origination of residential mortgage loans, held-for-sale	(1,678,606)	—
Proceeds from sales of purchased and originated residential mortgage loans, held-for-sale	3,706,334	2,986,992
Principal repayments from purchased residential mortgage loans, held-for-sale	146,170	69,069
Net cash provided by (used in) operating activities	(75,761)	(617,817)

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

	Nine Months Ended September 30,	
	2018	2017
Cash Flows From Investing Activities		
Acquisition of Shellpoint, net of cash acquired	(118,285)	—
Purchase of servicer advance investments	(1,790,635)	(9,328,137)
Purchase of MSRs, MSR financing receivables and servicer advances receivable	(971,079)	(1,586,063)
Purchase of Agency RMBS	(6,574,783)	(6,352,488)
Purchase of Non-Agency RMBS	(2,714,991)	(2,070,898)
Purchase of residential mortgage loans	(85,778)	(585,983)
Purchase of derivatives	—	—
Purchase of real estate owned and other assets	(26,807)	(25,667)
Purchase of investment in consumer loans, equity method investees	(292,616)	(344,902)
Draws on revolving consumer loans	(45,017)	(41,930)
Payments for settlement of derivatives	(59,113)	(146,898)
Return of investments in excess mortgage servicing rights	43,690	142,626
Return of investments in excess mortgage servicing rights, equity method investees	14,474	14,157
Return of investments in consumer loans, equity method investees	279,669	276,601
Principal repayments from servicer advance investments	1,845,411	10,898,739
Principal repayments from Agency RMBS	76,515	76,744
Principal repayments from Non-Agency RMBS	565,460	615,657
Principal repayments from residential mortgage loans	110,770	59,673
Proceeds from sale of residential mortgage loans	21,278	—
Principal repayments from consumer loans	237,129	312,132
Proceeds from sale of Agency RMBS	4,121,325	6,205,573
Proceeds from sale of Non-Agency RMBS	81,325	166,460
Proceeds from settlement of derivatives	146,146	81,505
Proceeds from sale of real estate owned	111,459	63,476
Net cash provided by (used in) investing activities	(5,024,453)	(1,569,623)

Continued on next page.

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

	Nine Months Ended September 30,	
	2018	2017
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(58,414,966)	(34,057,218)
Margin deposits under repurchase agreements and derivatives	(1,374,374)	(820,678)
Repayments of notes and bonds payable	(7,512,484)	(7,323,512)
Payment of deferred financing fees	(12,838)	(5,702)
Common stock dividends paid	(491,680)	(416,552)
Borrowings under repurchase agreements	63,696,426	36,713,743
Return of margin deposits under repurchase agreements and derivatives	1,263,220	815,903
Borrowings under notes and bonds payable	7,547,541	6,561,390
Issuance of common stock	492,285	835,465
Costs related to issuance of common stock	(681)	(936)
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(51,735)	(70,493)
Purchase of noncontrolling interests	(653)	(65,860)
Net cash provided by (used in) financing activities	5,140,061	2,165,550
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	39,847	(21,890)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	446,050	453,697
Cash, Cash Equivalents, and Restricted Cash, End of Period	$485,897	$431,807
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$405,672	$320,804
Cash paid during the period for income taxes	3,176	4,956
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	$170,177	$153,681
Purchase of Agency and Non-Agency RMBS, settled after quarter end	1,791,191	1,076,086
Sale of investments, primarily Agency RMBS, settled after quarter end	3,424,865	1,785,708
Transfer from residential mortgage loans to real estate owned and other assets	88,376	105,750
Non-cash distributions from LoanCo	25,739	30,337
MSR purchase price holdback	8,692	79,045
Shellpoint Acquisition purchase price holdback	10,173	—
Shellpoint Acquisition contingent consideration	42,770	—
Real estate securities retained from loan securitizations	762,056	310,579
Residential mortgage loans subject to repurchase	110,181	—
Ocwen transaction (Note 5) - excess mortgage servicing rights	638,567	23,080
Ocwen transaction (Note 5) - servicer advance investments	3,175,891	71,982
Ocwen transaction (Note 5) - mortgage servicing rights financing receivables	1,017,993	481,220

See notes to condensed consolidated financial statements.

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NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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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. 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 investment funds that until June 2018, owned a majority of the outstanding common stock of OneMain Holdings, Inc. (formerly Springleaf Holdings, Inc.) (together with its subsidiaries, “OneMain”), former managing member of the Consumer Loan Companies (Note 9). The Manager also manages investment funds that until August 2, 2018, indirectly owned approximately 40.5% of the outstanding interests in Nationstar Mortgage LLC (“Nationstar”), a leading residential mortgage servicer. As of September 30, 2018, such ownership of the outstanding interests in Nationstar, through ownership of its parent, WMIH Corp. (“WMIH”), was limited to 2.5%.

As of September 30, 2018, New Residential conducted its business through the following segments: (i) Servicing and Originations, (ii) Residential Securities and Loans, (iii) Consumer Loans and (iv) Corporate.

Approximately 0.5 million shares of New Residential’s common stock were held by Fortress, through its affiliates, as of September 30, 2018. In addition, Fortress, through its affiliates, held options relating to approximately 4.1 million shares of New Residential’s common stock as of September 30, 2018.

Interim Financial Statements

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies are required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 was effective for New Residential in the first quarter of 2018. New Residential has evaluated the new guidance and determined that interest income, gains and losses on financial instruments and income from servicing residential mortgage loans are outside the scope of ASC No. 606. For income from servicing residential mortgage loans, New Residential considered that the FASB Transition Resource Group members generally agreed that an entity should look to ASC No. 860, Transfers and Servicing, to determine the appropriate accounting for these fees and ASC No. 606 contains a scope exception for contracts that fall under ASC No. 860. In addition, NRM determined that ancillary income generated from services for mortgage loans and REO properties represent servicing fees due to a servicer, through contractual terms, that would no longer be received by a servicer if the owners of the serviced loans were to exercise their authority to shift the servicing to another servicer and, therefore, similarly fall under ASC No. 860. Finally, New Residential determined that fee income on residential mortgage loan originations is outside the scope of ASC No. 606 as it continues to be accounted for in accordance with ASC 948. As a result, the adoption of ASU No. 2014-09 did not have a material impact on the condensed consolidated financial statements.

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

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

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

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

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment (Topic 805). The standard simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in the current two-step impairment test. Under the new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit’s carrying value and fair value, but it is limited to the carrying value of goodwill. ASU No. 2017-04 is effective for New Residential in the first quarter of 2020 and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of ASU No. 2017-04 is not expected to have a material impact on the condensed consolidated financial statements.

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In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820). The standard: (i) adds incremental requirements for entities to disclose (a) the amount of total gains or losses for the period recognized in other comprehensive income that is attributable to fair value changes in assets and liabilities held as of the balance sheet date and categorized within Level 3 of the fair value hierarchy, (b) the range and weighted average used to develop significant unobservable inputs and (c) how the weighted average was calculated for fair value measurements categorized within Level 3 of the fair value hierarchy and (ii) eliminates disclosure requirements for (a) transfers between Level 1 and Level 2 and (b) valuation processes for Level 3 fair value measurements. ASU No. 2018-13 is effective for New Residential in the first quarter of 2020. The adoption of ASU No. 2018-13 is not expected to have a material impact on the condensed consolidated financial statements.

Acquisition of Shellpoint Partners LLC

On November 29, 2017, NRM Acquisition LLC (the “Shellpoint Purchaser”), a Delaware limited liability company and a wholly owned subsidiary of New Residential, entered into a Securities Purchase Agreement (the “Shellpoint SPA”) to acquire Shellpoint Partners LLC, a Delaware limited liability company (“Shellpoint”).

On July 3, 2018, the Shellpoint Purchaser acquired 100% of the outstanding equity interests of Shellpoint for a purchase price of $212.3 million (the “Shellpoint Acquisition”). As additional consideration for the Shellpoint Acquisition, the Shellpoint Purchaser may make up to three cash earnout payments, which will be calculated following each of the first three anniversaries of the Shellpoint closing as a percentage of the amount by which the pre-tax income of certain of Shellpoint’s businesses exceeds certain specified thresholds, up to an aggregate maximum amount of $60.0 million (the “Shellpoint Earnout Payments”). The Shellpoint Earnout Payments are classified as contingent consideration recorded at fair value at the acquisition date and included in the total consideration transferred for the Shellpoint Acquisition.

Shellpoint is a vertically integrated mortgage platform with established origination and servicing capabilities and provides New Residential with in-house servicing, asset origination and recapture capabilities. The results of Shellpoint’s operations have been included in the Company’s condensed consolidated statements of income for the three and nine months ended September 30, 2018 from the date of the acquisition and represent $97.0 million and $11.7 million of revenue and net income, respectively.

The acquisition date fair value of the consideration transferred includes $212.3 million in cash consideration, $42.8 million in contingent consideration and $180.3 million in effective settlement of preexisting relationships. The total consideration is summarized as follows:

Total Consideration	Amount
Cash Consideration	$ 212.3
Earnout Payment(A)	42.8
Effective Settlement of Preexisting Relationships(B)	180.3
Total Consideration	$ 435.4

(A) The range of outcomes for this contingent consideration is from $0 to $60.0 million, dependent on the performance of Shellpoint. New Residential derived a fair value of the contingent consideration payment in three years of $48.7 million inclusive of payments to Shellpoint employees of $5.9 million. Contingent payments to the long-term employee incentive plans require continuing employment and will be recognized as compensation expense within General and Administrative expenses in the post-acquisition consolidated financial statements separate from New Residential's acquisition of assets and assumption of liabilities in the business combination. As a result, New Residential recorded contingent consideration of $42.8 million.

(B) Represents the effective settlement of preexisting relationships between New Residential and Shellpoint including 1) MSR acquisitions, 2) a note payable and 3) operating accounts receivable and payable existing prior to the acquisition date. The effective settlement of these preexisting relationships had no impact to New Residential's condensed consolidated statements of income.

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New Residential has performed a preliminary allocation of the total consideration of $435.4 million to Shellpoint's assets and liabilities, as set forth below. The final amount and allocation of total consideration may differ from the amounts included herein to reflect new information obtained primarily relating to the valuation of contingent consideration and intangible assets that existed as of the acquisition date.

Total Consideration ($ in millions)	$435.4
Assets	
Cash and cash equivalents	$84.1
Restricted cash	9.9
Residential mortgage loans, held-for-sale, at fair value	488.2
Mortgage servicing rights, at fair value(A)	286.6
Residential mortgage loans, held-for-investment, at fair value	125.3
Residential mortgage loans subject to repurchase	121.4
Intangible assets	4.3
Other assets	81.1
Total Assets Acquired	$1,200.9
Liabilities	
Repurchase agreements	$439.6
Notes and bonds payable	25.4
Mortgage-backed securities issued, at fair value	120.7
Residential mortgage loans repurchase liability	121.4
Excess spread financing, at fair value	48.3
Accrued expenses and other liabilities	50.7
Total Liabilities Assumed	$806.1
Noncontrolling Interest	$8.3
Net Assets	$386.5
Goodwill	$48.9

(A) Includes $135.3 million of Ginnie Mae MSRs where New Residential acquired the rights to the economic value of the servicing rights from Shellpoint prior to the acquisition date.

The goodwill of $48.9 million primarily includes the synergies and benefits expected to result from combining operations with Shellpoint and adding in-house servicing, asset origination and recapture capabilities. The full amount of goodwill for tax purposes of $46.7 million is expected to be deductible. New Residential will assess the goodwill annually on October 1 and in interim periods in case of events or circumstances make it more likely than not that an impairment may have occurred.

Certain transactions were recognized separately from New Residential's acquisition of assets and assumption of liabilities in the business combination. These separately recognized transactions include 1) contingent payments to Shellpoint's employees and 2) effective settlement of preexisting relationships discussed above.

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Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined Servicing and Originations Revenue, which is comprised of 1) servicing revenue, net and 2) gain on sale of originated mortgage loans, net, and Income Before Income Taxes for the three and nine months ended September 30, 2018 and 2017 prepared as if the Shellpoint Acquisition had been consummated on January 1, 2017.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Pro Forma				
Servicing and Originations Revenue	$221,087	$141,002	$710,742	$513,076
Income Before Income Taxes	199,040	278,274	1,006,743	850,509

The unaudited supplemental pro forma financial information has not been adjusted for transactions other than the Shellpoint Acquisition, or for the conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the Shellpoint Acquisition and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Shellpoint Acquisition occurred on January 1, 2017.

2. OTHER INCOME, ASSETS AND LIABILITIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Gain (loss) on sale of real estate securities, net	$(28,737)	$7,342	$(66,695)	$29,592
Gain (loss) on sale of acquired residential mortgage loans, net	4,065	9,029	(1,358)	37,967
Gain (loss) on settlement of derivatives	19,459	(18,756)	76,092	(58,326)
Gain (loss) on liquidated residential mortgage loans	(1,113)	(2,152)	(2,267)	(7,996)
Gain (loss) on sale of REO	(4,971)	(1,864)	(12,114)	(7,176)
Gains reclassified from change in fair value of investments in excess MSRs and servicer advance investments	—	11,320	113,002	11,320
Other gains (losses)	(596)	(3,366)	(596)	(4,131)
	$(11,893)	$1,553	$106,064	$1,250

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Unrealized gain (loss) on derivative instruments	$24,299	$3,560	$27,985	$(124)
Unrealized gain (loss) on other ABS	7,197	189	12,001	340
Unrealized gain (loss) on residential mortgage loans, held-for-investment, at fair value	647	—	647	—

Unrealized gain (loss) on notes and bonds payable	900	—	900	—
Gain (loss) on transfer of loans to REO	6,119	5,179	16,609	16,791
Gain (loss) on transfer of loans to other assets	(1,528)	66	(1,648)	359
Gain (loss) on Excess MSRs	987	606	5,257	1,948
Gain (loss) on Ocwen common stock	(145)	6,987	4,655	6,987
Other income (loss)	(19,390)	(6,700)	(27,359)	(18,605)
	$19,086	$9,887	$39,047	$7,696

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Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	September 30, 2018	December 31, 2017		September 30, 2018	December 31, 2017
Margin receivable, net	$163,357	$53,150	Interest payable	$38,284	$28,821
Other receivables	23,023	10,635	Accounts payable	109,852	73,017
Principal and interest receivable	66,283	48,373	Derivative liabilities (Note 10)	2,294	697
Receivable from government agency	20,158	41,429	Due to servicers	73,524	24,571
Call rights	290	327	MSR purchase price holdback	109,982	101,290
Derivative assets (Note 10)	27,212	2,423	Excess spread financing, at fair value	44,374	—
Servicing fee receivables	76,815	60,520	Contingent Consideration	42,770	—
Ginnie Mae EBO servicer advances receivable, net	934	8,916	Reserve for sales recourse	6,214	—
Due from servicers	74,539	38,601	Other liabilities	34,867	10,718
Goodwill	48,921	—		$462,161	$239,114
Intangible assets	4,308	—			
Ocwen common stock, at fair value	23,876	19,259			
Prepaid expenses	13,976	7,308			
Other assets	85,539	21,240			
	$629,231	$312,181			

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

	Nine Months Ended September 30,	
	2018	2017
Accretion of servicer advances receivable discount and servicer advance investments	$207,428	$451,824
Accretion of excess mortgage servicing rights income	32,371	75,237
Accretion of net discount on securities and loans(A)	296,961	295,753
Amortization of deferred financing costs	(6,180)	(9,525)
Amortization of discount on notes and bonds payable	(1,599)	(1,367)
	$528,981	$811,922

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

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) Servicing and Originations, (ii) Residential Securities and Loans, (iii) Consumer Loans and (iv) Corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation related to the Management Agreement and (iii) corporate cash and related interest income. Securities owned by New Residential (Note 7) that are collateralized by servicer advances and consumer loans are included in the Servicing and Originations and Consumer Loans segments, respectively. Secured corporate loans effectively collateralized by Excess MSRs are included in the

Servicing and Originations segment.

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During the third quarter of 2018, New Residential changed the composition of its reportable segments primarily to reflect the (i) aggregation of the similar MSR, Excess MSR and Servicer Advance segments as the new Servicing and Originations segment and (ii) incorporation of the Shellpoint Acquisition. Segment information for prior periods has been restated to reflect this change.

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:

		Residential Securities and Loans				
	Servicing and Originations	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Three Months Ended September 30, 2018						
Interest income	$ 193,424	$ 138,197	$ 42,942	$ 50,961	$—	$ 425,524
Interest expense	62,994	67,117	22,374	10,321	—	162,806
Net interest income (expense)	130,430	71,080	20,568	40,640	—	262,718
Impairment	—	3,889	(4,436)	9,907	—	9,360
Servicing revenue, net	175,355	—	—	—	—	175,355
Gain on sale of originated mortgage loans, net	45,732	—	—	—	—	45,732
Other income (loss)	(92,243)	17,994	(12,729)	3,795	(115)	(83,298)
Operating expenses	132,542	63	6,436	8,467	44,599	192,107
Income (Loss) Before Income Taxes	126,732	85,122	5,839	26,061	(44,714)	199,040
Income tax expense (benefit)	495	—	3,100	(32)	—	3,563
Net Income (Loss)	$ 126,237	$ 85,122	$ 2,739	$ 26,093	$ (44,714)	$ 195,477
Noncontrolling interests in income (loss) of consolidated subsidiaries	$ 1,086	$—	$ —	$ 9,783	$—	$ 10,869
Net income (loss) attributable to common stockholders	$ 125,151	$ 85,122	$ 2,739	$ 16,310	$ (44,714)	$ 184,608

		Residential Securities and Loans				
	Servicing and Originations	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2018						
Interest income	$ 579,824	$ 354,922	$ 118,019	$ 158,631	$ 1,506	$ 1,212,902
Interest expense	173,759	157,195	57,299	32,856	—	421,109
Net interest income (expense)	406,065	197,727	60,720	125,775	1,506	791,793
Impairment	—	23,190	(8,683)	36,819	—	51,326
Servicing revenue, net	538,784	—	—	—	—	538,784
Gain on sale of originated mortgage loans, net	45,732	—	—	—	—	45,732
Other income (loss)	48,128	45,346	(27,219)	13,363	4,796	84,414
Operating expenses	235,417	1,003	25,658	26,743	130,856	419,677
Income (Loss) Before Income Taxes	803,292	218,880	16,526	75,576	(124,554)	989,720

Income tax expense (benefit)	(6,458)	—	289	212	—	(5,957)
Net Income (Loss)	$ 809,750	$218,880	$16,237	$75,364	$(124,554)	$995,677
Noncontrolling interests in income (loss) of consolidated subsidiaries	$ 3,525	$—	$—	$28,533	$—	$32,058
Net income (loss) attributable to common stockholders	$ 806,225	$218,880	$16,237	$46,831	$(124,554)	$963,619

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	Servicing and Originations	Residential Securities and Loans		Consumer Loans	Corporate	Total
		Real Estate Securities	Residential Mortgage Loans			
September 30, 2018						
Investments	$6,722,697	$11,650,257	$2,775,145	$1,185,556	$—	$22,333,655
Cash and cash equivalents	260,353	2,841	3,764	22,050	41,140	330,148
Restricted cash	119,243	—	—	36,506	—	155,749
Other assets	3,411,968	3,631,769	48,846	42,855	86,858	7,222,296
Goodwill	48,921	—	—	—	—	48,921
Total assets	$10,563,182	$15,284,867	$2,827,755	$1,286,967	$127,998	$30,090,769
Debt	$6,824,326	$11,423,562	$2,291,314	$1,102,764	$—	$21,641,966
Other liabilities	476,430	1,839,578	33,977	10,662	251,108	2,611,755
Total liabilities	7,300,756	13,263,140	2,325,291	1,113,426	251,108	24,253,721
Total equity	3,262,426	2,021,727	502,464	173,541	(123,110)	5,837,048
Noncontrolling interests in equity of consolidated subsidiaries	62,480	—	—	31,248	—	93,728
Total New Residential stockholders' equity	$3,199,946	$2,021,727	$502,464	$142,293	$(123,110)	$5,743,320
Investments in equity method investees	$154,939	$—	$—	$44,787	$—	$199,726

	Servicing and Originations	Residential Securities and Loans		Consumer Loans	Corporate	Total
		Real Estate Securities	Residential Mortgage Loans			
Three Months Ended September 30, 2017						
Interest income	$ 188,194	$114,181	$ 31,645	$ 63,527	$175	$397,722
Interest expense	61,418	35,211	15,487	13,162	—	125,278
Net interest income (expense)	126,776	78,970	16,158	50,365	175	272,444
Impairment	—	1,509	14,099	12,601	—	28,209
Servicing revenue, net	58,014	—	—	—	—	58,014
Gain on sale of originated mortgage loans, net	—	—	—	—	—	—
Other income (loss)	76,745	(6,035)	2,653	6,796	6,986	87,145
Operating expenses	54,998	351	9,759	10,764	41,188	117,060
Income (Loss) Before Income Taxes	206,537	71,075	(5,047)	33,796	(34,027)	272,334
Income tax expense (benefit)	42,253	—	(9,640)	—	—	32,613
Net Income (Loss)	$ 164,284	$71,075	$ 4,593	$ 33,796	$(34,027)	$239,721
Noncontrolling interests in income (loss) of consolidated subsidiaries	$ 1,224	$—	$—	$ 12,376	$—	$13,600
Net income (loss) attributable to common stockholders	$ 163,060	$71,075	$ 4,593	$ 21,420	$(34,027)	$226,121

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

		Residential Securities and Loans				
	Servicing and Originations	Real Estate Securities	Residential Mortgage Loans	Consumer Loans	Corporate	Total
Nine Months Ended September 30, 2017						
Interest income	$ 561,312	$321,464	$ 75,276	$203,631	$ 529	$1,162,212