Section 1: 10-Q (10-Q)

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2019
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: 001-14667

Mr. Cooper Group[SM]

Mr. Cooper Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	**91-1653725**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8950 Cypress Waters Blvd, Coppell, TX	**75019**
(Address of principal executive offices)	(Zip Code)

(469) 549-2000
Registrant’s telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	**COOP**	**The Nasdaq Stock Market**

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation 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 ☒ 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 12(b)-2 of the Exchange Act.

Large Accelerated Filer	☐	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 ☒

Number of shares of common stock, $0.01 par value, outstanding as of July 28, 2019 was 91,075,575.

MR. COOPER GROUP INC.
QUARTERLY REPORT ON FORM 10-Q
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GLOSSARY OF TERMS

This Glossary of Terms defines some of the terms that are used throughout this report and does not represent a complete list of all defined terms used.

Advance Facility. A secured financing facility to fund advance receivables which is backed by a pool of mortgage servicing advance receivables made by a servicer to a certain pool of mortgage loans.

Agency and Government Conforming Loan. A mortgage loan that meets all requirements (loan type, maximum amount, LTV ratio and credit quality) for purchase by Fannie Mae, Freddie Mac, or insured by the FHA, USDA or guaranteed by the VA.

Asset-Backed Securities (ABS). A financial security whose income payments and value is derived from and collateralized (or "backed") by a specified pool of underlying receivables or other financial assets.

Base Servicing Fee. The servicing fee retained by the servicer, expressed in basis points, in an excess MSR arrangement in exchange for the provision of servicing functions on a portfolio of mortgage loans, after which the servicer and the co-investment partner share the excess fees on a pro rata basis.

Direct-to-consumer Originations. A type of mortgage loan origination pursuant to which a lender markets refinancing and purchase money mortgage loans directly to selected consumers through telephone call centers, the Internet or other means.

Conventional Mortgage Loans. A mortgage loan that is not guaranteed or insured by the FHA, the VA or any other government agency. Although a conventional loan is not insured or guaranteed by the government, it can still follow the guidelines of GSEs and be sold to the GSEs.

Correspondent Originations. A type of mortgage loan origination pursuant to which a company purchases closed mortgage loans from correspondent lenders, such as community banks, credit unions, mortgage brokers and independent mortgage bankers.

Credit-Sensitive Loan. A mortgage loan with certain characteristics such as low borrower credit quality, relaxed original underwriting standards and high LTV, which we believe indicates that the mortgage loan presents an elevated risk of borrower default versus payoff.

Delinquent Loan. A mortgage loan that is 30 or more days past due from its contractual due date.

Department of Veterans Affairs (VA). The VA is a cabinet-level department of the U.S. federal government, which guarantees certain home loans for qualified borrowers eligible for securitization with GNMA.

Excess Servicing Fees. In an excess MSR arrangement, the servicing fee cash flows on a portfolio of mortgage loans after payment of the base servicing fee.

Excess Spread. MSRs with a co-investment partner where the servicer receives a base servicing fee and the servicer and co-investment partner share the excess servicing fees. This co-investment strategy reduces the required upfront capital from the servicer when purchasing or investing in MSRs.

Federal National Mortgage Association (Fannie Mae or FNMA). FNMA was federally chartered by Congress in 1938 to support liquidity, stability, and affordability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold. Fannie Mae buys mortgage loans from lenders and resells them as mortgage backed securities in the secondary mortgage market.

Federal Housing Administration (FHA). The FHA is a U.S. federal government agency within the Department of Housing and Urban Development (HUD). It provides mortgage insurance on loans made by FHA-approved lenders in compliance with FHA guidelines throughout the United States.

Federal Housing Finance Agency (FHFA). A U.S. federal government agency that is the regulator and conservator of Fannie Mae and Freddie Mac and the regulator of the 12 Federal Home Loan Banks.

Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC). Freddie Mac was chartered by Congress in 1970 to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing. Freddie Mac participates in the secondary mortgage market by purchasing mortgage loans and mortgage-related securities for investment and by issuing guaranteed mortgage-related securities.

Government National Mortgage Association (Ginnie Mae or GNMA). GNMA is a self financing, wholly-owned U.S. Government corporation within HUD. Ginnie Mae guarantees the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans - mainly loans insured by the FHA or guaranteed by the VA. Ginnie Mae securities are the only MBS to carry the full faith and credit guarantee of the U.S. federal government.

Government-Sponsored Enterprise (GSE). Certain entities established by the U.S. Congress to provide liquidity, stability and affordability in residential housing. These agencies are Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks.

Home Affordable Modification Program (HAMP). A U.S. federal government program designed to help eligible homeowners avoid foreclosure through mortgage loan modifications. Participating servicers may be entitled to receive financial incentives in connection with loan modifications they enter into with eligible borrowers and subsequent success fees to the extent that a borrower remains current in any agreed upon loan modification.

Home Affordable Refinance Program (HARP). A U.S. federal government program designed to help eligible homeowners refinance their existing mortgage loans. The mortgage must be owned or guaranteed by a GSE, originated during a defined time period, and applicants must be up-to-date on their mortgage payments but unable to obtain refinancing because the value of their homes has declined.

Home Equity Conversion Mortgage (HECM). A type of reverse mortgage loan insured by the FHA.

Interest Rate Lock Commitments (IRLC). Agreements under which the interest rate and the maximum amount of the mortgage loan are set prior to funding the mortgage loan.

Interest-Sensitive Loan. A mortgage loan which is primarily impacted by changes in forecasted interest rates, which in turn impacts voluntary prepayment speed. Interest-sensitive loans typically consist of single-family conforming residential forward mortgage loans serviced for GSEs or other third-party investors.

Loan Modification. Temporary or permanent modifications to loan terms with the borrower, including the interest rate, amortization period and term of the borrower's original mortgage loan. Loan modifications are usually made to loans that are in default, or in imminent danger of defaulting.

Loan-to-Value Ratio (LTV). The unpaid principal balance of a mortgage loan as a percentage of the total appraised or market value of the property that secures the loan. An LTV over 100% indicates that the UPB of the mortgage loan exceeds the value of the property.

Loss Mitigation. The range of servicing activities provided by a servicer in an attempt to minimize the losses suffered by the owner of a defaulted mortgage loan. Loss mitigation techniques include short-sales, deed-in-lieu of foreclosures and loan modifications, among other options.

Mortgage-Backed Securities (MBS). A type of asset-backed security that is secured by a group of mortgage loans.

Mortgage Servicing Right (MSR). The right and obligation to service a loan or pool of loans and to receive a servicing fee as well as certain ancillary income. MSRs may be bought and sold, resulting in the transfer of loan servicing obligations. MSRs are designated as such when the benefits of servicing the loans are expected to adequately compensate the servicer for performing the servicing.

MSR Facility. A type of line of credit backed by mortgage servicing rights that is used for financing purposes. In certain cases these lines may be a sub-limit of another warehouse facility or alternatively exist on a stand-alone basis. These facilities allow for same or next-day draws at the request of the borrower.

Mortgage Servicing Liability (MSL). The right and obligation to service a loan or pool of loans and to receive a servicing fee as well as certain ancillary income. MSLs may be bought and sold, resulting in the transfer of loan servicing obligations. MSLs are designated as such when the benefits of servicing the loans are not expected to adequately compensate the servicer for performing the servicing.

Non-Conforming Loan. A mortgage loan that does not meet the standards of eligibility for purchase or securitization by Fannie Mae, Freddie Mac or Ginnie Mae.

Originations. The process through which a lender provides a mortgage loan to a borrower.

Prepayment Speed. The rate at which voluntary and involuntary mortgage prepayments occur or are projected to occur. The statistic is calculated on an annualized basis and expressed as a percentage of the outstanding principal balance.

Primary Servicer. The servicer that owns the right to service a mortgage loan or pool of mortgage loans. This differs from a subservicer, which has a contractual agreement with the primary servicer to service a mortgage loan or pool of mortgage loans in exchange for a subservicing fee based upon portfolio volume and characteristics.

Prime Mortgage Loan. Generally, a high-quality mortgage loan that meets the underwriting standards set by Fannie Mae or Freddie Mac and is eligible for purchase or securitization in the secondary mortgage market. Prime Mortgage loans generally have lower default risk and are made to borrowers with excellent credit records and a monthly income at least three to four times greater than their monthly housing expenses (mortgage payments plus taxes and other debt payments) as well as significant other assets. Mortgages not classified as prime mortgage loans are generally called either sub-prime or Alt-A.

Private Label Securitizations. Securitizations that do not meet the criteria set by Fannie Mae, Freddie Mac or Ginnie Mae.

Real Estate Owned (REO). Property acquired by the servicer on behalf of the owner of a mortgage loan or pool of mortgage loans, usually through foreclosure or a deed-in-lieu of foreclosure on a defaulted loan. The servicer or a third party real estate management firm is responsible for selling the REO. Net proceeds of the sale are returned to the owner of the related loan or loans. In most cases, the sale of REO does not generate enough to pay off the balance of the loan underlying the REO, causing a loss to the owner of the related mortgage loan.

Recapture. The prepayment of all or part of a federal mortgage subsidy if the home is sold or otherwise disposed of within nine years of receiving a federally-subsidized loan.

Refinancing. The process of working with existing borrowers to re-originate their mortgage loans. By refinancing loans for borrowers we currently service, we retain the servicing rights, thereby extending the longevity of the servicing cash flows.

Reverse Mortgage. A reverse mortgage, also referred to as a Home Equity Conversion Mortgage, enables seniors to borrow against the value of their home, and no payment of principal or interest is required until the death of the borrower or the sale of the home. These loans are designed to go through the foreclosure and claim process to recover loan balance.

Servicing. The performance of contractually specified administrative functions with respect to a mortgage loan or pool of mortgage loans. Duties of a servicer typically include, among other things, collecting monthly payments, maintaining escrow accounts, providing periodic monthly statements to the borrower and monthly reports to the loan owners or their agents, managing insurance, monitoring delinquencies, executing foreclosures (as necessary), and remitting fees to guarantors, trustees and service providers. A servicer is generally compensated with a specific fee outlined in the contract established prior to the commencement of the servicing activities.

Servicing Advances. In the course of servicing loans, servicers are required to make advances that are reimbursable from collections on the related mortgage loan or pool of loans. There are typically three types of servicing advances: P&I advances, T&I Advances and Corporate Advances.

(i) P&I advances cover scheduled payments of principal and interest that have not been timely paid by borrowers. P&I Advances serve to facilitate the cash flows paid to holders of securities issued by the residential MBS trust. The servicer is not the insurer or guarantor of the MBS and thus has the right to cease the advancing of P&I, when the servicer deems the next advance nonrecoverable.

(ii) T&I advances pay specified expenses associated with the preservation of a mortgaged property or the liquidation of defaulted mortgage loans, including but not limited to property taxes, insurance premiums or other property-related expenses that have not been timely paid by borrowers in order for the lien holder to maintain its interest in the property.

(iii) Corporate advances pay costs, fees and expenses incurred in foreclosing upon, preserving defaulted loans and selling REO, including attorneys' and other professional fees and expenses incurred in connection with foreclosure and liquidation or other legal proceedings arising in the course of servicing the defaulted mortgage loans.

Servicing advances are reimbursed to the servicer if and when the borrower makes a payment on the underlying mortgage loan at the time the loan is modified or upon liquidation of the underlying mortgage loan but are primarily the responsibility of the investor/owner of the loan. The types of servicing advances that a servicer must make are set forth in its servicing agreement with the owner of the mortgage loan or pool of mortgage loans. In some instances, a servicer is allowed to cease Servicing Advances, if those advances will not be recoverable from the property securing the loan.

Subservicing. Subservicing is the process of outsourcing the duties of the primary servicer to a third party servicer. The third party servicer performs the servicing responsibilities for a fee and makes servicing advances, which are subsequently reimbursed by the primary servicer. The Servicer is contractually liable to the owner of the loans for the activities of the subservicer.

Unpaid Principal Balance (UPB). The amount of principal outstanding on a mortgage loan or a pool of mortgage loans.

Warehouse Facility. A type of line of credit facility used to temporarily finance mortgage loan originations to be sold in the secondary market. Pursuant to a warehouse facility, a loan originator typically agrees to transfer to a counterparty certain mortgage loans against the transfer of funds by the counterparty, with a simultaneous agreement by the counterpart to transfer the loans back to the originator at a date certain, or on demand, against the transfer of funds from the originator.

PART I. Financial Information

Item 1. Financial Statements

MR. COOPER GROUP INC.
CONSOLIDATED BALANCE SHEETS
(millions of dollars, except share data)

	Successor	
	June 30, 2019	**December 31, 2018**
	(unaudited)	
Assets		
Cash and cash equivalents	**$ 245**	$ 242
Restricted cash	**304**	319
Mortgage servicing rights, $3,505 and $3,665 at fair value, respectively	**3,511**	3,676
Advances and other receivables, net of reserves of $98 and $47, respectively	**1,000**	1,194
Reverse mortgage interests, net of reserves of $8 and $13, respectively	**7,110**	7,934
Mortgage loans held for sale at fair value	**3,422**	1,631
Mortgage loans held for investment at fair value	**114**	119
Property and equipment, net of accumulated depreciation of $35 and $16, respectively	**115**	96
Deferred tax asset, net	**1,055**	967
Other assets	**1,529**	795
Total assets	**$ 18,405**	$ 16,973
Liabilities and Stockholders' Equity		
Unsecured senior notes, net	**$ 2,462**	$ 2,459
Advance facilities, net	**567**	595
Warehouse facilities, net	**4,045**	2,349
Payables and other liabilities	**2,116**	1,543
MSR related liabilities - nonrecourse at fair value	**1,472**	1,216
Mortgage servicing liabilities	**80**	71
Other nonrecourse debt, net	**5,985**	6,795
Total liabilities	**16,727**	15,028
Commitments and contingencies (Note 18)		
Preferred stock at $0.00001 - 10 million shares authorized, 1 million shares issued and outstanding, respectively; aggregate liquidation preference of ten dollars, respectively	**—**	—
Common stock at $0.01 par value - 300 million shares authorized, 91.1 million and 90.8 million shares issued, respectively	**1**	1
Additional paid-in-capital	**1,100**	1,093
Retained earnings	**575**	848
Total Mr. Cooper stockholders' equity	**1,676**	1,942
Non-controlling interests	**2**	3
Total stockholders' equity	**1,678**	1,945
Total liabilities and stockholders' equity	**$ 18,405**	$ 16,973

See accompanying notes to the consolidated financial statements (unaudited).

MR. COOPER GROUP INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(millions of dollars, except for earnings per share data)

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Revenues:				
Service related, net	**$ 137**	**$ 221**	$ 317	$ 781
Net gain on mortgage loans held for sale	**262**	**428**	127	251
Total revenues	**399**	**649**	444	1,032
Expenses:				
Salaries, wages and benefits	**238**	**453**	177	357
General and administrative	**254**	**482**	162	346
Total expenses	**492**	**935**	339	703
Other income (expenses):				
Interest income	**162**	**296**	140	285
Interest expense	**(187)**	**(376)**	(164)	(335)
Other income (expenses)	**1**	**16**	(2)	6
Total other income (expenses), net	**(24)**	**(64)**	(26)	(44)
(Loss) income before income tax (benefit) expense	**(117)**	**(350)**	79	285
Less: Income tax (benefit) expense	**(29)**	**(76)**	21	67
Net (loss) income	**(88)**	**(274)**	58	218
Less: Net (loss) income attributable to non-controlling interests	**(1)**	**(1)**	—	—
Net (loss) income attributable to Successor/Predecessor	**(87)**	**(273)**	58	218
Less: Undistributed earnings attributable to participating stockholders	**—**	**—**	—	—
Net (loss) income attributable to common stockholders	**$ (87)**	**$ (273)**	$ 58	$ 218
Net (loss) income per common share attributable to Successor/Predecessor:				
Basic	**$ (0.96)**	**$ (3.00)**	$ 0.59	$ 2.22
Diluted	**$ (0.96)**	**$ (3.00)**	$ 0.59	$ 2.20

See accompanying notes to the consolidated financial statements (unaudited).

MR. COOPER GROUP INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(millions of dollars, except share data)

	Six Months Ended June 30,									
	Preferred Stock		Common Stock							
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Share Amount	Total Nationstar Stockholders' Equity and Mr. Cooper Stockholders' Equity, respectively	Non-controlling Interests	Total Equity
Predecessor										
Balance at January 1, 2018	—	$ —	97,728	$ 1	$ 1,131	$ 731	$ (148)	$ 1,715	$ 7	$ 1,722
Shares issued / (surrendered) under incentive compensation plan	—	—	435	—	(4)	—	(2)	(6)	—	(6)
Share-based compensation	—	—	—	—	8	—	—	8	—	8
Dividends to non-controlling interests	—	—	—	—	5	—	—	5	(6)	(1)
Net income	—	—	—	—	—	218	—	218	—	218
Balance at June 30, 2018	—	$ —	98,163	$ 1	$ 1,140	$ 949	$ (150)	$ 1,940	$ 1	$ 1,941
Successor										
Balance at January 1, 2019	**1,000**	**$ —**	**90,821**	**$ 1**	**$ 1,093**	**$ 848**	**$ —**	**$ 1,942**	**$ 3**	**$ 1,945**
Shares issued / (surrendered) under incentive compensation plan	**—**	**—**	**240**	**—**	**(2)**	**—**	**—**	**(2)**	**—**	**(2)**
Share-based compensation	**—**	**—**	**—**	**—**	**9**	**—**	**—**	**9**	**—**	**9**
Net loss	—	—	—	—	—	**(273)**	—	**(273)**	**(1)**	**(274)**
Balance at June 30, 2019	**1,000**	**$ —**	**91,061**	**$ 1**	**$ 1,100**	**$ 575**	**$ —**	**$ 1,676**	**$ 2**	**$ 1,678**

See accompanying notes to the consolidated financial statements (unaudited).

MR. COOPER GROUP INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(millions of dollars, except share data)

	Three Months Ended June 30,									
	Preferred Stock		Common Stock							
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Additional Paid-in Capital	Retained Earnings	Treasury Share Amount	Total Nationstar Stockholders' Equity and Mr. Cooper Stockholders' Equity, respectively	Non-controlling Interests	Total Equity
Predecessor										
Balance at March 31, 2018	—	$ —	98,193	$ 1	$ 1,131	$ 891	$ (148)	$ 1,875	$ 7	$ 1,882
Shares surrendered under incentive compensation plan	—	—	(30)	—	—	—	(2)	(2)	—	(2)
Share-based compensation	—	—	—	—	4	—	—	4	—	4
Dividends to non-controlling interests	—	—	—	—	5	—	—	5	(6)	(1)
Net income	—	—	—	—	—	58	—	58	—	58
Balance at June 30, 2018	—	$ —	98,163	$ 1	$ 1,140	$ 949	$ (150)	$ 1,940	$ 1	$ 1,941
Successor										
Balance at March 31, 2019	**1,000**	**$ —**	**91,042**	**$ 1**	**$ 1,095**	**$ 662**	**$ —**	**$ 1,758**	**$ 3**	**$ 1,761**
Shares issued / (surrendered) under incentive compensation plan	**—**	**—**	**19**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Share-based compensation	**—**	**—**	**—**	**—**	**5**	**—**	**—**	**5**	**—**	**5**
Net loss	**—**	**—**	**—**	**—**	**—**	**(87)**	**—**	**(87)**	**(1)**	**(88)**
Balance at June 30, 2019	**1,000**	**$ —**	**91,061**	**$ 1**	**$ 1,100**	**$ 575**	**$ —**	**$ 1,676**	**$ 2**	**$ 1,678**

See accompanying notes to the consolidated financial statements (unaudited).

MR. COOPER GROUP INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions of dollars)

	Successor	*Predecessor*
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**
Operating Activities		
Net (loss) income attributable to Successor/Predecessor	**$ (273)**	$ 218
Adjustments to reconcile net (loss) income to net cash attributable to operating activities:		
Deferred tax (benefit) expense	**(76)**	40
Net loss attributable to non-controlling interests	**(1)**	—
Net gain on mortgage loans held for sale	**(428)**	(251)
Interest income on reverse mortgage loan	**(167)**	(237)
Gain on sale of assets	**—**	(9)
Provision for servicing reserves	**30**	54
Fair value changes and amortization/accretion of mortgage servicing rights/liabilities	**695**	(155)
Fair value changes in excess spread financing	**(74)**	74
Fair value changes in mortgage servicing rights financing liability	**11**	6
Fair value changes in mortgage loan held for investment	**(3)**	—
Amortization of premiums, net of discount accretion	**(25)**	6
Depreciation and amortization for property and equipment and intangible assets	**45**	29
Share-based compensation	**9**	8
Repurchases of forward loan assets out of Ginnie Mae securitizations	**(715)**	(475)
Mortgage loans originated and purchased for sale, net of fees	**(15,727)**	(10,639)
Sales proceeds and loan payment proceeds for mortgage loans held for sale and held for investment	**15,429**	11,500
Changes in assets and liabilities:		
Advances and other receivables	**249**	355
Reverse mortgage interests	**1,056**	1,326
Other assets	**(118)**	10
Payables and other liabilities	**31**	9
Net cash attributable to operating activities	**(52)**	1,869
Investing Activities		
Acquisitions, net of cash acquired	**(85)**	—
Property and equipment additions, net of disposals	**(27)**	(31)
Purchase of forward mortgage servicing rights, net of liabilities incurred	**(409)**	(123)
Net payment related to acquisition of HECM related receivables	**—**	(1)
Proceeds on sale of forward and reverse mortgage servicing rights	**279**	—
Proceeds on sale of assets	**—**	13
Net cash attributable to investing activities	**(242)**	(142)

Continued on following page. *See accompanying notes to the consolidated financial statements (unaudited).*

MR. COOPER GROUP INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
(millions of dollars)

	Successor	*Predecessor*
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**
Financing Activities		
Increase (decrease) in warehouse facilities	**1,173**	(199)
Decrease in advance facilities	**(40)**	(339)
Repayment of notes payable	**(294)**	—
Proceeds from issuance of HECM securitizations	**398**	443
Proceeds from sale of HECM securitizations	**20**	—
Repayment of HECM securitizations	**(434)**	(423)
Proceeds from issuance of participating interest financing in reverse mortgage interests	**156**	184
Repayment of participating interest financing in reverse mortgage interests	**(1,004)**	(1,368)
Proceeds from the issuance of excess spread financing	**437**	70
Repayment of excess spread financing	**(12)**	(2)
Settlement of excess spread financing	**(107)**	(91)
Repayment of nonrecourse debt – legacy assets	**(6)**	(6)
Repurchase of unsecured senior notes	**—**	(62)
Repayment of finance lease liability	**(2)**	—
Surrender of shares relating to stock vesting	**(2)**	(6)
Debt financing costs	**(1)**	(7)
Dividends to non-controlling interests	**—**	(1)
Net cash attributable to financing activities	**282**	(1,807)
Net decrease in cash, cash equivalents, and restricted cash	**(12)**	(80)
Cash, cash equivalents, and restricted cash - beginning of period	**561**	575
Cash, cash equivalents, and restricted cash - end of period[1]	**$ 549**	$ 495
Supplemental Disclosures of Cash Activities		
Cash paid for interest expense	**$ 74**	$ 373
Net cash (refunded) paid for income taxes	**$ (1)**	$ 36

[1] The following table provides a reconciliation of cash, cash equivalents and restricted cash to amount reported within the consolidated balance sheets.

	Successor	*Predecessor*
	June 30, 2019	**June 30, 2018**
Cash and cash equivalents	**$ 245**	$ 185
Restricted cash	**304**	310
Total cash, cash equivalents, and restricted cash	**$ 549**	$ 495

See accompanying notes to the consolidated financial statements (unaudited).

1. Nature of Business and Basis of Presentation

Nature of Business

Mr. Cooper Group Inc., collectively with its consolidated subsidiaries, ("Mr. Cooper", the "Company", "we", "us" or "our") provides servicing, origination and transaction-based services related to single family residences throughout the United States with operations under its primary brands: Mr. Cooper® and Xome®. Mr. Cooper is one of the largest home loan originators and servicers in the country focused on delivering a variety of servicing and lending products, services and technologies. Xome provides real estate data as well as a range of services including real estate brokerage, title, closing, valuation and field services to lenders, investors and consumer. The Company's corporate website is located at www.mrcoopergroup.com.

Mr. Cooper, which was previously known as WMIH Corp. ("WMIH"), is a corporation duly organized and existing under the laws of the State of Delaware since May 11, 2015. On July 31, 2018, Wand Merger Corporation ("Merger Sub"), a wholly-owned subsidiary of WMIH merged with and into Nationstar Mortgage Holdings Inc. ("Nationstar"), with Nationstar continuing as a wholly-owned subsidiary of WMIH (the "Merger"). Prior to the Merger, WMIH had limited operations other than its reinsurance business that operated in runoff mode. As a result of the Merger, shares of Nationstar common stock were delisted from the New York Stock Exchange. Following the Merger closing, the combined company traded on NASDAQ under the ticker symbol "WMIH" until October 10, 2018, when WMIH changed its name to "Mr. Cooper Group Inc." and its ticker symbol to "COOP".

Basis of Presentation

For the purpose of financial statement presentation, Mr. Cooper was determined to be the accounting acquirer in the Merger, and Nationstar's assets and liabilities were recorded at estimated fair value as of the acquisition date. Mr. Cooper's interim consolidated financial statements for periods following the Merger closing are labeled "Successor" and reflect the acquired assets and liabilities from Nationstar.

Under Securities and Exchange Commission ("SEC") rules, when a registrant succeeds to substantially all of the business of another entity and the registrant's own operations before the succession appear insignificant relative to the operations assumed or acquired, the registrant is required to present financial information for the acquired entity (the "Predecessor") for all comparable periods being presented before the acquisition. Due to the acquisition, the Predecessor and Successor financial statements have been prepared on different basis of accounting and are therefore not comparable.

Pursuant to the Merger, Nationstar is considered the predecessor company. Therefore, the Company is providing additional information in the accompanying unaudited condensed consolidated financial statements regarding Nationstar's business for periods prior to July 31, 2018. The predecessor company financial information in this report is labeled "Predecessor" in these consolidated interim financial statements.

The consolidated interim financial statements of the Company and Predecessor have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the SEC. Accordingly, the financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Reports on Form 10-K for the year ended December 31, 2018.

Upon the consummation of the Merger, the Company adopted the significant accounting policies that were implemented by Nationstar and applied to the Predecessor's financial statements, as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The interim consolidated financial statements are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair presentation of the results of the interim periods have been included. Dollar amounts are reported in millions, except per share data and other key metrics, unless otherwise noted.

The Company evaluated subsequent events through the date these interim consolidated financial statements were issued.

Basis of Consolidation

The basis of consolidation described below was adopted by Nationstar and applied to the Predecessor financial statements for the periods impacted by the adoption. The Successor's financial statements reflect the adoption of such standards.

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, other entities in which the Company has a controlling financial interest and those variable interest entities ("VIE") where the Company's wholly-owned subsidiaries are the primary beneficiaries. Assets and liabilities of VIEs and their respective results of operations are consolidated from the date that the Company became the primary beneficiary through the date the Company ceases to be the primary beneficiary. The Company applies the equity method of accounting to investments where it is able to exercise significant influence, but not control, over the policies and procedures of the entity and owns less than 50% of the voting interests. Investments in certain companies over which the Company does not exert significant influence are accounted for as cost method investments. Intercompany balances and transactions on consolidated entities have been eliminated. Business combinations are included in the consolidated financial statements from their respective dates of acquisition.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates due to factors such as adverse changes in the economy, changes in interest rates, secondary market pricing for loans held for sale and derivatives, strength of underwriting and servicing practices, changes in prepayment assumptions, declines in home prices or discrete events adversely affecting specific borrowers, and such differences could be material.

Recent Accounting Guidance Adopted

Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), No.2018-10, *Codification Improvements to Topic 842, Leases* ("ASU 2018-10"), and No. 2018-11, *Leases (Topic 842): Targeted Improvements* ("ASU 2018-11"), primarily impact lessee accounting by requiring the recognition of a right-of-use asset and a corresponding lease liability on the balance sheet for long-term lease agreements. ASU 2016-02 was effective for the Company on January 1, 2019. ASU 2016-02 provides for a modified retrospective transition approach requiring lessees to recognize and measure leases on the balance sheet at the beginning of either the earliest period presented or as of the beginning of the period of adoption with the option to elect certain practical expedients. The Company has elected to apply ASU 2016-02 as of the beginning of the period of adoption (January 1, 2019) and has not restated comparative periods. The Company elected the package of practical expedients, which, among other items, permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company also elected the short-term lease recognition exemption for all leases that qualify. Under this practical expedient, for those leases that qualify, the Company does not recognize right-of-use ("ROU") assets or lease liabilities, which includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. The Company also elected the practical expedient to not separate lease and non-lease components for all of our leases. The Company did not elect the use-of-hindsight practical expedient. As a result of implementing ASU 2016-02, the Company recognized an operating lease ROU asset of $114 and an operating lease liability of $124 on January 1, 2019, with no impact on its consolidated statement of operations. The ROU asset and operating lease liability are recorded in other assets, and payables and other liabilities, respectively, in the consolidated balance sheets. See *Note 7, Leases* for additional information.

Accounting Standards Update No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40 - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*" ("ASU 2018-15") aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 will be effective for the Company on January 1, 2020. Early adoption is permitted, including adoption in any interim period. In the first quarter of 2019, the Company early adopted ASU 2018-15. The standard did not have a material impact to the Company's consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* (“ASU 2016-13”), requires expected credit losses for financial instruments held at the reporting date to be measured based on historical experience, current conditions and reasonable and supportable forecasts. The update eliminates the probable initial recognition threshold in current GAAP and instead reflects an entity’s current estimate of all expected credit losses over the life of the asset. Previously, when credit losses were measured under GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. ASU 2016-13 is effective for interim periods beginning after December 15, 2019. The Company is currently evaluating the potential impact of ASU 2016-13 on its consolidated financial statements. As part of the evaluation process, the Company has performed a scoping analysis, developed a detailed project plan, and is currently in process of completing documentation. The Company has also formed an internal committee from various internal departments to assist in the documentation and review of such documentation regarding the implementation of the new standard.

Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820) - Changes to the Disclosure Requirements for Fair Value Measurement*, (“ASU 2018-13”) removes the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 fair value measurement methodologies, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. It also adds a requirement to disclose changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 measurements. For certain unobservable inputs, entities may disclose other quantitative information in lieu of the weighted average if the other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 will be effective for the Company on January 1, 2020. The Company is currently evaluating the potential impact of ASU 2018-13 on its consolidated financial statements.

2. Acquisitions

Acquisition of Pacific Union Financial, LLC

On February 1, 2019, the Company completed the acquisition of all the limited liability units of Pacific Union Financial, LLC (“Pacific Union”), a California limited liability company. Pacific Union was a privately-held company that was engaged in the origination as well as servicing of residential mortgage loans, and operated throughout the United States. The acquisition allows the Company to expand its servicing portfolio and increase its mortgage lending volume and capabilities.

The acquisition has been accounted for in accordance with Financial Accounting Standard Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 805 (“ASC 805”), *Business Combinations*, using the acquisition method of accounting. Under the acquisition method of accounting, the Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The determination of fair value estimates requires management to make certain estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and may require adjustments. The purchase price was estimated to be $116 as of the closing date and such amount was paid by the Company as required by the Unit Purchase Agreement (UPA). In accordance with the terms of the UPA, the seller has formally disputed the estimated purchase price. As a result of the dispute, the final purchase price is subject to adjustment until the end of the measurement period (up to one year from the acquisition date) which would result in an increase to cash consideration paid and goodwill. Solely for this purpose, the Company estimates that it is reasonably possible that the adjustment to the final purchase price would range between $0 and $16. During the second quarter of 2019, the Company finalized its purchase price allocation subject to resolution of the above dispute. Based on the allocation of fair value, goodwill of $40 has been recorded, which represents the excess of the purchase price over the estimated fair value of tangible and intangible assets acquired, net of the liabilities assumed. The goodwill is primarily attributable to the assembled workforce and synergies with the Company’s current operations. $28 and $12 of the goodwill is assigned to the Origination and Servicing segments, respectively, based on expected cash flows and is expected to be deductible for tax purposes.

Estimated Fair Value of Net Assets Acquired [1]:

Cash and cash equivalents	$	**37**
Restricted cash		**2**
Mortgage servicing rights		**271**
Advances and other receivables		**84**
Mortgage loans held for sale		**536**
Mortgage loans held for investment		**1**
Property and equipment		**8**
Other assets		**483**
Fair value of assets acquired		**1,422**
Notes payable[2]		**294**
Advance facilities		**13**
Warehouse facilities		**393**
Payables and other liabilities		**530**
Other nonrecourse debt		**129**
Fair value of liabilities assumed		**1,359**
Total fair value of net tangible assets acquired		**63**
Intangible assets:		
Customer relationships[3]		**13**
Goodwill		**40**
Preliminary purchase price	$	**116**

(1) Estimated Fair Value of Net Assets Acquired is subject to change due to dispute of purchase price.

(2) Notes payable was subsequently paid off in February 2019 after the consummation of the acquisition.

(3) The estimated fair values for customer relationships were measured using the excess earnings method and were determined to have a remaining useful life of 10 years.

During the second quarter of 2019, the Company obtained additional information that existed as of the acquisition date and updated its estimated accrued liabilities, which resulted in $11 increase to payables and other liabilities. In addition, the third-party valuation specialists finalized their valuation of intangible assets acquired by the Company, which resulted in $2 increase to the fair value of the intangible assets acquired. The Company also wrote off $2 property and equipment acquired as it finalized its valuation of property and equipment. Total adjustments to goodwill in the second quarter of 2019 were $11. Goodwill totaled $40 as of June 30, 2019 after taking into account these measurement period adjustments.

The Company incurred total acquisition costs of $2 during the three months ended June 30, 2019, of which $1 are included in salaries, wages and benefits expense and $1 in general and administrative expense in the Company’s consolidated statements of operations. The Company incurred total acquisition costs of $4 during the six months ended June 30, 2019, of which $2 are included in salaries, wages and benefits expense and $2 in general and administrative expense in the Company’s consolidated statements of operations. The acquisition costs were primarily related to legal, accounting and consulting services.

For the three and six months ended June 30, 2019, the operations contributed by this acquisition generated consolidated total revenues of $79 and $118 and income before income tax of $36 and $50, respectively, which are reported in the Company’s consolidated statements of operations.

The following unaudited pro forma financial information presents the combined results of operations for the three and six months ended June 30, 2019, as if the acquisition had occurred on January 1, 2019.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Pro forma total revenues	$ 399	$ 668
Pro forma net loss	$ (87)	$ (271)

Acquisition of Nationstar Mortgage Holdings Inc.

Upon the Merger with Nationstar on July 31, 2018, each share of Nationstar's common stock issued and outstanding immediately prior to the Effective Time was converted into the right to receive, at the election of the holder of such share, (i) $18.00 per share in cash, without interest, or (ii) 12.7793 shares (prior to the 1-for-12 reverse stock split) of validly issued, fully paid and nonassessable shares of WMIH common stock (the "Merger Consideration"). The Merger Consideration was subject to automatic proration and adjustment pursuant to the Merger Agreement to ensure that the total amount of cash paid (excluding cash paid in lieu of fractional shares) equaled approximately $1,226.

Pursuant to the Merger Agreement, immediately prior to the Effective Time, subject to certain exceptions, (i) each then-outstanding share of Nationstar restricted stock automatically vested in full and was converted into the right to receive the Merger Consideration, as elected by the holder thereof, and (ii) each then-outstanding Nationstar restricted stock unit, whether vested or unvested, was automatically vested in full, assumed by WMIH and converted into a WMIH restricted stock unit entitling the holder thereof to receive upon settlement the Merger Consideration, as elected by the holder.

Upon closing the Merger, all outstanding WMIH Series B Preferred Stock and all outstanding warrants to purchase shares of WMIH common stock were converted into common stock of WMIH.

Total purchase price was approximately $1,777, consisting of cash paid of $1,226 and transferred stock valued at $551. The purchase price was funded from available cash on hand and borrowings under senior unsecured notes (see discussion below). Prior to the acquisition, Nationstar was a publicly-held company that earned fees through the delivery of servicing, origination and transaction-based services related primarily to single-family residences throughout the United States. This acquisition marks the Company's initial entry into the mortgage servicing industry that Nationstar operates in and is consistent with the Company's business strategy.

On July 13, 2018, Merger Sub closed the offering of $950 aggregate principal amount of 8.125% Notes due 2023 (the "2023 Notes") and $750 aggregate principal amount of 9.125% Notes due 2026 (the "2026 Notes" and, together with the 2023 Notes, the "New Notes"). The proceeds from the New Notes were used, together with the proceeds from the issuance of the Company's common stock and the Company's cash and restricted cash on hand, to consummate the Company's acquisition of Nationstar and the refinancing of certain of Nationstar's existing debt and to pay related fees and expenses. At the consummation of the acquisition, Merger Sub merged with and into Nationstar, with Nationstar continuing as a wholly-owned subsidiary of the Company. After the Merger, Nationstar assumed all of Merger Sub's obligations under the New Notes.

The acquisition has been accounted for in accordance with ASC 805, *Business Combinations*, using the acquisition method of accounting. Under the acquisition method of accounting, the Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The Company recorded final goodwill of $65, which represents the excess of the purchase price over the estimated fair value of tangible and intangible assets acquired, net of the liabilities assumed. The goodwill is primarily attributable to the assembled workforce and synergies from the future growth and strategic advantages in the mortgage industry. The entire goodwill is assigned to the Servicing segment and will not be deductible for tax purposes.

The table below presents the calculation of aggregate purchase price.

Purchase Price:	
Converted WMIH common shares (prior to reverse stock split) in millions	394
Price per share, based on price of $1.398 for WMIH stock on July 31, 2018	$ 1.398
Purchase price from common stock issued	551
Purchase price from cash payment	1,226
Total purchase price	$ 1,777

The allocation of the fair value of the acquired business was based on final valuations of the estimated net fair value of the assets acquired. The determination of fair value estimates required management to make certain estimates about discount rates, future expected cash flows, market conditions, and other future events that are highly subjective in nature and may require adjustments. The Company's estimates were subject to change as the Company obtained additional information and finalized its review of estimates during the measurement period (up to one year from the acquisition date). The Company recorded any adjustments to the preliminary fair value estimates in the reporting period in which the adjustments were determined. The Company finalized its allocation of fair value of consideration transferred in the three months ended June 30, 2019.

The final allocation of the purchase price to the acquired assets and liabilities is as follows:

Final Estimated Fair Value of Net Assets Acquired:		
Cash and cash equivalents	$	166
Restricted cash		430
Mortgage servicing rights		3,422
Advances and other receivables		1,262
Reverse mortgage interests		9,189
Mortgage loans held for sale		1,514
Mortgage loans held for investment		125
Property and equipment		96
Other assets		610
Fair value of assets acquired		16,814
Unsecured senior notes		1,830
Advance facilities		551
Warehouse facilities		2,701
Payables and other liabilities		1,352
MSR related liabilities—nonrecourse		1,065
Mortgage servicing liabilities		123
Other nonrecourse debt		7,583
Fair value of liabilities assumed		15,205
Total fair value of net tangible assets acquired		1,609
Intangible assets[(1)]		103
Goodwill		65
Purchase price	$	1,777

[(1)] The following intangible assets were acquired in the Nationstar acquisition.

	Useful Life (Years)	Fair Value	
Customer relationships[(i)]	6	$	61
Tradename[(ii)]	5		8
Technology[(ii)]	3-5		11
Internally developed software[(iii)]	2		23
Total		$	103

[(i)] The estimated fair values for customer relationships were measured using the excess earnings method.

[(ii)] The estimated fair values for tradename and technology were measured using the relief-from-royalty method. This method assumes the tradename and technology have value to the extent the owner is relieved of the obligation to pay royalties for the benefits received from these assets.

[(iii)] The estimated fair values for internally developed software were measured using the replacement cost method.

The preliminary allocation of fair value as of December 31, 2018 resulted in goodwill of $10. During the first quarter of 2019, the Company obtained additional information in finalizing its review regarding a market participant view of the cost to service assumption related to the valuation of reverse mortgage assets and liabilities. This additional information was used in finalizing the Company's review of the fair value of the reverse mortgage assets and liabilities and resulted in a reduction of $24 in reverse mortgage interests, a reduction of $6 in reverse mortgage servicing rights and an increase of $37 in mortgage servicing liabilities. In addition, a reduction of $12 in payables and other liabilities was recorded for the tax impact related to the revised valuation, for a total adjustment to goodwill of $55. As a result of the revised fair value, the Company recorded $7 to service related, net revenue and $1 to interest income, for a total $8 increase to earnings in the consolidated statement of operations for the first quarter of 2019. During the second quarter of 2019, the Company finalized its allocation of purchase price which did not result in any significant additional measurement period adjustments. There was a total goodwill of $65 as of June 30, 2019 after taking into account these measurement period adjustments.

WMIH incurred total acquisition costs of $92 prior to the consummation of the Merger, of which $3 and $7 was incurred in the three and six months ended June 30, 2018, respectively. The acquisition costs were primarily related to legal, accounting and consulting services and were expensed as incurred through July 31, 2018. Included in the total acquisition costs was a transaction fee of $25 to KKR Capital Markets LLC ("KCM"), an affiliate of KKR Wand Investors Corporation, which is WMIH's largest stockholder, for acting as a non-exclusive financial advisor to WMIH with respect to the Merger and an arrangement fee of $7 to KCM for acting as a placement agent with respect to a bridge financing facility in connection with the Merger that was not executed. In addition, WMIH incurred $38 of costs related to borrowings under the New Notes, which was capitalized in debt costs.

WMIH also paid KCM a deferred fee of $8, which initially reduced the carrying value of the Series B Preferred Stock. This fee was payable in connection with the conversion of Series B Preferred Stock to WMIH common stock upon consummation of the Merger.

The Predecessor incurred total acquisition costs of $27 in connection with the Merger. Included in the Predecessor's consolidated statements of operations for the three and six months ended June 30, 2018 were $1 and $4, respectively, of acquisition costs incurred by Nationstar. Included in the Company's consolidated statements of operations for the six months ended June 30, 2019 were $1 of acquisition costs related to the compensation arrangements incurred by the Company related to the Merger. There were no acquisition costs related to the Merger included in the Company's statements of operations for the three months ended June 30, 2019.

Acquisition of Assurant Mortgage Solutions ("AMS")

On August 1, 2018, Xome Holdings LLC, a wholly-owned subsidiary of the Company, acquired AMS for $38 in cash with additional consideration dependent on the achievement of certain future performance targets, which was initially estimated at $15 as of December 31, 2018. Total purchase price was estimated at $53. The acquisition expands Xome's product footprint and grows its third-party client portfolio across its valuation, title and field services businesses. The Company finalized its purchase price allocation and recorded intangible assets of $24 and goodwill of $13 in 2018. The Company expects the entire goodwill balance to be deductible for tax purposes. Under ASC 805, *Business Combinations*, the contingent consideration was remeasured to fair value of $4 at March 31, 2019 and remained unchanged at June 30, 2019. The $11 change in the fair value was included in other income (expenses) within the consolidated statement of operations for the six months ended June 30, 2019.

3. Mortgage Servicing Rights and Related Liabilities

The following table sets forth the carrying value of the Company's mortgage servicing rights ("MSRs") and the related liabilities.

	Successor	
MSRs and Related Liabilities	**June 30, 2019**	**December 31, 2018**
Forward MSRs - fair value	**$ 3,505**	$ 3,665
Reverse MSRs - amortized cost	**6**	11
Mortgage servicing rights	**$ 3,511**	$ 3,676
Mortgage servicing liabilities - amortized cost	**$ 80**	$ 71
Excess spread financing - fair value	**$ 1,429**	$ 1,184
Mortgage servicing rights financing - fair value	**43**	32
MSR related liabilities - nonrecourse at fair value	**$ 1,472**	$ 1,216

Mortgage Servicing Rights

The Company owns and records at fair value the rights to service traditional residential mortgage ("forward") loans for others either as a result of purchase transactions or from the retained servicing associated with the sales and securitizations of loans originated. MSRs are comprised of servicing rights related to both agency and non-agency loans.

The following table sets forth the activities of forward MSRs.

	Successor	Predecessor
MSRs - Fair Value	**Six Months Ended June 30, 2019**	**Six Months Ended June 30, 2018**
Fair value - beginning of period	**$ 3,665**	$ 2,937
Additions:		
Servicing retained from mortgage loans sold	**169**	139
Purchases of servicing rights[1]	**689**	132
Dispositions:		
Sales of servicing assets	**(294)**	4
Changes in fair value:		
Changes in valuation inputs or assumptions used in the valuation model	**(542)**	283
Other changes in fair value	**(182)**	(139)
Fair value - end of period	**$ 3,505**	$ 3,356

(1) Purchases of servicing rights during the six months ended June 30, 2019 includes $271 of mortgage servicing rights that were acquired from Pacific Union. See *Note 2, Acquisitions* for further discussion. In addition, on January 3, 2019, the Company entered into a subservicing contract for $24 billion in mortgages, which were subsequently purchased on May 1, 2019, resulting in additional $253 servicing rights in the second quarter of 2019.

From time to time, the Company sells its ownership interest in certain MSRs and is retained as the subservicer for the sold assets. The Company has evaluated the sale accounting requirements related to these transactions, including the Company's continued involvement as the subservicer, and concluded that these transactions qualify for sale accounting treatment. During the six months ended June 30, 2019 and 2018, the Company and the Predecessor sold $22,932 and $1,203 in unpaid principal balance ("UPB") of forward MSRs, of which $20,560 and $1 in UPB were retained by the Company and the Predecessor as subservicer, respectively.

MSRs measured at fair value are segregated between credit sensitive and interest sensitive pools at acquisition of MSRs. Credit sensitive pools are primarily impacted by borrower performance under specified repayment terms, which most directly impacts involuntary prepayments and delinquency rates. Interest sensitive pools are primarily impacted by changes in forecasted interest rates, which in turn impact voluntary prepayment speeds. The Company assesses whether acquired portfolios are more credit sensitive or interest sensitive in nature on the date of acquisition. Numerous factors are considered in making this assessment, including loan-to-value ratios, FICO scores, percentage of portfolio previously modified, portfolio seasoning and similar criteria. The determination between credit sensitive and interest sensitive for a pool is made at the date of acquisition, and no subsequent changes are made.

Credit sensitive portfolios generally consist of higher delinquency, single-family non-conforming residential forward mortgage loans serviced for agency and non-agency investors. Due to the Company's focus on recapture and modifications, significant amounts of the credit sensitive portfolio have been re-underwritten and, therefore, behave more like the interest sensitive portfolio. Interest sensitive portfolios generally consist of lower delinquency, single-family conforming residential forward mortgage loans for agency investors.

The following table provides a breakdown of credit sensitive and interest sensitive unpaid principal balance ("UPB") for the Company's forward MSRs.

	Successor			
	June 30, 2019		**December 31, 2018**	
MSRs - Sensitivity Pools	**UPB**	**Fair Value**	**UPB**	**Fair Value**
Credit sensitive	**$ 167,381**	**$ 1,797**	$ 135,752	$ 1,495
Interest sensitive	**148,631**	**1,708**	159,729	2,170
Total	**$ 316,012**	**$ 3,505**	$ 295,481	$ 3,665

The Company used the following key weighted-average inputs and assumptions in estimating the fair value of MSRs.

	Successor	
	June 30, 2019	**December 31, 2018**
Credit Sensitive		
Discount rate	**10.6%**	11.3%
Prepayment speeds	**13.5%**	11.8%
Average life	**5.9 years**	6.4 years
Interest Sensitive		
Discount rate	**8.9%**	9.3%
Prepayment speeds	**13.9%**	10.0%
Average life	**5.6 years**	7.0 years
Total MSR Portfolio		
Discount rate	**9.7%**	10.2%
Prepayment speeds	**13.7%**	10.8%
Average life	**5.8 years**	6.7 years

The following table shows the hypothetical effect on the fair value of the Successor's MSRs when applying certain unfavorable variations of key assumptions to these assets for the dates indicated.

	Successor			
	Discount Rate		**Total Prepayment Speeds**	
MSRs - Hypothetical Sensitivities	**100 bps Adverse Change**	**200 bps Adverse Change**	**10% Adverse Change**	**20% Adverse Change**
June 30, 2019				
Mortgage servicing rights	**$ (127)**	**$ (245)**	**$ (169)**	**$ (325)**
December 31, 2018				
Mortgage servicing rights	$ (137)	$ (265)	$ (129)	$ (250)

These hypothetical sensitivities should be evaluated with care. The effect on fair value of a 10% adverse change in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

Reverse Mortgage Servicing Rights and Liabilities - Amortized Cost

The Company services certain HECM reverse mortgage loans with an unpaid principal balance of $25,569 and $28,415 as of June 30, 2019 and December 31, 2018, respectively. Mortgage servicing liabilities ("MSL") had an ending balance of $80 and $71 as of June 30, 2019 and December 31, 2018, respectively. For the six months ended June 30, 2019 and 2018, the Company and the Predecessor accreted $28 and $11 of the MSL and recorded other MSL adjustments of $37 and $3, respectively. The MSL adjustment recorded by the Company relates to the fair value adjustments for MSL assumed from the Merger resulting from the revised cost to service assumption used in the valuation of MSL during the measurement period. See *Note 2, Acquisitions* for further information. An accretion recorded by the Predecessor relates to previous portfolio acquisitions.

Reverse MSR had an ending balance of $6 and $11 as of June 30, 2019 and December 31, 2018, respectively. For the six months ended June 30, 2019, the Company amortized $1 and recorded other MSR adjustments of $6. The MSR adjustment recorded by the Company relates to the fair value adjustments for MSR assumed from the Merger resulting from the revised cost to service assumption used in the valuation of MSR during the measurement period. See *Note 2, Acquisitions* for further information. For the six months ended June 30, 2018, the Predecessor recorded other MSR adjustments of $4.

The fair value of the reverse MSR was $7 and $11 as of June 30, 2019 and December 31, 2018, respectively. The fair value of the MSL was $44 and $53 as of June 30, 2019 and December 31, 2018, respectively. Management evaluates reverse MSRs and MSLs each reporting period for impairment. Based on management's assessment at June 30, 2019, no impairment or increased obligation was needed.

Excess Spread Financing - Fair Value

In order to finance the acquisition of certain MSR portfolios, the Company has entered into sale and assignment agreements with a third-party associated with funds and accounts under management of BlackRock Financial Management Inc. ("BlackRock"), a third-party associated with funds and accounts under management of Värde Partners, Inc. ("Varde") and with certain affiliated entities formed and managed by New Residential Investment Corp. ("New Residential"). The Company sold to these entities the right to receive a specified percentage of the cash flow generated from the portfolios in excess of a fixed base servicing fee per loan. The Company retains the base servicing fee, along with ancillary income and interest float earnings on principal and interest payments and escrows, and also incurs costs to service the specified pool. The Company is the legal owner and the servicer of the portfolios and provides all servicing and advancing functions.

In connection with the above transactions, the Company entered into refinanced loan obligations with New Residential, BlackRock and Varde that require the Company to transfer the new loan or a replacement loan of similar economic characteristics into the respective portfolio if the Company refinances any loan in the portfolio. The new or replacement loan will be governed by the same terms set forth in the sale and assignment agreement described above.

The Company used the following weighted-average assumptions in the Company's valuation of excess spread financing.

	Successor	
	June 30, 2019	**December 31, 2018**
Excess Spread Financing		
Discount rate	**9.6%**	10.4%
Prepayment speeds	**13.1%**	11.0%
Recapture rate	**20.2%**	18.6%
Average life	**5.7 years**	6.5 years

The following table shows the hypothetical effect on the Company's excess spread financing fair value when applying certain unfavorable variations of key assumptions to these liabilities for the dates indicated.

	Successor			
	Discount Rate		**Prepayment Speeds**	
Excess Spread Financing - Hypothetical Sensitivities	**100 bps Adverse Change**	**200 bps Adverse Change**	**10% Adverse Change**	**20% Adverse Change**
June 30, 2019				
Excess spread financing	**$ 53**	**$ 111**	**$ 58**	**$ 121**
December 31, 2018				
Excess spread financing	$ 47	$ 99	$ 38	$ 81

As the cash flow assumptions utilized in determining the fair value amounts in the excess spread financing are based on the related cash flow assumptions utilized in the financed MSRs, any fair value changes recognized in the financed MSRs attributable to a related cash flow assumption would inherently have an inverse impact on the carrying amount of the related excess spread financing. For example, while an increase in discount rates would negatively impact the value of the Company's financed MSRs, it would reduce the carrying value of the associated excess spread financing liability.

These hypothetical sensitivities should be evaluated with care. The effect on fair value of a 10% variation in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects. Also, a positive change in the above assumptions would not necessarily correlate with the corresponding decrease in the net carrying amount of the excess spread financing.

Mortgage Servicing Rights Financing - Fair Value

From December 2013 through June 2014, the Predecessor entered into agreements to sell a contractually specified base servicing fee component of certain MSRs and servicing advances under specified terms to a joint venture capitalized by New Residential and certain unaffiliated third-party investors. The purpose of this transaction was to facilitate the financing of advances for private label mortgages. The Company continues to be the named servicer, and, for accounting purposes, ownership of the mortgage servicing rights continues to reside with the Company. Accordingly, the Company records the MSR and an MSR financing liability associated with this transaction in its consolidated balance sheets. The MSR financing liability reflects the incremental costs of this transaction relative to the market participant assumptions contained in the MSR valuation.

The following table sets forth the weighted average assumptions used in the valuation of the mortgage servicing rights financing liability.

	Successor	
Mortgage Servicing Rights Financing Assumptions	**June 30, 2019**	**December 31, 2018**
Advance financing rates	**3.7%**	4.2%
Annual advance recovery rates	**19.3%**	19.0%

Mortgage Servicing Rights - Revenues

The following table sets forth the items comprising revenues associated with servicing loan portfolios.

	Successor		Predecessor	
Servicing Revenue	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Contractually specified servicing fees[1]	**$ 307**	**$ 588**	$ 245	$ 495
Other service-related income[1][2]	**32**	**82**	28	56
Incentive and modification income[1]	**10**	**17**	18	33
Late fees[1]	**27**	**52**	22	46
Reverse servicing fees	**8**	**17**	14	33
Mark-to-market adjustments[3]	**(231)**	**(524)**	19	171
Counterparty revenue share[4]	**(70)**	**(118)**	(50)	(95)
Amortization, net of accretion[5]	**(56)**	**(79)**	(48)	(96)
Total servicing revenue	**$ 27**	**$ 35**	$ 248	$ 643

(1) Amounts include subservicing related revenues.

(2) Amount for the six months ended June 30, 2019 includes a gain of $21 from the execution of a clean-up call option on a reverse mortgage loan trust, as the Company was the master servicer and holder of clean-up call rights.

(3) Mark-to-market ("MTM") adjustments include fair value adjustments on MSR, excess spread financing and MSR financing liabilities. The amount of MSR MTM includes the impact of negative modeled cash flows which have been transferred to reserves on advances and other receivables. The negative modeled cash flows relate to advances and other receivables associated with inactive and liquidated loans that are no longer part of the MSR portfolio. The impact of negative modeled cash flows for the Company and Predecessor was $17 and $22 for the three months ended June 30, 2019 and 2018, respectively, and $28 and $34 for the six months ended June 30, 2019 and 2018, respectively.

(4) Counterparty revenue share represents the excess servicing fee that the Company pays to the counterparties under the excess spread financing arrangements and the payments made associated with MSRs financing arrangements.

(5) Amortization for the Company is net of excess spread accretion of $59 and MSL accretion of $11 for the three months ended June 30, 2019. Amortization for the Predecessor is net excess spread accretion of $37 for the three months ended June 30, 2018. For the six months ended June 30, 2019, the amortization for the Company is net of excess spread accretion of $95 and MSL accretion of $29. Amortization of the Predecessor is net of excess spread of $67 for the six months ended June 30, 2018. The Predecessor recorded MSL accretion within reverse servicing fees, whereas the Successor has elected to record MSL accretion within Amortization, net of accretion.

4. Advances and Other Receivables, Net

Advances and other receivables, net consists of the following.

	Successor	
	June 30, 2019	**December 31, 2018**
Servicing advances, net of $156 and $205 discount, respectively	**$ 878**	$ 1,000
Receivables from agencies, investors and prior servicers, net of $48 and $48 discount, respectively	**220**	241
Reserves	**(98)**	(47)
Total advances and other receivables, net	**$ 1,000**	$ 1,194

The Company, as loan servicer, is contractually responsible to advance funds on behalf of the borrower and investor primarily for loan principal and interest, property taxes and hazard insurance and foreclosure costs. Advances are primarily recovered through reimbursement from the investor, proceeds from sale of loan collateral or mortgage insurance claims. Reserves for advances and other receivables on loans transferred out of the MSR portfolio are established within advances and other receivables.

The Company estimates and records an asset for estimated recoveries to be collected from prior servicers for their respective portion of the losses associated with the underlying loans that were not serviced in accordance with established guidelines.

Receivables from prior servicers totaled $96 and $94 for Company's forward loan portfolio at June 30, 2019 and December 31, 2018, respectively.

The following table sets forth the activities of the reserves for advances and other receivables.

	Successor		*Predecessor*	
Reserves for Advances and Other Receivables	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Balance - beginning of period	**$ 71**	**47**	$ 277	$ 284
Provision and other additions[1]	**37**	**67**	38	60
Write-offs	**(10)**	**(16)**	(21)	(50)
Balance - end of period	**$ 98**	**$ 98**	$ 294	$ 294

[1] The Company and the Predecessor recorded a provision of $17 and $22 through the MTM adjustments in service related revenues for the three months ended June 30, 2019 and 2018, respectively, and $28 and $34 for the six months ended June 30, 2019 and 2018, respectively, for inactive and liquidated loans that are no longer part of the MSR portfolio. Other additions represent reclassifications of required reserves provisioned within other balance sheet accounts as associated serviced loans become inactive or liquidate.

Purchase Discount for Advances and Other Receivables

In connection with the acquisition of Pacific Union in February 2019, the Company recorded the acquired advances and other receivables at estimated fair value as of the acquisition date, which resulted in a purchase discount of $19. Refer to *Note 2, Acquisitions* for discussion of the Pacific Union acquisition. In 2018, the Company recorded the acquired advances and other receivables in connection with the Merger at estimated fair value as of the acquisition date, which resulted in a purchase discount of $302.

As of June 30, 2019, a total of $117 purchase discount has been utilized with $204 purchase discount remaining.

The following table sets forth the activities of the purchase discounts for advances and other receivables.

	Successor			
	Three Months Ended June 30, 2019		**Six Months Ended June 30, 2019**	
Purchase Discounts	**Servicing Advances**	**Receivables from Agencies, Investors and Prior Servicers**	**Servicing Advances**	**Receivables from Agencies, Investors and Prior Servicers**
Balance - beginning of period	**$ 169**	**$ 48**	**$ 205**	**$ 48**
Addition from acquisition	**—**	**—**	**19**	**—**
Utilization of purchase discounts	**(13)**	**—**	**(68)**	**—**
Balance - end of period	**$ 156**	**$ 48**	**$ 156**	**$ 48**

5. Reverse Mortgage Interests, Net

Reverse mortgage interests, net consists of the following:

	Successor	
Reverse Mortgage Interests, Net	**June 30, 2019**	**December 31, 2018**
Participating interests in HECM mortgage-backed securities ("HMBS"), net of $18 and $58 premium, respectively	**$ 4,952**	$ 5,664
Other interests securitized, net of $84 and $100 discount, respectively	**1,023**	1,064
Unsecuritized interests, net of $97 and $122 discount, respectively	**1,143**	1,219
Reserves	**(8)**	(13)
Total reverse mortgage interests, net	**$ 7,110**	$ 7,934

Participating Interests in HMBS

Participating interests in HMBS consist of the Company's reverse mortgage interests in HECM loans which have been transferred to GNMA and subsequently securitized through the issuance of HMBS. The Company does not own these loans, but due to HMBS program buyout requirements, such interests are consolidated on the Company's balance sheet. The Company does not originate reverse mortgages, but during the six months ended June 30, 2019 and 2018, a total of $149 and $174 in UPB associated with new draws on existing loans was transferred to GNMA and securitized by the Company and Predecessor, respectively.

In March 2019, the Company entered into an agreement with Fannie Mae for the transfer of reverse mortgage loans. As a result, $61 was transferred from Fannie Mae and securitized into GNMA HMBS during the six months ended June 30, 2019.

Other Interests Securitized

Other interests securitized consist of reverse mortgage interests that no longer meet HMBS program eligibility criteria primarily because they have reached 98% of their Max Claim Amount ("MCA") established at origination in accordance with HMBS program guidelines, which require buyout of the respective HMBS trust. These reverse mortgage interests have subsequently been transferred to private securitization trusts and are accounted for as a secured borrowing. During the six months ended June 30, 2019, the Company securitized a total of $398 UPB through Trust 2019-1 and a total of $249 UPB from Trust 2017-2 was called and the related debt was extinguished. See *Note 10, Indebtedness* for additional information. The Company sold $20 UPB of Trust 2018-3 retained bonds during the six months ended June 30, 2019. During the six months ended June 30, 2018, the Predecessor securitized a total of $443 UPB through Trust 2018-1 and a total of $284 UPB from Trust 2016-2 and Trust 2016-3 were called and the related debt was extinguished. Refer to Other Nonrecourse Debt in *Note 10, Indebtedness*, for additional information.

Unsecuritized Interests

Unsecuritized interests in reverse mortgages consist of the following:

	Successor	
	June 30, 2019	**December 31, 2018**
Repurchased HECM loans (exceeds 98% MCA)	**$ 896**	$ 949
HECM related receivables	**281**	300
Funded borrower draws not yet securitized	**48**	76
REO-related receivables	**15**	16
Purchase discount	**(97)**	(122)
Total unsecuritized interests	**$ 1,143**	$ 1,219

Unsecuritized interests include repurchased HECM loans for which the Company is required to repurchase from the HMBS pool when the outstanding principal balance of the HECM loan is equal to or greater than 98% of the MCA established at origination in accordance with HMBS program guidelines. The Company and the Predecessor repurchased a total of $1,457 and $2,109 of HECM loans out of GNMA HMBS securitizations during the six months ended June 30, 2019 and 2018, respectively, of which $371 and $444 were subsequently assigned to a third party in accordance with applicable servicing agreements, respectively. To the extent a loan is not subject to applicable servicing agreements and assigned to a third party, the loan is either subject to assignment to the U.S. Department of Housing and Urban Development ("HUD"), per contractual obligations with GNMA, liquidated via a payoff from the borrower or liquidated via a foreclosure according to the terms of the underlying mortgage.

As discussed above, the Company estimates and records an asset for probable recoveries from prior servicers for their respective portion of the losses associated with the underlying loans that were not serviced in accordance with established guidelines. Receivables from prior servicers totaled $13 and $18 for the Company's reverse loan portfolio at June 30, 2019 and December 31, 2018, respectively.

Reserves for Reverse Mortgage Interests

The Company records reserves related to reverse mortgage interests based on potential unrecoverable costs and loss exposures expected to be realized. Recoverability is determined based on the Company's ability to meet HUD servicing guidelines and is assessed with respect to two different categories of expenses: financial and operational. Financial exposures are defined as the cost of doing business related to servicing the HECM product and include potential unrecoverable costs primarily based on HUD claim guidelines related to recoverable expenses and unfavorable changes in the appraised value of the loan collateral. Operational exposures are defined as unrecoverable debenture interest curtailments imposed for missed HUD-specified servicing timelines and non-claimable UPB that exceeds the MCA upon assignment of the loan collateral to HUD ("MCA Exposure"). Reserves for reverse mortgage interests are related to both financial and operational exposures.

The activity of the reserves for reverse mortgage interests is set forth below.

	Successor		Predecessor	
Reserves for reverse mortgage interests	**Three Months Ended June 30, 2019**	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Balance - beginning of period	**$ 8**	**$ 13**	$ 134	$ 115
Provision (release), net	**2**	**2**	(6)	20
Write-offs	**(2)**	**(7)**	(11)	(18)
Balance - end of period	**$ 8**	**$ 8**	$ 117	$ 117

Purchase Discount for Reverse Mortgage Interests

In connection with the Merger, the Company recorded the acquired reverse mortgage interests at estimated fair value as of the acquisition date, which resulted in a purchase premium of $42 for participating interests in HMBS, and a purchase discount of $298 for Other Interest Securitized and Unsecuritized Interests due to the higher exposure to financial and operational losses of servicing the loans through foreclosure and collateral liquidation.

The following table sets forth the activities of the purchase premiums and discounts for reverse mortgage interests.

	Successor		
	Three Months Ended June 30, 2019		
Purchase premiums and discounts for reverse mortgage interests	**Net Premium for Participating Interests in HMBS[(1)]**	**Net Discount for Other Interest Securitized[(1)]**	**Net Discount for Unsecuritized Interests [(1)]**
Balance - beginning of period	**$ 36**	**$ (112)**	**$ (95)**
Utilization of purchase discounts	**—**	**7**	**5**
(Amortization)/Accretion	**(23)**	**28**	**(9)**
Transfers[(3)]	**5**	**(7)**	**2**
Balance - end of period	**$ 18**	**$ (84)**	**$ (97)**

	Successor		
	Six Months Ended June 30, 2019		
Purchase premiums and discounts for reverse mortgage interests	**Net Premium for Participating Interests in HMBS[(1)]**	**Net Discount for Other Interest Securitized[(1)]**	**Net Discount for Unsecuritized Interests [(1)]**
Balance - beginning of period	**$ 58**	**$ (100)**	**$ (122)**
Adjustments[(2)]	**(16)**	**(2)**	**(6)**
Utilization of purchase discounts	**—**	**13**	**27**
(Amortization)/Accretion	**(37)**	**13**	**9**
Transfers[(3)]	**13**	**(8)**	**(5)**
Balance - end of period	**$ 18**	**$ (84)**	**$ (97)**

(1) Net position as certain items are in a premium/(discount) position, based on the characteristics of underlying tranches of loans.

(2) Adjustments to premium/(discount) due to revised cost to service assumption utilized in the valuation of reverse mortgage assets and liabilities acquired from the Merger. See *Note 2, Acquisitions* for additional information.

(3) Transfer of premium/(discount) based on the transfer of associated loans between categories consistent with the underlying loan characteristics.

In connection with previous reverse mortgage portfolio acquisitions, the Predecessor recorded a purchase discount within Unsecuritized Interests. The following table sets forth the activities of the purchase discounts for reverse mortgage interests.

	Predecessor	
Purchase discounts for reverse mortgage interests	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Balance - beginning of period	**$ (90)**	$ (89)
Additions	**—**	(7)
Accretion	**6**	12
Balance - end of period	**$ (84)**	$ (84)

Reverse Mortgage Interest Income

The Company accrues interest income for its participating interest in reverse mortgages based on the stated rates underlying HECM loans, in accordance with FHA guidelines. Total interest earned on the Company's and the Predecessor's reverse mortgage interests was $85 and $118 for the three months ended June 30, 2019 and 2018, respectively, and $167 and $237 for the six months ended June 30, 2019 and 2018, respectively.

6. Mortgage Loans Held for Sale and Investment

Mortgage Loans Held for Sale

The Company maintains a strategy of originating and purchasing residential mortgage loan products primarily for the purpose of selling to GSEs or other third-party investors in the secondary market on a servicing-retained basis. The Company purchases closed loans through its correspondent channel and assists customers currently in the Company's servicing portfolio with refinancing of loans or new home purchases through its Direct to Consumer channel. Generally, all newly originated mortgage loans held for sale are securitized and transferred to GSEs or delivered to third-party purchasers shortly after origination on a servicing-retained basis.

Mortgage loans held for sale are recorded at fair value as set forth below.

	Successor	
	June 30, 2019	**December 31, 2018**
Mortgage loans held for sale – UPB	**$ 3,268**	$ 1,568
Mark-to-market adjustment[1]	**154**	63
Total mortgage loans held for sale	**$ 3,422**	$ 1,631

[1] The mark-to-market adjustment is recorded in net gain on mortgage loans held for sale in the consolidated statements of operations.

The Company accrues interest income as earned and places loans on non-accrual status after any portion of principal or interest has been delinquent for more than 90 days. Accrued interest is recorded as interest income in the consolidated statements of operations.

The total UPB of mortgage loans held for sale on non-accrual status was as follows:

	Successor			
	June 30, 2019		**December 31, 2018**	
Mortgage Loans Held for Sale - UPB	**UPB**	**Fair Value**	**UPB**	**Fair Value**
Non-accrual[1]	**$ 26**	**$ 24**	$ 45	$ 42

[1] Non-accrual includes $21 and $40 of UPB related to Ginnie Mae repurchased loans as of June 30, 2019 and December 31, 2018, respectively.

From time to time, the Company exercises its right to repurchase individual delinquent loans in Ginnie Mae securitization pools to minimize interest spread losses, to re-pool into new Ginnie Mae securitizations or to otherwise sell to third-party investors. During the six months ended June 30, 2019, the Company repurchased $72 of delinquent Ginnie Mae loans and securitized or sold to third-party investors $117 of previously repurchased Ginnie Mae loans. During the six months ended June 30, 2018, the Predecessor repurchased $109 of delinquent Ginnie Mae loans and securitized or sold to third-party investors $135 of previously repurchased loans.

For the six months ended June 30, 2019 and 2018, $19 and $92 of the repurchased loans have re-performed and were held in accrual status, respectively, and remaining balances continue to be held under a non-accrual status.

The total UPB of mortgage loans held for sale for which the Company has begun formal foreclosure proceedings was $16 and $33 as of June 30, 2019 and December 31, 2018, respectively.

The following table details a roll forward of the change in the account balance of mortgage loans held for sale.

	Successor	*Predecessor*
Mortgage loans held for sale	**Six Months Ended June 30, 2019**	**Six Months Ended June 30, 2018**
Balance - beginning of period	**$ 1,631**	$ 1,891
Mortgage loans originated and purchased, net of fees[1]	**16,257**	10,630
Loans sold	**(15,203)**	(11,377)
Repurchase of loans out of Ginnie Mae securitizations	**715**	475
Transfer of mortgage loans held for sale to advances/accounts receivable, net related to claims[2]	**(7)**	(6)
Net transfer of mortgage loans held for sale from REO in other assets[3]	**7**	12
Changes in fair value	**16**	1
Other purchase-related activities[4]	**6**	9
Balance - end of period	**$ 3,422**	$ 1,635

(1) Mortgage loans originated and purchased during the six months ended June 30, 2019 includes $536 of loans held for sale that were acquired from Pacific Union. See *Note 2, Acquisitions* for further discussion.

(2) Amounts are comprised of claims made on certain government insured mortgage loans upon completion of the REO sale.

(3) Net amounts are comprised of REO in the sales process, which are transferred to other assets, and certain government insured mortgage REO, which are transferred from other assets upon completion of the sale so that the claims process can begin.

(4) Amounts are comprised primarily of non-Ginnie Mae loan purchases and buyouts.

For the six months ended June 30, 2019 and 2018, the Company and the Predecessor received proceeds of $15,422 and $11,491, respectively, on the sale of mortgage loans held for sale, resulting in gains of $219 and $114, respectively.

The Company has the right to repurchase any individual loan in a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. The majority of Ginnie Mae repurchased loans are repurchased in connection with loan modifications and loan resolution activity and with the intent to re-pool into new Ginnie Mae securitizations upon re-performance of the loan or to otherwise sell to third-party investors. Therefore, these loans are classified as held for sale.

Mortgage Loans Held for Investment

The following sets forth the composition of mortgage loans held for investment.

	Successor	
	June 30, 2019	**December 31, 2018**
Mortgage loans held for investment – UPB	**$ 148**	$ 156
Fair value adjustments	**(34)**	(37)
Total mortgage loans held for investment at fair value	**$ 114**	$ 119

The total UPB of mortgage loans held for investment on non-accrual status was as follows.

	Successor			
	June 30, 2019		**December 31, 2018**	
Mortgage Loans Held for Investment - UPB	**UPB**	**Fair Value**	**UPB**	**Fair Value**
Non-accrual	**$ 21**	**$ 10**	$ 27	$ 13

The following table sets forth the activities of mortgage loans held for investment.

	Successor
Mortgage loans held for investment at fair value	**Six Months Ended June 30, 2019**
Balance - beginning of period	**$ 119**
Payments received from borrowers	**(8)**
Changes in fair value	**3**
Balance - end of period	**$ 114**

The total UPB of mortgage loans held for investment for which the Company has begun formal foreclosure proceedings was $11 and $15 as of June 30, 2019 and December 31, 2018, respectively.

7. Leases

Operating leases in which the Company is the lessee are recorded as operating lease ROU assets and operating lease liabilities, included in other assets and payables and other liabilities, respectively, on its consolidated balance sheets as of June 30, 2019. The Company does not currently have any significant finance leases in which it is the lessee. Operating lease ROU assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the lease commencement date. ROU assets are further adjusted for lease incentives. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term, and is recorded in general and administrative expenses in the consolidated statements of operations. The Company's leases relate primarily to office space and equipment, with remaining lease terms of generally 1 to 9 years. Certain lease arrangements contain extension options, which typically range from 3 to 5 years, at the then fair market rental rates. As these extension options are not generally considered reasonably certain of exercise, they are not included in the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. As of June 30, 2019, operating lease ROU assets and liabilities were $139 and $148, respectively.

The table below summarizes the Company's net lease cost:

	Successor	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**
Operating lease cost	**$ 11**	**$ 19**
Short-term lease cost[1]	**—**	**1**
Sublease income	**(1)**	**(1)**
Net lease cost	**$ 10**	**$ 19**

[1] Amount for three months ended June 30, 2019 is less than $1.

The table below summarizes other information related to the Company’s operating leases:

	Successor	
	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7	$ 13
Leased assets obtained in exchange for new operating lease liabilities	$ 28	$ 155
Weighted average remaining lease term - operating leases, in years	5.7	6.1
Weighted average discount rate - operating leases	5.0%	5.0%

Maturities of operating lease liabilities as of June 30, 2019 are as follows:

Year Ending December 31,	Operating Leases
2019[1]	$ 19
2020	40
2021	32
2022	23
2023	18
2024 and thereafter	19
Total minimum lease payments	151
Less: imputed interest	3
Total operating lease liabilities	$ 148

(1) Excluding the six months ended June 30, 2019.

Finance lease liability was $4 as of June 30, 2019, the majority of which matures within a year.

8. Other Assets

Other assets consist of the following:

	Successor	
	June 30, 2019	December 31, 2018
Loans subject to repurchase from Ginnie Mae	$ 723	$ 266
Accrued revenues	136	145
Right-of-use assets	139	—
Intangible assets	105	117
Goodwill	120	23
Other	306	244
Total other assets	$ 1,529	$ 795

Loans Subject to Repurchase Right from Ginnie Mae

Forward loans are sold to Ginnie Mae in conjunction with the issuance of mortgage backed securities. The Company, as the issuer of the mortgage backed securities, has the unilateral right to repurchase any individual loan in a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. Once the Company has the unilateral right to repurchase a delinquent loan, it has effectively regained control over the loan and recognizes these rights to the loan on its consolidated balance sheets and establishes a corresponding repurchase liability regardless of the Company’s intention to repurchase the loan. The amount as of June 30, 2019 includes $485 attributable to Pacific Union.

Accrued Revenues

Accrued revenues are primarily comprised of service fees earned but not received based upon the terms of the Company's servicing and subservicing agreements.

Right of Use Assets

Right of use assets are recognized for operating leases as a result of adoption of ASC 842. See *Note 7, Leases* for additional information.

Goodwill and Intangible Assets

The table below presents changes in the carrying amount of goodwill for the six months ended June 30, 2019.

	Successor	
	Six Months Ended June 30, 2019	
Balance - beginning of period	**$**	**23**
Additions from acquisitions[(1)]		**42**
Measurement period adjustment related to Merger[(2)]		**55**
Balance - end of period	**$**	**120**

(1) As discussed in *Note 2, Acquisitions*, the Company recorded goodwill of $40 in connection with the acquisition of Pacific Union. In addition, on February 28, 2019, the Company completed the acquisition of the Seterus mortgage servicing platform and assumed certain assets related thereto from IBM ("Seterus acquisition"). In connection with the Seterus acquisition, the Company recorded $2 in goodwill.

(2) The Company recorded a total measurement period adjustment of $55 to goodwill in 2019 related to the acquisition of Nationstar. See further discussion in *Note 2, Acquisitions.*

In 2018, the Company recorded goodwill of $10 and $13 in connection with the acquisitions of Nationstar and Assurant Mortgage Solutions, respectively. See further discussion in *Note 2, Acquisitions*.

In 2019, the Company recorded intangible assets of $13 in connection with the acquisition of Pacific Union. In 2018, the Company recorded intangible assets of $103 and $24 in connection with the acquisitions of Nationstar and Assurant Mortgage Solutions, respectively. See further discussion in *Note 2, Acquisitions*.

Other

Other primarily includes derivative financial instruments, prepaid expenses, deposits, real estate owned (REO), tax receivables and non-advance related accounts receivable due from investors. See *Note 9, Derivative Financial Instruments,* for further details on derivative financial instruments.

REO includes $12 and $10 of REO-related receivables with government insurance at June 30, 2019 and December 31, 2018, respectively, limiting loss exposure to the Company.

9. Derivative Financial Instruments

Derivative instruments utilized by the Company primarily include interest rate lock commitments ("IRLCs"), loan purchase commitments ("LPCs"), forward Mortgage Backed Securities ("MBS") purchase commitments, Eurodollar and Treasury futures and interest rate swap agreements.

Associated with the Company's derivatives are $25 and $12 in collateral deposits on derivative instruments recorded in other assets on the Company's consolidated balance sheets as of June 30, 2019 and December 31, 2018, respectively. The Company does not offset fair value amounts recognized for derivative instruments with amounts collected or deposited on derivative instruments in the consolidated balance sheets.

The following table provides the outstanding notional balances, fair values of outstanding positions and recorded gains/(losses).

		Successor		
		June 30, 2019		**Six Months Ended June 30, 2019**
	Expiration Dates	**Outstanding Notional**	**Fair Value**	**Recorded Gains/ (Losses)**
Assets				
Mortgage loans held for sale				
Loan sale commitments	**2019**	**$ 1,659**	**$ 47.0**	**$ 21.1**
Derivative financial instruments				
IRLCs	**2019**	**3,649**	**110.2**	**50.5**
Forward sales of MBS	**2019**	**762**	**1.1**	**(0.7)**
LPCs	**2019**	**1,327**	**16.5**	**14.8**
Eurodollar futures[1]	**2019-2021**	**8**	**—**	**—**
Liabilities				
Derivative financial instruments				
IRLCs[1]	**2019**	**4**	**—**	**—**
Forward sales of MBS	**2019**	**4,932**	**30.3**	**6.4**
LPCs	**2019**	**212**	**1.3**	**0.8**
Eurodollar futures[1]	**2019-2021**	**12**	**—**	**—**

		Predecessor		
		June 30, 2018		**Six Months Ended June 30, 2018**
	Expiration Dates	**Outstanding Notional**	**Fair Value**	**Recorded Gains/ (Losses)**
Assets				
Mortgage loans held for sale				
Loan sale commitments	2018	$ 368	$ 7.2	$ 7.1
Derivative financial instruments				
IRLCs	2018	1,778	60.2	0.9
Forward sales of MBS	2018	568	0.4	(2.0)
LPCs	2018	271	1.7	0.8
Treasury futures	2018	35	0.1	(1.8)
Eurodollar futures[1]	2018-2021	22	—	—
Liabilities				
Derivative financial instruments				
IRLCs[1]	2018	1	—	—
Forward sales of MBS	2018	2,710	8.0	5.2
LPCs	2018	185	0.7	0.1
Treasury futures[1]	2018	63	—	(1.4)
Eurodollar futures[1]	2020-2021	6	—	—

(1) Fair values or recorded gains/(losses) of derivative instruments are less than $0.1 for the specified dates.

10. Indebtedness

Notes Payable

					Successor			
					June 30, 2019		**December 31, 2018**	
Advance Facilities	**Interest Rate**	**Maturity Date**	**Collateral**	**Capacity Amount**	**Outstanding**	**Collateral Pledged**	**Outstanding**	**Collateral pledged**
Nationstar mortgage advance receivable trust	LIBOR + 1.5% to 6.5%	August 2021	Servicing advance receivables	$ 325	**$ 229**	**$ 290**	$ 209	$ 284
Nationstar agency advance receivable trust	LIBOR + 1.5% to 2.6%	December 2020	Servicing advance receivables	250	**162**	**194**	218	255
MBS servicer advance facility (2014)	LIBOR + 2.5%	December 2019	Servicing advance receivables	200	**90**	**131**	90	149
Nationstar agency advance financing facility	LIBOR + 1.5% to 7.4%	July 2020	Servicing advance receivables	125	**87**	**99**	78	89
Advance facilities principal amount					**568**	**$ 714**	595	$ 777
Unamortized debt issuance costs					**(1)**		—	
Advance facilities, net					**$ 567**		$ 595	

Warehouse Facilities	Interest Rate	Maturity Date	Collateral	Capacity Amount	*Successor* June 30, 2019 Outstanding	June 30, 2019 Collateral pledged	December 31, 2018 Outstanding	December 31, 2018 Collateral pledged
$1,200 warehouse facility	LIBOR + 1.7% to 3.5%	November 2019	Mortgage loans or MBS	$ 1,200	**$ 715**	**$ 762**	$ 560	$ 622
$1,000 warehouse facility	LIBOR + 1.6% to 2.5%	September 2019	Mortgage loans or MBS	1,000	**629**	**646**	137	140
$750 warehouse facility	LIBOR + 1.4% to 2.8%	August 30, 2019	Mortgage loans or MBS	750	**416**	**424**	119	122
$800 warehouse facility[(1)]	LIBOR + 1.5% to 2.9%	April 2020	Mortgage loans or MBS	800	**531**	**576**	464	514
$600 warehouse facility	LIBOR + 2.3%	February 2020	Mortgage loans or MBS	600	**226**	**258**	151	168
$500 warehouse facility	LIBOR + 1.5% to 3.0%	April 2020	Mortgage loans or MBS	500	**382**	**395**	187	200
$500 warehouse facility	LIBOR + 1.5% to 2.8%	November 2019	Mortgage loans or MBS	500	**377**	**410**	220	248
$500 warehouse facility	LIBOR + 2.0% to 2.3%	September 2020	Mortgage loans or MBS	500	**49**	**51**	290	299
$200 warehouse facility	LIBOR + 1.0%	June 2020	Mortgage loans or MBS	200	**194**	**187**	—	—
$200 warehouse facility	LIBOR + 1.5%	December 2019	Mortgage loans or MBS	200	**107**	**103**	—	—
$200 warehouse facility	LIBOR + 1.5%	October 2019	Mortgage loans or MBS	200	**104**	**103**	—	—
$200 warehouse facility	LIBOR + 2.0%	January 2020	Mortgage loans or MBS	200	**88**	**116**	103	132
$200 warehouse facility	LIBOR + 1.2%	April 2021	Mortgage loans or MBS	200	**32**	**33**	18	19
$50 warehouse facility	LIBOR + 2.7% to 7.5%	April 2020	Mortgage loans or MBS	50	**5**	**7**	—	—
$40 warehouse facility	LIBOR + 3.0%	November 2019	Mortgage loans or MBS	40	**1**	**2**	1	2
Warehouse facilities principal amount					**3,856**	**4,073**	2,250	2,466
MSR Facility								
$400 warehouse facility	LIBOR + 3.5% to 6.1%	June 2021	MSR	400	**150**	**786**	100	928
$400 warehouse facility	LIBOR + 2.3%	December 2020	MSR	400	**25**	**215**	—	226
$150 warehouse facility[(1)]	LIBOR + 2.8%	April 2020	MSR	150	**—**	**121**	—	430
$50 warehouse facility	LIBOR + 2.8%	August 2020	MSR	50	**15**	**92**	—	102
					190	**1,214**	100	1,686
Warehouse facilities principal amount					**4,046**	**$ 5,287**	2,350	$ 4,152
Unamortized debt issuance costs					**(1)**		(1)	
Warehouse facilities, net					**$ 4,045**		$ 2,349	
Pledged Collateral:								
Mortgage loans and mortgage loans held for investment					**$ 3,204**	**$ 3,319**	$ 1,528	$ 1,628
Reverse mortgage interests					**652**	**754**	722	838
MSR					**190**	**1,214**	100	1,686

(1) Total capacity amount for this facility is $800 of which $150 is a sublimit for MSR financing.

Unsecured Senior Notes

Unsecured senior notes consist of the following:

	Successor	
	June 30, 2019	**December 31, 2018**
$950 face value, 8.125% interest rate payable semi-annually, due July 2023	**$ 950**	$ 950
$750 face value, 9.125% interest rate payable semi-annually, due July 2026	**750**	750
$600 face value, 6.500% interest rate payable semi-annually, due July 2021	**592**	592
$300 face value, 6.500% interest rate payable semi-annually, due June 2022	**206**	206
Unsecured senior notes principal amount	**2,498**	2,498
Unamortized debt issuance costs, net of premium, and discount	**(36)**	(39)
Unsecured senior notes, net	**$ 2,462**	$ 2,459

The ratios included in the indentures for the unsecured senior notes are incurrence-based compared to the customary ratio covenants that are often found in credit agreements that require a company to maintain a certain ratio. The incurrence-based covenants limit the issuer(s) and restricted subsidiaries ability to incur additional indebtedness, pay dividends, make certain investments, create liens, consolidate, merge or sell substantially all of their assets or enter into certain transactions with affiliates. The indentures contain certain events of default, including (subject, in some cases, to customary cure periods and materiality thresholds) defaults based on (i) the failure to make payments under the applicable indenture when due, (ii) breach of covenants, (iii) cross-defaults to certain other indebtedness, (iv) certain bankruptcy or insolvency events, (v) material judgments and (vi) invalidity of material guarantees.

The indentures for the unsecured senior notes provide that the Company may redeem all or a portion of the notes prior to certain fixed dates by paying a make-whole premium plus accrued and unpaid interest, to the redemption dates. In addition, the Company may redeem all or a portion of the unsecured senior notes at any time on or after certain fixed dates at the applicable redemption prices set forth in the indentures plus accrued and unpaid interest, to the redemption dates. No notes were repurchased during the three and six months ended June 30, 2019. The Predecessor repurchased $44 and $60 in principal of outstanding notes during the three and six months ended June 30, 2018 resulting in a loss of $1 and $2, respectively.

Additionally, the indentures provide that on or before certain fixed dates, the Company may redeem (x) in the case of the New Notes, up to 40%, or (y) in the case of the other series of unsecured senior notes, up to 35% of the aggregate principal amount of the unsecured senior notes with the net proceeds of certain equity offerings at fixed redemption prices, plus accrued and unpaid interest, to the redemption dates, subject to compliance with certain conditions.

As of June 30, 2019, the expected maturities of the Company’s unsecured senior notes based on contractual maturities are as follows:

Year Ending December 31,	Amount
2019	**$ —**
2020	**—**
2021	**592**
2022	**206**
2023	**950**
Thereafter	**750**
Total	**$ 2,498**

Other Nonrecourse Debt

Other nonrecourse debt consists of the following:

					Successor	
					June 30, 2019	December 31, 2018
	Issue Date	Maturity Date	Class of Note	Securitized Amount	Outstanding	Outstanding
Participating interest financing[1]	—	—	—	$ —	**$ 4,861**	$ 5,607
Securitization of nonperforming HECM loans						
Trust 2017-2[2]	September 2017	September 2027	A, M1, M2	—	**—**	231
Trust 2018-1	March 2018	March 2028	A, M1, M2, M3, M4, M5	252	**224**	284
Trust 2018-2	August 2018	August 2028	A, M1, M2, M3, M4, M5	198	**182**	250
Trust 2018-3	November 2018	November 2028	A, M1, M2, M3, M4, M5	284	**272**	326
Trust 2019-1	June 2019	June 2029	A, M1, M2, M3, M4, M5	398	**398**	—
Nonrecourse Debt - Legacy	November 2009	October 2039	A	97	**22**	29
Other nonrecourse debt principal amount					**5,959**	6,727
Unamortized debt issuance costs, premium, and issuance discount					**26**	68
Other nonrecourse debt, net					**$ 5,985**	$ 6,795

(1) Amounts represent the Company’s participating interest in GNMA HMBS securitized portfolios.

(2) As discussed in *Note 5, Reverse Mortgage Interests, Net*, Trust 2017-2 was extinguished.

<u>*Participating Interest Financing*</u>

Participating interest financing represents the obligation of HMBS pools to third-party security holders. The Company issues HMBS in connection with the securitization of borrower draws and accrues interest on HECM loans. Proceeds are received in exchange for securitized advances on the HECM loan amounts transferred to GNMA, and the Company retains a beneficial interest (referred to as a “participating interest”) in the securitization trust in which the HECM loans and HMBS obligations are held and assume both issuer and servicer responsibilities in accordance with GNMA HMBS program guidelines. Monthly cash flows generated from the HECM loans are used to service the HMBS obligations. The interest rate is based on the underlying HMBS rate with a range of 2.7% to 6.0%.

<u>*Securitizations of Nonperforming HECM Loans*</u>

From time to time, the Company securitizes its interests in non-performing reverse mortgages. The transactions provide investors with the ability to invest in a pool of both non-performing HECM loans secured by one-to-four-family residential properties and a pool of REO properties acquired through foreclosure of a deed in lieu of foreclosure in connection with HECM loans that are covered by FHA insurance. The transactions provide the Company with access to liquidity for the non-performing HECM loan portfolio, ongoing servicing fees, and potential residual returns. The transactions are structured as secured borrowings with the reverse mortgage loans included in the consolidated financial statements as reverse mortgage interests and the related financing included in other nonrecourse debt. Interest is accrued at a rate of 2.7% to 6.0% on the outstanding securitized notes and recorded as interest expense in consolidated statements of operations. The HECM securitizations are callable with expected weighted average lives of one to four years. The Company may re-securitize the previously called loans from earlier HECM securitizations to achieve a lower cost of funds.

Nonrecourse Debt – Legacy Assets

During November 2009, the Predecessor completed the securitization of approximately $222 of Asset-Backed Securities (“ABS”), which was accounted for as a secured borrowing. This structure resulted in the Predecessor and subsequently the Company carrying the securitized mortgage loans in its consolidated balance sheets and recognizing the asset-backed certificates acquired by third parties. The principal and interest on these notes are paid using the cash flows from the underlying mortgage loans, which serve as collateral for the debt. The interest rate paid on the outstanding securities is 7.5%, which is subject to an available funds cap. The total outstanding principal balance on the underlying mortgage loans serving as collateral for the debt was approximately $151 and $160 at June 30, 2019 and December 31, 2018, respectively. The UPB on the outstanding loans was $22 and $29 at June 30, 2019 and December 31, 2018, respectively, and the carrying value of the nonrecourse debt was $22 and $29, respectively.

Financial Covenants

The Company’s credit facilities contain various financial covenants which primarily relate to required tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements, which are measured at the Company’s operating subsidiary, Nationstar Mortgage LLC. The Company was in compliance with its required financial covenants as of June 30, 2019. The most restrictive tangible net worth covenant required the Company to maintain a minimum tangible net worth of at least $682.

11. Payables and Other Liabilities

Payables and other liabilities consist of the following:

	Successor	
	June 30, 2019	**December 31, 2018**
Loans subject to repurchase from Ginnie Mae	**$ 723**	$ 266
Payables to servicing and subservicing investors	**625**	494
Operating lease liabilities	**148**	—
Payables to GSEs and securitized trusts	**42**	105
MSR purchases payable including advances	**24**	182
Other liabilities	**554**	496
Total payables and other liabilities	**$ 2,116**	$ 1,543

Loans Subject to Repurchase from Ginnie Mae

See *Note 8, Other Assets*, for a description of assets and liabilities related to loans subject to repurchase from Ginnie Mae. The amount as of June 30, 2019 includes $485 attributable to Pacific Union.

Payables to Servicing and Subservicing Investors and Payables to GSEs and Securitized Trusts

Payables to servicing and subservicing investors, GSEs and securitized trusts represent amounts due to investors, GSEs and securitized trusts in connection with loans serviced that are paid from collections of the underlying loans, insurance proceeds or proceeds from property disposal.

Operating Lease Liabilities

Operating lease liabilities are recognized as a result of adoption of ASC 842 as of January 1, 2019. See *Note 7, Leases* for additional information.

MSR Purchases Payable Including Advances

MSR purchases payable including advances represent the amounts owed to the seller in connection with the purchase of MSRs.

Other Liabilities

Other liabilities primarily include accrued bonus and payroll, accrued interest, accrued legal expenses, payable to insurance carriers and insurance cancellation reserves, derivative financial instruments, repurchase reserves, accounts payable and other accrued liabilities. Payables to insurance carriers and insurance cancellation reserves consist of insurance premiums received from borrower payments awaiting disbursement to the insurance carrier and/or amounts due to third-party investors on liquidated loans. See *Note 9, Derivative Financial Instruments*, for further details on derivative financial instruments.

Repurchase Reserves	Successor: Three Months Ended June 30, 2019	Successor: Six Months Ended June 30, 2019	Predecessor: Three Months Ended June 30, 2018	Predecessor: Six Months Ended June 30, 2018
Balance - beginning of period	**$ 16**	**$ 8**	$ 9	$ 9
Provisions[1]	**8**	**16**	2	3
Releases	**(1)**	**(1)**	(2)	(3)
Balance - end of period	**$ 23**	**$ 23**	$ 9	$ 9

(1) Provision for the six months ended June 30, 2019 is primarily due to repurchase reserve liabilities assumed in connection with the acquisition of Pacific Union. See *Note 2, Acquisitions* for additional information.

The provision for repurchases represents an estimate of losses to be incurred on the repurchase of loans or indemnification of purchaser's losses related to forward loans. Certain sale contracts and GSE standards require the Predecessor and subsequently the Company to repurchase a loan or indemnify the purchaser or insurer for losses if a borrower fails to make initial loan payments or if the accompanying mortgage loan fails to meet certain customary representations and warranties with respect to underwriting standards.

In the event of a breach of the representations and warranties, the Predecessor and subsequently the Company may be required to either repurchase the loan or indemnify the purchaser for losses it sustains on the loan. In addition, an investor may request that the Predecessor and subsequently the Company refund a portion of the premium paid on the sale of mortgage loans if a loan is prepaid within a certain amount of time from the date of sale. The Predecessor and the Company record a reserve for estimated losses associated with loan repurchases, purchaser indemnification and premium refunds. The provision for repurchase losses is charged against net gain on mortgage loans held for sale. A release of repurchase reserves is recorded when the Predecessor and Company's assessment reveals that previously recorded reserves are no longer needed.

A selling representation and warranty framework was introduced by the GSEs in 2013 and enhanced in 2014 that helps address concerns of loan sellers with respect to loan repurchase risk. Under the framework, a GSE will not exercise its remedies, including the issuance of repurchase requests, for breaches of certain selling representations and warranties if a mortgage meets certain eligibility requirements. For loans sold to GSEs on or after January 1, 2013, repurchase risk for Home Affordable Refinance Program ("HARP") loans is lowered if the borrower stays current on the loan for 12 months and representation and warranty risks are limited for non-HARP loans that stay current for 36 months.

The Company regularly evaluates the adequacy of repurchase reserves based on trends in repurchase and indemnification requests, actual loss experience, settlement negotiation, estimated future loss exposure and other relevant factors including economic conditions. Current loss rates have significantly declined attributable to stronger underwriting standards and due to the falloff of loans underwritten prior to mortgage loan crisis period prior to 2008. The Company believes its reserve balance as of June 30, 2019 is sufficient to cover loss exposure associated with repurchase contingencies.

12. Securitizations and Financings

Variable Interest Entities (VIE)

In the normal course of business, the Company enters into various types of on- and off-balance sheet transactions with special purpose entities ("SPEs") determined to be VIEs, which primarily consist of securitization trusts established for a limited purpose. Generally, these SPEs are formed for the purpose of securitization transactions in which the Company transfers assets to an SPE, which then issues to investors various forms of debt obligations supported by those assets.

The Company has determined that the SPEs created in connection with the (i) Nationstar Home Equity Loan Trust 2009-A, (ii) Nationstar Mortgage Advance Receivables Trust (NMART), (iii) Nationstar Agency Advance Financing Trust (NAAFT) and (iv) Nationstar Advance Agency Receivables Trust (NAART) should be consolidated as the Company is the primary beneficiary of each of these entities. Also, the Company consolidated four reverse mortgage SPEs as it is the primary beneficiary of each of these entities. These SPEs include the Nationstar HECM Loan Trusts.

A summary of the assets and liabilities of the Company's transactions with VIEs included in the Company's consolidated financial statements is presented below.

	Successor			
	June 30, 2019		**December 31, 2018**	
	Transfers Accounted for as Secured Borrowings	**Reverse Secured Borrowings**	**Transfers Accounted for as Secured Borrowings**	**Reverse Secured Borrowings**
Assets				
Restricted cash	**$ 59**	**$ 40**	$ 70	$ 63
Reverse mortgage interests, net	**—**	**5,975**	—	6,728
Advances and other receivables, net	**583**	**—**	628	—
Mortgage loans held for investment, net	**113**	**—**	118	—
Other assets	**—**	**9**	—	—
Total assets	**$ 755**	**$ 6,024**	$ 816	$ 6,791
Liabilities				
Advance facilities[1]	**$ 478**	**$ —**	$ 505	$ —
Payables and other liabilities	**1**	**—**	1	1
Participating interest financing	**—**	**4,861**	—	5,607
HECM Securitizations (HMBS)				
Trust 2017-2	**—**	**—**	—	231
Trust 2018-1	**—**	**224**	—	284
Trust 2018-2	**—**	**182**	—	250
Trust 2018-3	**—**	**272**	—	326
Trust 2019-1	**—**	**398**	—	—
Nonrecourse debt–legacy assets	**22**	**—**	29	—
Total liabilities	**$ 501**	**$ 5,937**	$ 535	$ 6,699

(1) Advance facilities include the Nationstar agency advance financing facility and notes payable recorded by the Nationstar Mortgage Advance Receivable Trust, and the Nationstar Agency Advance Receivables Trust. Refer to Notes Payable in *Note 10, Indebtedness*, for additional information.

The following table shows a summary of the outstanding collateral and certificate balances for securitization trusts for which the Company was the transferor, including any retained beneficial interests and MSRs, that were not consolidated by the Company.

	Successor	
	June 30, 2019	**December 31, 2018**
Total collateral balances	**$ 1,752**	$ 1,873
Total certificate balances	**$ 1,697**	$ 1,817

The Company has not retained any variable interests in the unconsolidated securitization trusts that were outstanding as of June 30, 2019 and December 31, 2018 and therefore does not have a significant maximum exposure to loss related to these unconsolidated VIEs.

A summary of mortgage loans transferred by the Company to unconsolidated securitization trusts that are 60 days or more past due are presented below.

	Successor	
Principal Amount of Loans 60 Days or More Past Due	**June 30, 2019**	**December 31, 2018**
Unconsolidated securitization trusts	**$ 242**	$ 285

13. Stockholders' Equity

Upon the consummation of the Merger, the Company assumed and adopted the Nationstar Mortgage Holdings Inc. Second Amended and Restated 2012 Incentive Compensation Plan (“2012 Plan”), as may be amended, that offers equity-based awards to certain key employees of the Company, consultants, and non-employee directors. Additionally, on May 16, 2019, the Company’s stockholders approved the Mr. Cooper Group Inc. 2019 Omnibus Incentive Plan (the “2019 Plan”) which had previously been approved by the Company’s Board of Directors.

The equity-based awards under the 2012 Plan and the 2019 Plan include restricted stock units (“RSUs”) granted to employees of the Company, consultants, and non-employee directors. These awards are valued at the fair market value of the Company’s or the Predecessor’s common stock on the grant date as defined in the 2012 Plan and the 2019 Plan. During the six months ended June 30, 2019 and 2018, certain key employees of the Company, consultants, and non-employee directors of the Company and the Predecessor were granted 2,449 thousand and 1,071 thousand RSUs, respectively, under the 2012 Plan and the 2019 Plan. The stock awards for employees generally vest in installments of 33.3%, 33.3% and 33.4% respectively on each of the first three anniversaries of the awards, provided that (i) the participant remains continuously employed with the Company during that time or (ii) the participant’s employment has terminated by reason of retirement. The stock awards for non-employee directors generally vest the earlier of (a) the first anniversary of the grant date or (b) the date of the next annual stockholders meeting following the grant date. In addition, upon death or disability, the unvested shares of an award will vest.

The Company and the Predecessor recorded \$5 and \$4 of expenses related to equity-based awards during the three months ended June 30, 2019 and 2018, respectively, and \$9 and \$8 for the six months ended June 30, 2019 and 2018, respectively.

14. Earnings Per Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Series A Preferred Stock is considered participating securities because it has dividend rights determined on an as-converted basis in the event of Company’s declaration of a dividend or distribution for common shares.

The following table sets forth the computation of basic and diluted net (loss) income per common share (amounts in millions, except per share amounts).

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Net (loss) income attributable to Successor/Predecessor	**$ (87)**	**$ (273)**	$ 58	$ 218
Less: Undistributed earnings attributable to participating stockholders	**—**	**—**	—	—
Net (loss) income attributable to common stockholders	**$ (87)**	**$ (273)**	$ 58	$ 218
Net (loss) income per common share attributable to Successor/Predecessor:				
Basic	**$ (0.96)**	**$ (3.00)**	$ 0.59	$ 2.22
Diluted	**$ (0.96)**	**$ (3.00)**	$ 0.59	$ 2.20
Weighted average shares of common stock outstanding (in thousands):				
Basic	**91,054**	**90,978**	98,203	98,037
Dilutive effect of stock awards	**—**	**—**	927	1,086
Dilutive effect of participating securities	**—**	**—**	—	—
Diluted	**91,054**	**90,978**	99,130	99,123

15. Income Taxes

The components of income tax (benefit) expense were as follows:

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
(Loss) income before income tax (benefit) expense	**$ (117)**	**$ (350)**	$ 79	$ 285
Income tax (benefit) expense	**$ (29)**	**$ (76)**	$ 21	$ 67
Effective tax rate	**24.6%**	**21.7%**	26.5%	23.6%

For the three and six months ended June 30, 2019, the effective tax rate differed from the statutory federal rate of 21% primarily due to permanent differences including executive compensation disallowed under Internal Revenue Code Section 162(m) and nondeductible meals and entertainment expenses, as well as other recurring items such as the state tax benefit.

For the three and six months ended June 30, 2018 in the Predecessor period, the effective tax rate differed slightly from the statutory federal rate of 21% primarily due to permanent differences including executive compensation disallowed under Internal Revenue Code Section 162(m), favorable discrete adjustments in connection with the remediation of the Company's uncertain tax position, and other recurring adjustments, such as state tax expense offset by excess tax deficiency related to restricted share-based compensation.

16. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a three-tiered fair value hierarchy has been established based on the level of observable inputs used in the measurement of fair value (e.g., Level 1 representing quoted prices for identical assets or liabilities in an active market; Level 2 representing values using observable inputs other than quoted prices included within Level 1; and Level 3 representing estimated values based on significant unobservable inputs).

The following describes the methods and assumptions used by the Company in estimating fair values:

Cash and Cash Equivalents, Restricted Cash (Level 1) – The carrying amount reported in the consolidated balance sheets approximates fair value.

Mortgage Loans Held for Sale (Level 2) – The Company originates mortgage loans in the U.S. that it intends to sell into Fannie Mae, Freddie Mac and Ginnie Mae (collectively, the "Agencies") MBS. Additionally, the Company holds mortgage loans that it intends to sell into the secondary markets via whole loan sales or securitizations. The Company measures newly originated prime residential mortgage loans held for sale at fair value.

Mortgage loans held for sale are typically pooled together and sold into certain exit markets, depending upon underlying attributes of the loan, such as agency eligibility, product type, interest rate and credit quality. Mortgage loans held for sale are valued on a recurring basis using a market approach by utilizing either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. As these prices are derived from market observable inputs, the Company classifies these valuations as Level 2 in the fair value disclosures.

The Company may acquire mortgage loans held for sale from various securitization trusts for which it acts as servicer through the exercise of various clean-up call options as permitted through the respective pooling and servicing agreements. The Company has elected to account for these loans at the lower of cost or market. The Company classifies these valuations as Level 2 in the fair value disclosures.

The Company may also purchase loans out of a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. The Company has elected to carry these loans at fair value. See *Note 6, Mortgage Loans Held for Sale and Investment*, for more information.

Mortgage Loans Held for Investment (Level 3) – Mortgage loans held for investment primarily consist of nonconforming or subprime mortgage loans that were transferred in 2009 from mortgage loans held for sale at fair value. The Company intends to hold these loans to their maturities. The Company determines the fair value of loans held for investment, on a recurring basis, based on various underlying attributes such as market participants' views, loan delinquency, recent observable loan pricing and sales for similar loans, individual loan characteristics and internal market evaluation. These internal market evaluations require the use of judgment by the Company and can have a significant impact on the determination of the loan's fair value. As these fair values are derived from internally developed valuation models, using observable inputs, the Company classifies these valuations as Level 3 in the fair value disclosures. See *Note 6, Mortgage Loans Held for Sale and Investment*, for more information.

Mortgage Servicing Rights – Fair Value (Level 3) – The Company estimates the fair value of its forward MSRs on a recurring basis using a process that combines the use of a discounted cash flow model and analysis of current market data to arrive at an estimate of fair value. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds, discount rates, ancillary revenues, earnings on escrows and costs to service. These assumptions are generated and applied based on collateral stratifications including product type, remittance type, geography, delinquency and coupon dispersion. These assumptions require the use of judgment by the Company and can have a significant impact on the fair value of the MSRs. Quarterly, management obtains third-party valuations to assess the reasonableness of the fair value calculations provided by the internal cash flow model. Because of the nature of the valuation inputs, the Company classifies these valuations as Level 3 in the fair value disclosures. See *Note 3, Mortgage Servicing Rights and Related Liabilities*, for more information.

Advances and Other Receivables, Net (Level 3) - Advances and other receivables, net are valued at their net realizable value after taking into consideration the reserves. Advances have no stated maturity. Their net realizable value approximates fair value as the net present value based on discounted cash flow is not materially different from the net realizable value.

Reverse Mortgage Interests, Net (Level 3) – The Company's reverse mortgage interests are primarily comprised of HECM loans that are insured by FHA and guaranteed by Ginnie Mae upon securitization. Quarterly, the Company estimates fair value using discounted cash flows, obtained from a third-party and supplemented with historical loss experience on the similar assets, with the discount rate approximate that of similar financial instruments, as observed from recent trades within the HMBS. Key assumptions within the model are based on market participant benchmarks and include discount rates, cost to service, weighted average life of the portfolio, and estimated participating income. Discounted cash flows are applied based on collateral stratifications and include loan rate type, loan status (active vs. inactive), and securitization. Prices are also influenced from both internal models and other observable inputs. The Predecessor determined fair value for active reverse mortgage loans based on pricing of the recent securitizations with similar attributes and characteristics, such as collateral values and prepayment speeds and adjusted as necessary for differences. The related timing of these transactions allowed the pricing to consider the current interest rate risk exposures. The Successor determined fair value for all loans based on the applicable tranches established during the Merger valuation. Tranches are segregated based on participation percentages, original loan status as of the Merger date, and interest rate types, and loan status (active vs inactive). Prices are also influenced from both internal models and other observable inputs, including applicable forward interest rate curves. Additionally, historical loss factors are considered within the overall valuation.

Derivative Financial Instruments (Level 2) – The Company enters into a variety of derivative financial instruments as part of its hedging strategy and measures these instruments at fair value on a recurring basis in the consolidated balance sheets. The majority of these derivatives are exchange-traded or traded within highly active dealer markets. In order to determine the fair value of these instruments, the Company utilizes the exchange price or dealer market price for the particular derivative contract; therefore, these contracts are classified as Level 2. In addition, the Company enters into IRLCs and LPCs with prospective borrowers and other loan originators. These commitments are carried at fair value based on the fair value of underlying mortgage loans which are based on observable market data. The Company adjusts the outstanding IRLCs with prospective borrowers based on an expectation that it will be exercised and the loan will be funded. IRLCs and LPCs are recorded in derivative financial instruments in the consolidated balance sheets. These commitments are classified as Level 2 in the fair value disclosures, as the valuations are based on market observable inputs. The Company has entered into Eurodollar futures contracts as part of its hedging strategy. The futures contracts are measured at fair value on a recurring basis and classified as Level 2 in the fair value disclosures as the valuation is based on market observable data. See *Note 9, Derivative Financial Instruments*, for more information.

Advance Facilities and Warehouse Facilities (Level 2) – As the underlying warehouse and advance finance facilities bear interest at a rate that is periodically adjusted based on a market index, the carrying amount reported on the consolidated balance sheets approximates fair value. See *Note 10, Indebtedness*, for more information.

Unsecured Senior Notes (Level 1) – The fair value of unsecured senior notes, which are carried at amortized cost, is based on quoted market prices and is considered Level 1 from the market observable inputs used to determine fair value. See *Note 10, Indebtedness*, for more information.

Nonrecourse Debt – Legacy Assets (Level 3) – The Company estimates fair value based on the present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. These prices are derived from a combination of internally developed valuation models and quoted market prices, and are classified as Level 3. See *Note 10, Indebtedness*, for more information.

Excess Spread Financing (Level 3) – The Company estimates fair value on a recurring basis based on the present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds, average life, recapture rates and discount rate. As these prices are derived from a combination of internally developed valuation models and quoted market prices based on the value of the underlying MSRs, the Company classifies these valuations as Level 3 in the fair value disclosures. See *Note 3, Mortgage Servicing Rights and Related Liabilities*, for more information.

Mortgage Servicing Rights Financing Liability (Level 3) - The Company estimates fair value on a recurring basis based on the present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being advance financing rates and annual advance recovery rates. As these assumptions are derived from internally developed valuation models based on the value of the underlying MSRs, the Company classifies these valuations as Level 3 in the fair value disclosures. See *Note 3, Mortgage Servicing Rights and Related Liabilities*, for more information.

Participating Interest Financing (Level 2) – The Company estimates fair value based on the present value of future expected discounted cash flows with the discount rate approximating that of similar financial instruments. As the prices are derived from both internal models and other observable inputs, the Company classifies these valuations as Level 3 in the fair value disclosures. The Predecessor estimated the fair value using a market approach by utilizing the fair value of securities backed by similar participating interests in reverse mortgage loans. The Predecessor classified these valuations as Level 2 in the fair value disclosures. See *Note 3, Mortgage Servicing Rights and Related Liabilities*, and *Note 10, Indebtedness*, for more information.

HECM Securitizations (Level 3) – The Company estimates fair value using a market approach by utilizing the fair value of executed HECM securitizations. Since the executed HECM securitizations are private placements, the Company classifies these valuations as Level 3 in the fair value disclosures. The Predecessor estimated fair value of the nonrecourse debt related to HECM securitization based on the present value of future expected discounted cash flows with the discount rate approximating that of similar financial instruments. As the prices are derived from both internal models and other observable inputs, the Predecessor classified this as Level 3 in the fair value disclosures. See *Note 10, Indebtedness* for more information.

The following table presents the estimated carrying amount and fair value of the Company's financial instruments and other assets and liabilities measured at fair value on a recurring basis.

	Successor			
	June 30, 2019			
		Recurring Fair Value Measurements		
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Assets				
Mortgage loans held for sale[1]	$ **3,421.6**	$ **—**	$ **3,421.6**	$ **—**
Mortgage loans held for investment[1]	**114.3**	**—**	**—**	**114.3**
Mortgage servicing rights[1]	**3,504.5**	**—**	**—**	**3,504.5**
Derivative financial instruments				
IRLCs	**110.2**	**—**	**110.2**	**—**
Forward MBS trades	**1.1**	**—**	**1.1**	**—**
LPCs	**16.5**	**—**	**16.5**	**—**
Eurodollar futures[2]	**—**	**—**	**—**	**—**
Total assets	$ **7,168.2**	$ **—**	$ **3,549.4**	$ **3,618.8**
Liabilities				
Derivative financial instruments				
IRLCs[2]	$ **—**	$ **—**	$ **—**	$ **—**
Forward MBS trades	**30.3**	**—**	**30.3**	**—**
LPCs	**1.3**	**—**	**1.3**	**—**
Eurodollar futures[2]	**—**	**—**	**—**	**—**
Mortgage servicing rights financing	**42.6**	**—**	**—**	**42.6**
Excess spread financing	**1,429.4**	**—**	**—**	**1,429.4**
Total liabilities	$ **1,503.6**	$ **—**	$ **31.6**	$ **1,472.0**

(1) Based on the nature and risks of the underlying assets and liabilities, the fair value is presented for the aggregate account.

(2) Fair values of the underlying assets and liabilities are less than $0.1 for the specified dates.

	Successor							
	December 31, 2018							
			Recurring Fair Value Measurements					
	Total Fair Value		Level 1		Level 2		Level 3	
Assets								
Mortgage loans held for sale[(1)]	$	1,630.8	$	—	$	1,630.8	$	—
Mortgage loans held for investment[(1)]		119.1		—		—		119.1
Forward mortgage servicing rights[(1)]		3,665.4		—		—		3,665.4
Derivative financial instruments								
IRLCs		47.6		—		47.6		—
Forward MBS trades		0.1		—		0.1		—
LPCs		1.7		—		1.7		—
Eurodollar futures[(2)]		—		—		—		—
Total assets	$	5,464.7	$	—	$	1,680.2	$	3,784.5
Liabilities								
Derivative financial instruments								
Forward MBS trades	$	19.3	$	—	$	19.3	$	—
LPCs		0.4		—		0.4		—
Eurodollar futures[(2)]		—		—		—		—
Mortgage servicing rights financing		31.7		—		—		31.7
Excess spread financing		1,184.4		—		—		1,184.4
Total liabilities	$	1,235.8	$	—	$	19.7	$	1,216.1

(1) Based on the nature and risks of the underlying assets and liabilities, the fair value is presented for the aggregate account.

(2) Fair values of the underlying assets and liabilities are less than $0.1 for the specified dates.

The table below presents a reconciliation for all of the Company and Predecessor’s Level 3 assets and liabilities measured at fair value on a recurring basis.

	Successor			
	Assets		**Liabilities**	
Six Months Ended June 30, 2019	**Mortgage servicing rights**	**Mortgage loans held for investment**	**Excess spread financing**	**Mortgage servicing rights financing**
Balance - beginning of period	**$ 3,665**	**$ 119**	**$ 1,184**	**$ 32**
Total gains or losses included in earnings	**(724)**	**3**	**(74)**	**11**
Payments received from borrowers	**—**	**(8)**	**—**	**—**
Purchases, issuances, sales, repayments and settlements				
Purchases	**689**	**—**	**—**	**—**
Issuances	**169**	**—**	**438**	**—**
Sales	**(294)**	**—**	**—**	**—**
Repayments	**—**	**—**	**(12)**	**—**
Settlements	**—**	—	**(107)**	**—**
Balance - end of period	**$ 3,505**	**$ 114**	**$ 1,429**	**$ 43**

	Predecessor		
	Assets	**Liabilities**	
Six Months Ended June 30, 2018	**Mortgage servicing rights**	**Excess spread financing**	**Mortgage servicing rights financing**
Balance - beginning of period	$ 2,937	$ 996	$ 10
Total gains or losses included in earnings	144	74	6
Purchases, issuances, sales, repayments and settlements			
Purchases	132	—	—
Issuances	139	70	—
Sales	4	—	—
Repayments	—	(2)	—
Settlements	—	(91)	—
Balance - end of period	$ 3,356	$ 1,047	$ 16

No transfers were made into or out of Level 3 fair value assets and liabilities for the Company and Predecessor for the six months ended June 30, 2019 and 2018, respectively.

The table below presents a summary of the estimated carrying amount and fair value of the Company's financial instruments.

	Successor							
	June 30, 2019							
	Carrying Amount		Fair Value					
			Level 1		Level 2		Level 3	
Financial assets								
Cash and cash equivalents	$	245	$	245	$	—	$	—
Restricted cash		304		304		—		—
Advances and other receivables, net		1,000		—		—		1,000
Reverse mortgage interests, net		7,110		—		—		7,176
Mortgage loans held for sale		3,422		—		3,422		—
Mortgage loans held for investment, net		114		—		—		114
Derivative financial instruments		128		—		128		—
Financial liabilities								
Unsecured senior notes		2,462		2,529		—		—
Advance facilities		567		—		567		—
Warehouse facilities		4,045		—		4,045		—
Mortgage servicing rights financing liability		43		—		—		43
Excess spread financing		1,429		—		—		1,429
Derivative financial instruments		32		—		32		—
Participating interest financing		4,887		—		—		4,886
HECM Securitization (HMBS)								
Trust 2018-1		224		—		—		224
Trust 2018-2		182		—		—		182
Trust 2018-3		272		—		—		272
Trust 2019-1		398		—		—		398
Nonrecourse debt - legacy assets		22		—		—		22

	Successor							
	December 31, 2018							
	Carrying Amount		Fair Value					
			Level 1		Level 2		Level 3	
Financial assets								
Cash and cash equivalents	$	242	$	242	$	—	$	—
Restricted cash		319		319		—		—
Advances and other receivables, net		1,194		—		—		1,194
Reverse mortgage interests, net		7,934		—		—		7,942
Mortgage loans held for sale		1,631		—		1,631		—
Mortgage loans held for investment, net		119		—		—		119
Derivative financial instruments		49		—		49		—
Financial liabilities								
Unsecured senior notes		2,459		2,451		—		—
Advance facilities		595		—		595		—
Warehouse facilities		2,349		—		2,349		—
Mortgage servicing rights financing liability		32		—		—		32
Excess spread financing		1,184		—		—		1,184
Derivative financial instruments		20		—		20		—
Participating interest financing		5,675		—		—		5,672
HECM Securitization (HMBS)								
Trust 2017-2		231		—		—		230
Trust 2018-1		284		—		—		284
Trust 2018-2		250		—		—		249
Trust 2018-3		326		—		—		326
Nonrecourse debt - legacy assets		29		—		—		28

17. Capital Requirements

Certain of the Company’s secondary market investors require minimum net worth (“capital”) requirements, as specified in the respective selling and servicing agreements. In addition, these investors may require capital ratios in excess of the stated requirements to approve large servicing transfers. To the extent that these requirements are not met, the Company’s secondary market investors may utilize a range of remedies ranging from sanctions, suspension or ultimately termination of the Company’s selling and servicing agreements, which would prohibit the Company from further originating or securitizing these specific types of mortgage loans or being an approved servicer.

Among the Company’s various capital requirements related to its outstanding selling and servicing agreements, which are measured based on the Company’s operating subsidiary, Nationstar Mortgage LLC, the most restrictive of these requires the Company to maintain a minimum adjusted net worth of $856. As of June 30, 2019, the Company was in compliance with its selling and servicing capital requirements.

18. Commitments and Contingencies

Litigation and Regulatory Matters

The Company and its subsidiaries are routinely and currently involved in a significant number of legal proceedings, including, but not limited to, judicial, arbitration, regulatory and governmental proceedings related to matters that arise in connection with the conduct of the Company's business. The legal proceedings are at varying stages of adjudication, arbitration or investigation and are generally based on alleged violations of consumer protection, securities, employment, contract, tort, common law fraud and other numerous laws, including, without limitation, the Equal Credit Opportunity Act, Fair Debt Collection Practices Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, National Housing Act, Homeowners Protection Act, Service Member's Civil Relief Act, Telephone Consumer Protection Act, Truth in Lending Act, Financial Institutions Reform, Recovery, and Enforcement Act of 1989, unfair, deceptive or abusive acts or practices in violation of the Dodd-Frank Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Home Mortgage Disclosure Act, Title 11 of the United States Code (aka the "Bankruptcy Code"), False Claims Act and Making Home Affordable loan modification programs.

In addition, along with others in its industry, the Company is subject to repurchase and indemnification claims and may continue to receive claims in the future, regarding alleged breaches of representations and warranties relating to the sale of mortgage loans, the placement of mortgage loans into securitization trusts or the servicing of mortgage loans securitizations. The Company is also subject to legal actions or proceedings related to loss sharing and indemnification provisions of its various acquisitions. Certain of the pending or threatened legal proceedings include claims for substantial compensatory, punitive and/or statutory damages or claims for an indeterminate amount of damages.

The Company's business is also subject to extensive examinations, investigations and reviews by various federal, state and local governmental, regulatory and enforcement agencies. The Company has historically had a number of open investigations with these agencies and that trend continues. The Company is currently the subject of various governmental or regulatory investigations, subpoenas, examinations and inquiries related to its residential loan servicing and origination practices, bankruptcy and collections practices, its financial reporting and other aspects of its businesses. These matters include investigations by the Consumer Financial Protection Bureau (the "CFPB"), the Securities and Exchange Commission, the Executive Office of the United States Trustees, the Department of Justice, the Office of the Special Inspector General for the Troubled Asset Relief Program, the U.S. Department of Housing and Urban Development, the multi-state committee of mortgage banking regulators and various State Attorneys General. These specific matters and other pending or potential future investigations, subpoenas, examinations or inquiries may lead to administrative, civil or criminal proceedings or settlements, and possibly result in remedies including fines, penalties, restitution, or alterations in the Company's business practices, and in additional expenses and collateral costs. Responding to these matters requires the Company to devote substantial resources, resulting in higher costs and lower net cash flows.

For example, the Company continues to progress towards resolution of certain legacy regulatory matters involving examination findings for alleged violations of certain laws related to the Company's business practices. The Company has been in discussions with the multi-state committee of mortgage banking regulators and various State Attorneys General concerning a potential resolution of their investigations. The Company is continuing to cooperate with all parties. In connection with these discussions, the Company previously recorded an accrual. These discussions may not result in a settlement of the matter; furthermore, any such settlement may exceed the amount accrued as of June 30, 2019. Moreover, if the discussions do not result in a settlement, the regulators and State Attorneys General may seek to exercise their enforcement authority through litigation or other proceedings and seek injunctive relief, damages, restitution and civil monetary penalties, which could have a material adverse effect on the Company's business, reputation, financial condition and results of operations.

Further, on April 24, 2018, the CFPB notified Nationstar that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the CFPB's Office of Enforcement is considering whether to recommend that the CFPB take enforcement action against the Company, alleging violations of the Real Estate Settlement Procedures Act, the Consumer Financial Protection Act, and the Homeowners Protection Act, which stems from a 2014 examination. The purpose of a NORA letter is to provide a party being investigated an opportunity to present its position to the CFPB before an enforcement action may be recommended or commenced. The CFPB may seek to exercise its enforcement authority through settlement, administrative proceedings or litigation and seek injunctive relief, damages, restitution and civil monetary penalties, which could have a material adverse effect on the Company's business, reputation, financial condition and results of operations. The Company has not recorded an accrual related to this matter as of June 30, 2019 because it does not believe that the possible loss or range of loss arising from any such action is estimable. The Company is continuing to cooperate with the CFPB.

Similarly, the Company is in discussions with the Executive Office of the United States Trustees concerning certain legacy issues with respect to bankruptcy servicing practices. In connection with these discussions, the Company is undertaking certain voluntary remediation activities with respect to loans at issue in these matters. While the Company and the Executive Office of the United States Trustees are engaged in discussions to potentially resolve these issues, there is no guarantee a resolution will occur. Moreover, if the discussions do not result in a resolution, the Executive Office of the United States Trustees may seek redress through litigation or other proceedings and seek injunctive relief, damages and restitution in addition to the remediation activities, which could have a material adverse effect on the Company's business, reputation, financial condition and results of operations. However, the Company believes it is premature to predict the potential outcome or to estimate the financial impact to the Company in connection with any potential action or settlement arising from this matter, including the voluntary remediation activities undertaken and to be undertaken by the Company.

In addition, the Company was a defendant in a class action proceeding originally filed in state court in March 2012 and then removed to the United States District Court for the Eastern District of Washington under the caption Laura Zamora Jordan v. Nationstar Mortgage LLC. The suit was filed on behalf of a class of Washington borrowers and challenges property preservation measures the Company took, as loan servicer, after the borrowers defaulted and the Company's vendors determined that the borrowers had vacated or abandoned their properties. The case raises claims for (i) common law trespass, (ii) statutory trespass, and (iii) violation of Washington's Consumer Protection Act, and seeks recovery of actual, statutory, and treble damages, as well as attorneys' fees and litigation costs. On July 25, 2018, the Company entered into a settlement agreement to resolve this matter, and on May 2, 2019, the court approved the settlement agreement. The Company is pursuing reimbursement of the settlement payment from the owners of the loans it serviced, but there can be no assurance that the Company would prevail with any claims for reimbursement.

The Company is a defendant in a proceeding filed on January 2, 2018 in the U.S. District Court for the Northern District of California under the caption Collateral Analytics LLC v. Nationstar Mortgage LLC et al. The plaintiff alleges that the Company misappropriated plaintiff's intellectual property for the purpose of replicating plaintiff's products. The case raises federal and state law claims for misappropriation of trade secrets and breach of contract and seeks an award of actual damages, unjust enrichment, lost profits and/or a reasonable royalty, exemplary damages and injunctive relief preventing further misuse or disclosure of plaintiff's intellectual property. The Company believes it has meritorious defenses and will vigorously defend itself in this matter.

The Company is also a defendant in a proceeding filed on October 23, 2015 in the U.S. District Court for the Central District of California under the caption Alfred Zaklit and Jessy Zaklit, individually and on behalf of all others similarly situated v. Nationstar Mortgage LLC et al. The plaintiff alleges that the Company improperly recorded telephone calls without the knowledge or consent of borrowers in violation of the California Penal Code. On July 24, 2017, the court certified a class comprised of California borrowers who, from October 2014 to May 2016, participated in outbound telephone conversations with the Company's employees who recorded the conversations without first informing the borrowers that the conversations were being recorded. The class seeks statutory damages and attorney's fees. On September 10, 2018, the Company reached an agreement in principal to settle this matter, and the parties are currently seeking approval of the settlement from the court.

The Company seeks to resolve all legal proceedings and other matters in the manner management believes is in the best interest of the Company and contests liability, allegations of wrongdoing and, where applicable, the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter. The Company has entered into agreements with a number of entities and regulatory agencies that toll applicable limitations periods with respect to their claims.

On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal and regulatory and governmental proceedings utilizing the latest information available. Where available information indicates that it is probable, a liability has been incurred, and the Company can reasonably estimate the amount of the loss, an accrued liability is established. The actual costs of resolving these proceedings may be substantially higher or lower than the amounts accrued.

As a legal matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency is not both probable and reasonably estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and reasonably estimable. Once the matter is deemed to be both probable and reasonably estimable, the Company will establish an accrued liability and record a corresponding amount to legal-related expense. The Company will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Legal-related expense for the Company, which includes legal settlements and the fees paid to external legal service providers, of $21 and $32 for the three and six months ended June 30, 2019, respectively. Legal-related expense for the Predecessor of $3 and $7 for the three and six months ended June 30, 2018, respectively, was included in general and administrative expenses on the consolidated statements of operations.

For a number of matters for which a loss is probable or reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, the Company may be able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Company reviews and evaluates its material legal matters on an ongoing basis, in conjunction with any outside counsel handling the matter. For those matters for which an estimate is possible, management currently believes the aggregate range of reasonably possible loss is $16 to $45 in excess of the accrued liability (if any) related to those matters as of June 30, 2019. This estimated range of possible loss is based upon currently available information and is subject to significant judgment, numerous assumptions and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary substantially from the current estimate. Those matters for which an estimate is not possible are not included within the estimated range. Therefore, this estimated range of possible loss represents what management believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum loss exposure and the Company cannot provide assurance that its litigations reserves will not need to be adjusted in the future. Thus, the Company's exposure and ultimate losses may be higher, possibly significantly so, than the amounts accrued or this aggregate amount.

In the Company's experience, legal proceedings are inherently unpredictable. One or more of the following factors frequently contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis or, if permitted to proceed as a class action, how the class will be defined; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental investigations and inquiries, the possibility of fines and penalties); the matter presents meaningful legal uncertainties, including novel issues of law; the Company has not engaged in meaningful settlement discussions; discovery has not started or is not complete; there are significant facts in dispute; predicting possible outcomes depends on making assumptions about future decisions of courts or governmental or regulatory bodies or the behavior of other parties; and there are a large number of parties named as defendants (including where it is uncertain how damages or liability, if any, will be shared among multiple defendants). Generally, the less progress that has been made in the proceedings or the broader the range of potential results, the harder it is for the Company to estimate losses or ranges of losses that is reasonably possible the Company could incur.

Based on current knowledge, and after consultation with counsel, management believes that the current legal accrued liability within payables and accrued liabilities, is appropriate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on the consolidated financial condition of the Company, although the outcome of such proceedings could be material to the Company's operating results and cash flows for a particular period depending, on among other things, the level of the Company's revenues or income for such period. However, in the event of significant developments on existing cases, it is possible that the ultimate resolution, if unfavorable, may be material to the Company's consolidated financial statements.

Other Loss Contingencies

As part of the Company's ongoing operations, it acquires servicing rights of forward and reverse mortgage loan portfolios that are subject to indemnification based on the representations and warranties of the seller. From time to time, the Company will seek recovery under these representations and warranties for incurred costs. The Company believes all balances sought from sellers recorded in advances and other receivables and reverse mortgage interests represent valid claims. However, the Company acknowledges that the claims process can be prolonged due to the required time to perfect claims at the loan level. Because of the required time to perfect or remediate these claims, management relies on the sufficiency of documentation supporting the claim, current negotiations with the counterparty and other evidence to evaluate whether a reserve is required for non-recoverable balances. In the absence of successful negotiations with the seller, all amounts claimed may not be recovered. Balances may be written-off and charged against earnings when management identifies amounts where recoverability from the seller is not likely. As of June 30, 2019, the Company believes all recorded balances for which recovery is sought from the seller are valid claims, and no evidence suggests additional reserves are warranted.

Loan and Other Commitments

The Company enters into IRLCs with prospective borrowers whereby the Company commits to lend a certain loan amount under specific terms and interest rates to the borrower. The Company also enters into LPCs with prospective sellers. These loan commitments are treated as derivatives and are carried at fair value. See *Note 9, Derivative Financial Instruments*, for more information.

The Company had certain reverse MSRs, reverse MSLs and reverse mortgage loans related to approximately $25,569 and $28,415 of UPB in reverse mortgage loans as of June 30, 2019 and December 31, 2018, respectively. As a servicer for these reverse mortgage loans, among other things, the Company is obligated to fund borrowers' draws to the loan customers as required in accordance with the loan agreement. As of June 30, 2019 and December 31, 2018, the Company's maximum unfunded advance obligation to fund borrower draws related to these MSRs and loans was approximately $2,869 and $3,128, respectively. Upon funding any portion of these draws, the Company expect to securitize and sell the advances in transactions that will be accounted for as secured borrowings.

19. Business Segment Reporting

Upon consummation of the Merger with Nationstar, the Company has identified four reportable segments: Servicing, Originations, Xome and Corporate/Other. The Company's segments are based upon the Company's organizational structure, which focuses primarily on the services offered. Corporate functional expenses are allocated to individual segments based on the actual cost of services performed based on direct resource utilization, estimate of percentage use for shared services or headcount percentage for certain functions. Facility costs are allocated to individual segments based on cost per headcount for specific facilities utilized. Group insurance costs are allocated to individual segments based on global cost per headcount. Non-allocated corporate expenses include the administrative costs of executive management and other corporate functions that are not directly attributable to Company's operating segments. Revenues generated on inter-segment services performed are valued based on similar services provided to external parties.

The following tables present financial information by segment.

	Successor						
	Three Months Ended June 30, 2019						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification[(1)]**	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	$ 27	$ 20	$ 108	$ (18)	$ 137	$ —	$ 137
Net gain on mortgage loans held for sale	—	244	—	18	262	—	262
Total revenues	27	264	108	—	399	—	399
Total Expenses	189	145	101	—	435	57	492
Other income (expenses)							
Interest income	136	23	—	—	159	3	162
Interest expense	(109)	(25)	—	—	(134)	(53)	(187)
Other	—	1	—	—	1	—	1
Total Other Income (Expenses), Net	27	(1)	—	—	26	(50)	(24)
(Loss) income before income tax (benefit) expense	$ (135)	$ 118	$ 7	$ —	$ (10)	$ (107)	$ (117)
Depreciation and amortization for property and equipment and intangible assets	$ 4	$ 6	$ 3	$ —	$ 13	$ 11	$ 24
Total assets	$ 12,806	$ 7,478	$ 493	$ (4,687)	$ 16,090	$ 2,315	$ 18,405

	Predecessor						
	Three Months Ended June 30, 2018						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification[1]**	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	$ 248	$ 17	$ 62	$ (11)	$ 316	$ 1	$ 317
Net gain on mortgage loans held for sale	—	116	—	11	127	—	127
Total revenues	248	133	62	—	443	1	444
Total Expenses	166	102	52	—	320	19	339
Other income (expenses)							
Interest income	121	17	—	—	138	2	140
Interest expense	(115)	(16)	—	—	(131)	(33)	(164)
Other	—	—	—	—	—	(2)	(2)
Total Other Income (Expenses), Net	6	1	—	—	7	(33)	(26)
Income (loss) before income tax expense (benefit)	$ 88	$ 32	$ 10	$ —	$ 130	$ (51)	$ 79
Depreciation and amortization for property and equipment and intangible assets	$ 6	$ 3	$ 3	$ —	$ 12	$ 2	$ 14
Total assets	$ 14,640	$ 4,794	$ 423	$ (3,538)	$ 16,319	$ 871	$ 17,190

(1) For Servicing segment results purposes, all revenue is attributable to servicing portfolio. Therefore, $18 and $11 of net gain on mortgage loans is moved to service related, net during the three months ended June 30, 2019 and 2018, respectively. For consolidated results purposes, these amounts were reclassed back to net gain on mortgage loans held for sale.

	Successor						
	Six Months Ended June 30, 2019						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification[1]**	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	**$ 35**	**$ 35**	**$ 204**	**$ (53)**	**$ 221**	**$ —**	**$ 221**
Net gain on mortgage loans held for sale	**—**	**375**	**—**	**53**	**428**	**—**	**428**
Total revenues	**35**	**410**	**204**	**—**	**649**	**—**	**649**
Total Expenses	**384**	**249**	**200**	**—**	**833**	**102**	**935**
Other income (expenses)							
Interest income	**251**	**40**	**—**	**—**	**291**	**5**	**296**
Interest expense	**(223)**	**(43)**	**—**	**—**	**(266)**	**(110)**	**(376)**
Other	**—**	**5**	**11**	**—**	**16**	**—**	**16**
Total Other Income (Expenses), Net	**28**	**2**	**11**	**—**	**41**	**(105)**	**(64)**
(Loss) income before income tax (benefit) expense	**$ (321)**	**$ 163**	**$ 15**	**$ —**	**$ (143)**	**$ (207)**	**$ (350)**
Depreciation and amortization for property and equipment and intangible assets	**$ 8**	**$ 9**	**$ 7**	**$ —**	**$ 24**	**$ 21**	**$ 45**
Total assets	**$ 12,806**	**$ 7,478**	**$ 493**	**$ (4,687)**	**$ 16,090**	**$ 2,315**	**$ 18,405**

	Predecessor						
	Six Months Ended June 30, 2018						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification[(1)]**	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	$ 643	$ 32	$ 127	$ (22)	$ 780	$ 1	$ 781
Net gain on mortgage loans held for sale	—	229	—	22	251	—	251
Total revenues	643	261	127	—	1,031	1	1,032
Total Expenses	348	211	104	—	663	40	703
Other income (expenses)							
Interest income	247	32	—	—	279	6	285
Interest expense	(233)	(31)	—	—	(264)	(71)	(335)
Other	(1)	—	9	—	8	(2)	6
Total Other Income (Expenses), Net	13	1	9	—	23	(67)	(44)
Income (loss) before income tax expense (benefit)	$ 308	$ 51	$ 32	$ —	$ 391	$ (106)	$ 285
Depreciation and amortization for property and equipment and intangible assets	$ 13	$ 6	$ 6	$ —	$ 25	$ 4	$ 29
Total assets	$ 14,640	$ 4,794	$ 423	$ (3,538)	$ 16,319	$ 871	$ 17,190

(1) For Servicing segment results purposes, all revenue is attributable to servicing portfolio. Therefore, $53 and $22 of net gain on mortgage loans is moved to service related, net during the six months ended June 30, 2019 and 2018, respectively. For consolidated results purposes, these amounts were reclassed back to net gain on mortgage loans held for sale.

20. Guarantor Financial Statement Information

As of June 30, 2019, Nationstar Mortgage LLC and Nationstar Capital Corporation[(1)] (collectively, the "Issuer"), both wholly-owned subsidiaries of the Company, have issued a 6.500% unsecured senior notes due July 2021 with an outstanding aggregate principal amount of $592 and a 6.500% unsecured senior notes due June 2022 with an outstanding aggregate principal amount of $206 (collectively, the "unsecured senior notes"). The unsecured senior notes are unconditionally guaranteed, jointly and severally, by all of Nationstar Mortgage LLC's existing and future domestic subsidiaries other than its securitization and certain finance subsidiaries, certain other restricted subsidiaries, excluded restricted subsidiaries and subsidiaries that in the future Nationstar Mortgage LLC designates as unrestricted subsidiaries. All guarantor subsidiaries 100% are owned by Nationstar Mortgage LLC. The Company and its three wholly-owned subsidiaries are guarantors of the unsecured senior notes as well. Presented below are the condensed consolidating financial statements of the Company, Nationstar Mortgage LLC and the guarantor subsidiaries for the periods indicated.

In the condensed consolidating financial statements presented below, the Company allocates income tax expense to Nationstar Mortgage LLC as if it were a separate tax payer entity pursuant to ASC 740, *Income Taxes*.

(1) Nationstar Capital Corporation has no assets, operations or liabilities other than being a co-obligor of the unsecured senior notes.

MR. COOPER GROUP INC.
CONSOLIDATING BALANCE SHEET
JUNE 30, 2019

	Successor					
	Mr. Cooper	Issuer[1]	Guarantor (Subsidiaries of Issuer)	Non-Guarantor (Subsidiaries of Issuer)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ —	$ 215	$ 1	$ 29	$ —	$ 245
Restricted cash	—	204	—	100	—	304
Mortgage servicing rights	—	3,484	—	27	—	3,511
Advances and other receivables, net	—	1,000	—	—	—	1,000
Reverse mortgage interests, net	—	6,003	—	1,107	—	7,110
Mortgage loans held for sale at fair value	—	3,422	—	—	—	3,422
Mortgage loans held for investment at fair value	—	2	—	112	—	114
Property and equipment, net	—	99	—	16	—	115
Deferred tax asset, net	984	69	—	2	—	1,055
Other assets	—	1,399	208	661	(739)	1,529
Investment in subsidiaries	2,557	612	—	—	(3,169)	—
Total assets	$ 3,541	$ 16,509	$ 209	$ 2,054	$ (3,908)	$ 18,405
Liabilities and Stockholders' Equity						
Unsecured senior notes, net	$ 1,663	$ 799	$ —	$ —	$ —	$ 2,462
Advance facilities, net	—	89	—	478	—	567
Warehouse facilities, net	—	4,045	—	—	—	4,045
Payables and other liabilities	59	1,999	2	56	—	2,116
MSR related liabilities - nonrecourse at fair value	—	1,456	—	16	—	1,472
Mortgage servicing liabilities	—	80	—	—	—	80
Other nonrecourse debt, net	—	4,890	—	1,095	—	5,985
Payables to affiliates	141	594	—	4	(739)	—
Total liabilities	1,863	13,952	2	1,649	(739)	16,727
Total stockholders' equity	1,678	2,557	207	405	(3,169)	1,678
Total liabilities and stockholders' equity	$ 3,541	$ 16,509	$ 209	$ 2,054	$ (3,908)	$ 18,405

(1) Issuer balances exclude the balances of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2019

	Successor					
	Mr. Cooper	**Issuer[(1)]**	**Guarantor (Subsidiaries of Issuer)**	**Non-Guarantor (Subsidiaries of Issuer)**	**Eliminations**	**Consolidated**
Revenues:						
Service related, net	$ —	$ 21	$ 5	$ 111	$ —	$ 137
Net gain on mortgage loans held for sale	—	262	—	—	—	262
Total revenues	—	283	5	111	—	399
Expenses:						
Salaries, wages benefits	—	198	1	39	—	238
General and administrative	—	179	1	74	—	254
Total expenses	—	377	2	113	—	492
Other income (expenses):						
Interest income	—	147	—	15	—	162
Interest expense	(39)	(134)	—	(14)	—	(187)
Other income (expenses)	—	1	—	—	—	1
(Loss) gain from subsidiaries	(48)	2	—	—	46	—
Total other income (expenses), net	(87)	16	—	1	46	(24)
(Loss) income before income tax benefit	(87)	(78)	3	(1)	46	(117)
Less: Income tax benefit	—	(29)	—	—	—	(29)
Net (loss) income	(87)	(49)	3	(1)	46	(88)
Less: Net loss attributable to non-controlling interests	—	(1)	—	—	—	(1)
Net (loss) income attributable to Mr. Cooper	$ (87)	$ (48)	$ 3	$ (1)	$ 46	$ (87)

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2019

	Successor					
	Mr. Cooper	Issuer[1]	Guarantor (Subsidiaries of Issuer)	Non-Guarantor (Subsidiaries of Issuer)	Eliminations	Consolidated
Revenues:						
Service related, net	$ —	$ 2	$ 11	$ 208	$ —	$ 221
Net gain on mortgage loans held for sale	—	428	—	—	—	428
Total revenues	—	430	11	208	—	649
Expenses:						
Salaries, wages benefits	—	372	2	79	—	453
General and administrative	—	344	2	136	—	482
Total expenses	—	716	4	215	—	935
Other income (expenses):						
Interest income	—	265	—	31	—	296
Interest expense	(77)	(268)	—	(31)	—	(376)
Other income (expenses)	—	5	—	11	—	16
(Loss) gain from subsidiaries	(196)	11	—	—	185	—
Total other income (expenses), net	(273)	13	—	11	185	(64)
(Loss) income before income tax benefit	(273)	(273)	7	4	185	(350)
Less: Income tax benefit	—	(76)	—	—	—	(76)
Net (loss) income	(273)	(197)	7	4	185	(274)
Less: Net loss attributable to non-controlling interests	—	(1)	—	—	—	(1)
Net (loss) income attributable to Mr. Cooper	$ (273)	$ (196)	$ 7	$ 4	$ 185	$ (273)

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2019

	Successor					
	Mr. Cooper	Issuer[(1)]	Guarantor (Subsidiaries of Issuer)	Non-Guarantor (Subsidiaries of Issuer)	Eliminations	Consolidated
Operating Activities						
Net (loss) income attributable to Mr. Cooper	$ (273)	$ (196)	$ 7	$ 4	$ 185	$ (273)
Adjustments to reconcile net (loss) income to net cash attributable to operating activities:						
Deferred tax benefit	—	(76)	—	—	—	(76)
Net income attributable to non-controlling interests	—	(1)	—	—	—	(1)
Loss (gain) from subsidiaries	196	(11)	—	—	(185)	—
Net gain on mortgage loans held for sale	—	(428)	—	—	—	(428)
Interest income on reverse mortgage loan	—	(167)	—	—	—	(167)
Provision for servicing reserves	—	30	—	—	—	30
Fair value changes and amortization/accretion of mortgage servicing rights/liabilities	—	690	—	5	—	695
Fair value changes in excess spread financing	—	(71)	—	(3)	—	(74)
Fair value changes in mortgage servicing rights financing liability	—	11	—	—	—	11
Fair value changes in mortgage loans held for investment	—	—	—	(3)	—	(3)
Amortization of premiums, net of discount accretion	3	(28)	—	—	—	(25)
Depreciation and amortization for property and equipment and intangible assets	—	37	—	8	—	45
Share-based compensation	—	7	—	2	—	9
Repurchases of forward loans assets out of Ginnie Mae securitizations	—	(715)	—	—	—	(715)
Mortgage loans originated and purchased for sale, net of fees	—	(15,727)	—	—	—	(15,727)
Sales proceeds and loan payment proceeds for mortgage loans held for sale and held for investment	—	15,420	—	9	—	15,429
Changes in assets and liabilities:						
Advances and other receivables	—	249	—	—	—	249
Reverse mortgage interests	—	1,001	—	55	—	1,056
Other assets	—	(65)	(8)	(45)	—	(118)
Payables and other liabilities	74	(16)	1	(28)	—	31
Net cash attributable to operating activities	—	(56)	—	4	—	(52)

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2019
(Continued)

	Successor					
	Mr. Cooper	Issuer[(1)]	Guarantor (Subsidiaries of Issuer)	Non-Guarantor (Subsidiaries of Issuer)	Eliminations	Consolidated
Investing Activities						
Acquisition, net of cash acquired	—	(85)	—	—	—	(85)
Property and equipment additions, net of disposals	—	(20)	—	(7)	—	(27)
Purchase of forward mortgage servicing rights, net of liabilities incurred	—	(409)	—	—	—	(409)
Proceeds on sale of forward and reverse mortgage servicing rights	—	279	—	—	—	279
Net cash attributable to investing activities	—	(235)	—	(7)	—	(242)
Financing Activities						
Increase in warehouse facilities	—	1,173	—	—	—	1,173
Decrease in advance facilities	—	(13)	—	(27)	—	(40)
Repayment of notes payable	—	(294)	—	—	—	(294)
Proceeds from issuance of HECM securitizations	—	—	—	398	—	398
Proceeds from sale of HECM securitizations	—	—	—	20	—	20
Repayment of HECM securitizations	—	—	—	(434)	—	(434)
Proceeds from issuance of participating interest financing in reverse mortgage interests	—	156	—	—	—	156
Repayment of participating interest financing in reverse mortgage interests	—	(1,004)	—	—	—	(1,004)
Proceeds from issuance of excess spread financing	—	437	—	—	—	437
Repayment of excess spread financing	—	(12)	—	—	—	(12)
Settlement of excess spread financing	—	(107)	—	—	—	(107)
Repayment of nonrecourse debt - legacy assets	—	—	—	(6)	—	(6)
Repayment of finance lease liability	—	(2)	—	—	—	(2)
Surrender of shares relating to stock vesting	—	(2)	—	—	—	(2)
Debt financing costs	—	(1)	—	—	—	(1)
Net cash attributable to financing activities	—	331	—	(49)	—	282
Net increase (decrease) in cash, cash equivalents, and restricted cash	—	40	—	(52)	—	(12)
Cash, cash equivalents, and restricted cash - beginning of period	—	379	1	181	—	561
Cash, cash equivalents, and restricted cash - end of period	$ —	$ 419	$ 1	$ 129	$ —	$ 549

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018

	Successor					
	Mr. Cooper	Issuer[1]	Guarantor (Subsidiaries of Issuer)	Non-Guarantor (Subsidiaries of Issuer)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ —	$ 193	$ 1	$ 48	$ —	$ 242
Restricted cash	—	186	—	133	—	319
Mortgage servicing rights	—	3,644	—	32	—	3,676
Advances and other receivables, net	—	1,194	—	—	—	1,194
Reverse mortgage interests, net	—	6,770	—	1,164	—	7,934
Mortgage loans held for sale at fair value	—	1,631	—	—	—	1,631
Mortgage loans held for investment at fair value	—	1	—	118	—	119
Property and equipment, net	—	84	—	12	—	96
Deferred tax asset, net	973	—	—	(6)	—	967
Other assets	—	660	202	621	(688)	795
Investment in subsidiaries	2,820	601	—	—	(3,421)	—
Total assets	$ 3,793	$ 14,964	$ 203	$ 2,122	$ (4,109)	$ 16,973
Liabilities and Stockholders' Equity						
Unsecured senior notes, net	$ 1,660	$ 799	$ —	$ —	$ —	$ 2,459
Advance facilities, net	—	90	—	505	—	595
Warehouse facilities, net	—	2,349	—	—	—	2,349
Payables and other liabilities	49	1,413	1	80	—	1,543
MSR related liabilities - nonrecourse at fair value	—	1,197	—	19	—	1,216
Mortgage servicing liabilities	—	71	—	—	—	71
Other nonrecourse debt, net	—	5,676	—	1,119	—	6,795
Payables to affiliates	139	549	—	—	(688)	—
Total liabilities	1,848	12,144	1	1,723	(688)	15,028
Total stockholders' equity	1,945	2,820	202	399	(3,421)	1,945
Total liabilities and stockholders' equity	$ 3,793	$ 14,964	$ 203	$ 2,122	$ (4,109)	$ 16,973

(1) Issuer balances exclude the balances of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2018

	Predecessor					
	Nationstar	**Issuer**[1]	**Guarantor (Subsidiaries of Issuer)**	**Non-Guarantor (Subsidiaries of Issuer)**	**Eliminations**	**Consolidated**
Revenues:						
Service related, net	$ —	$ 247	$ 7	$ 63	$ —	$ 317
Net gain on mortgage loans held for sale	—	127	—	—	—	127
Total Revenues	—	374	7	63	—	444
Expenses:						
Salaries, wages and benefits	—	149	1	27	—	177
General and administrative	—	134	—	28	—	162
Total expenses	—	283	1	55	—	339
Other income (expenses):						
Interest income	—	127	—	13	—	140
Interest expense	—	(153)	—	(11)	—	(164)
Other expense	—	(3)	—	1	—	(2)
Gain (loss) from subsidiaries	58	18	—	—	(76)	—
Total other income (expenses), net	58	(11)	—	3	(76)	(26)
Income (loss) before income tax expense (benefit)	58	80	6	11	(76)	79
Less: Income tax expense (benefit)	—	22	—	(1)	—	21
Net income (loss)	58	58	6	12	(76)	58
Less: Net income (loss) attributable to non-controlling interests	—	—	—	—	—	—
Net income (loss) attributable to Nationstar	$ 58	$ 58	$ 6	$ 12	$ (76)	$ 58

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2018

	Predecessor					
	Nationstar	**Issuer**[(1)]	**Guarantor (Subsidiaries of Issuer)**	**Non-Guarantor (Subsidiaries of Issuer)**	**Eliminations**	**Consolidated**
Revenues:						
Service related, net	$ —	$ 637	$ 13	$ 131	$ —	$ 781
Net gain on mortgage loans held for sale	—	251	—	—	—	251
Total Revenues	—	888	13	131	—	1,032
Expenses:						
Salaries, wages and benefits	—	301	2	54	—	357
General and administrative	—	290	1	55	—	346
Total expenses	—	591	3	109	—	703
Other income (expenses):						
Interest income	—	258	—	27	—	285
Interest expense	—	(315)	—	(20)	—	(335)
Other expense	—	(4)	—	10	—	6
Gain (loss) from subsidiaries	218	50	—	—	(268)	—
Total other income (expenses), net	218	(11)	—	17	(268)	(44)
Income (loss) before income tax expense (benefit)	218	286	10	39	(268)	285
Less: Income tax expense (benefit)	—	68	—	(1)	—	67
Net income (loss)	218	218	10	40	(268)	218
Less: Net income (loss) attributable to non-controlling interests	—	—	—	—	—	—
Net income (loss) attributable to Nationstar	$ 218	$ 218	$ 10	$ 40	$ (268)	$ 218

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2018

	Predecessor					
	Nationstar	**Issuer[1]**	**Guarantor (Subsidiaries of Issuer)**	**Non-Guarantor (Subsidiaries of Issuer)**	**Eliminations**	**Consolidated**
Operating Activities						
Net income (loss) attributable to Nationstar	$ 218	$ 218	$ 10	$ 40	$ (268)	$ 218
Adjustments to reconcile net income (loss) to net cash attributable to operating activities:						
Deferred income tax expense (benefit)	—	41	—	(1)	—	40
(Gain) loss from subsidiaries	(218)	(50)	—	—	268	—
Net gain on mortgage loans held for sale	—	(251)	—	—	—	(251)
Interest income on reverse mortgage loan	—	(237)	—	—	—	(237)
Gain on sale of assets	—	—	—	(9)	—	(9)
Provision for servicing reserves	—	54	—	—	—	54
Fair value changes and amortization/accretion of mortgage servicing rights/liabilities	—	(155)	—	—	—	(155)
Fair value changes in excess spread financing	—	73	—	1	—	74
Fair value changes in mortgage servicing rights financing liability	—	6	—	—	—	6
Amortization of premiums, net of discount accretion	—	9	—	(3)	—	6
Depreciation and amortization for property and equipment and intangible assets	—	23	—	6	—	29
Share-based compensation	—	7	—	1	—	8
Repurchases of forward loans assets out of Ginnie Mae securitizations	—	(475)	—	—	—	(475)
Mortgage loans originated and purchased for sale, net of fees	—	(10,639)	—	—	—	(10,639)
Sale proceeds and loan payment proceeds for mortgage loans held for sale and held for investment	—	11,490	—	10	—	11,500
Changes in assets and liabilities:						
Advances and other receivables	—	355	—	—	—	355
Reverse mortgage interests	—	1,314	—	12	—	1,326
Other assets	6	(188)	(10)	202	—	10
Payables and other liabilities	—	13	—	(4)	—	9
Net cash attributable to operating activities	6	1,608	—	255	—	1,869

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

MR. COOPER GROUP INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2018
(Continued)

	Predecessor					
	Nationstar	Issuer[(1)]	Guarantor (Subsidiaries of Issuer)	Non-Guarantor (Subsidiaries of Issuer)	Eliminations	Consolidated
Investing Activities						
Property and equipment additions, net of disposals	—	(27)	—	(4)	—	(31)
Purchase of forward mortgage servicing rights, net of liabilities incurred	—	(117)	—	(6)	—	(123)
Net payment related to acquisition of HECM related receivables	—	(1)	—	—	—	(1)
Proceeds on sale of assets	—	—	—	13	—	13
Net cash attributable to investing activities	—	(145)	—	3	—	(142)
Financing Activities						
Increase in warehouse facilities	—	(199)	—	—	—	(199)
Decrease in advance facilities	—	(57)	—	(282)	—	(339)
Proceeds from issuance of HECM securitizations	—	—	—	443	—	443
Repayment of HECM securitizations	—	—	—	(423)	—	(423)
Proceeds from issuance of participating interest financing in reverse mortgage interests	—	184	—	—	—	184
Repayment of participating interest financing in reverse mortgage interests	—	(1,368)	—	—	—	(1,368)
Repayment of excess spread financing	—	(2)	—	—	—	(2)
Settlement of excess spread financing	—	(91)	—	—	—	(91)
Proceeds from issuance of excess spread financing	—	70	—	—	—	70
Repayment of nonrecourse debt - legacy assets	—	—	—	(6)	—	(6)
Repurchase of unsecured senior notes	—	(62)	—	—	—	(62)
Surrender of shares relating to stock vesting	(6)	—	—	—	—	(6)
Debt financing costs	—	(7)	—	—	—	(7)
Dividends to non-controlling interests	—	(1)	—	—	—	(1)
Net cash attributable to financing activities	(6)	(1,533)	—	(268)	—	(1,807)
Net decrease in cash, cash equivalents, and restricted cash	—	(70)	—	(10)	—	(80)
Cash, cash equivalents, and restricted cash - beginning of period	—	423	1	151	—	575
Cash, cash equivalents, and restricted cash - end of period	$ —	$ 353	$ 1	$ 141	$ —	$ 495

(1) Issuer activities exclude the activities of its guarantor and non-guarantor subsidiaries, as previously described.

21. Transactions with Affiliates

Nationstar previously entered into arrangements with Fortress Investment Group ("Fortress"), its subsidiaries managed funds, or affiliates for purposes of financing the Company's MSR acquisitions and performing services as a subservicer. Prior to the Merger with Nationstar on July 31, 2018, an affiliate of Fortress held a majority of the outstanding common shares of the Predecessor. Subsequent to the Merger, Fortress is no longer an affiliate of the Company. Refer to *Note 2, Acquisitions*, for additional information. The following summarizes the Predecessor's transactions with affiliates of Fortress prior to the Merger on July, 31 2018.

New Residential

Excess Spread Financing

The Predecessor has entered into several agreements with certain entities managed by New Residential, in which New Residential and/or certain funds managed by Fortress own an interest (each a "New Residential Entity"). The Predecessor sold to the related New Residential Entity the right to receive a portion of the excess cash flow generated from certain acquired MSRs after a receipt of a fixed base servicing fee per loan. The Predecessor, as the servicer of the loans, retains all ancillary revenues and the remaining portion of the excess cash flow after payment of the fixed base servicing fee and also provides all advancing functions for the portfolio. The related New Residential Entity does not have prior or ongoing obligations associated with these MSR portfolios. Should the Company refinance any loan in such portfolios, subject to certain limitations, the Company will be required to transfer the new loan or a replacement loan of similar economic characteristics into the portfolios. The new or replacement loan will be governed by the same terms set forth in the agreements described above.

The fees paid to New Residential Entity by the Predecessor totaled $52 and $105 during the three and six months ended June 30, 2018, respectively, which were recorded as a reduction to servicing fee revenue, net.

Mortgage Servicing Rights Financing

From December 2013 through June 2014, the Predecessor entered into agreements to sell a contractually specified base fee component of certain MSRs and servicing advances under specified terms to a joint venture capitalized by New Residential and certain unaffiliated third-parties. The Company continues to be the named servicer, and, for accounting purposes, ownership of the mortgage servicing rights continues to reside with the Company. Accordingly, the Company accounts for the MSRs and the related MSRs financing liability on its consolidated balance sheets. The Company will continue to sell future servicing advances to New Residential.

The Predecessor did not enter into any additional supplemental agreements with these affiliates in 2018.

Subservicing and Servicing

In January 2017, the Predecessor entered into a subservicing agreement with a subsidiary of New Residential. The Predecessor earned $18 and $37 of subservicing fees and other subservicing revenues during the three and six months ended June 30, 2018, respectively.

In May 2014, the Predecessor entered into a servicing arrangement with New Residential whereby the Predecessor services residential mortgage loans acquired by New Residential and/or its various affiliates and trust entities. For the three and six months ended June 30, 2018, the Predecessor recognized approximately $2 and $3 related to these service arrangements, respectively.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the U.S. federal securities laws. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, core initiatives, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. When used in this discussion, the words “anticipate,” “appears,” “believe,” “foresee,” “intend,” “should,” “expect,” “estimate,” “project,” “plan,” “may,” “could,” “will,” “are likely” and similar expressions are intended to identify forward-looking statements. These statements involve predictions of our future financial condition, performance, plans and strategies and are thus dependent on a number of factors including, without limitation, assumptions and data that may be imprecise or incorrect. Specific factors that may impact performance or other predictions of future actions have, in many but not all cases, been identified in connection with specific forward-looking statements. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances, and we are under no obligation to, and express disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

A number of important factors exist that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- our ability to maintain or grow the size of our servicing portfolio;
- our ability to maintain or grow our originations volume and profitability;
- our ability to recapture voluntary prepayments related to our existing servicing portfolio;
- our shift in the mix of our servicing portfolio to subservicing, which is highly concentrated;
- delays in our ability to collect or be reimbursed for servicing advances;
- our ability to obtain sufficient liquidity and capital to operate our business;
- changes in prevailing interest rates;
- our ability to finance and recover costs of our reverse servicing operations;
- our ability to successfully implement our strategic initiatives;
- our ability to realize anticipated benefits of the Merger and other acquisitions, including Pacific Union, AMS, and Seterus;
- our ability to use net operating loss carryforwards and other tax attributes;
- changes in our business relationships or changes in servicing guidelines with Fannie Mae, Freddie Mac and Ginnie Mae;
- Xome’s ability to compete in highly competitive markets;
- our ability to pay down debt;
- our ability to manage legal and regulatory examinations and enforcement investigations and proceedings, compliance requirements and related costs;
- our ability to prevent cyber intrusions and mitigate cyber risks; and
- our ability to maintain our licenses and other regulatory approvals.

All of these factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such new factor on our business. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and any of these statements included herein may prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved. Please refer to Item 1A, *Risk Factors*, and Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, included in this report and in our Annual Report on Form 10-K for the year ended December 31, 2018 for further information on these and other risk factors affecting us.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with the accompanying unaudited consolidated financial statements and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018. The following discussion contains, in addition to the historical information, forward-looking statements that include risks, assumptions and uncertainties that could cause actual results to differ materially from those anticipated by such statements.

"Predecessor" and "Successor" in the MD&A relates to Nationstar and Mr. Cooper, respectively. The financial results for the three and six months ended June 30, 2018 reflect the results of the Predecessor. The financial results for the three and six months ended June 30, 2019 reflect the results of the Successor. The financial results in each case are presented under GAAP.

Dollar amounts are reported in millions, except per share data and other key metrics, unless otherwise noted.

Overview

We are a leading servicer and originator of residential mortgage loans, and a provider of real estate services through our Xome subsidiary. Our purpose is to keep the dream of homeownership alive, and we do this as a servicer by helping mortgage borrowers manage what is typically their largest financial asset, and by helping our investors maximize the returns from their portfolios of residential mortgages. We have a track record of significant growth, having expanded our servicing portfolio from $10 billion in 2009 to $644 billion as of June 30, 2019. We believe this track record reflects our strong operating capabilities, which include a proprietary low-cost servicing platform, strong loss mitigation skills, a commitment to compliance, a customer-centric culture, a demonstrated ability to retain customers, growing origination capabilities, and significant investment in technology. More information on the company is available at investors.mrcoopergroup.com. Information contained on our websites is not, and should not be deemed to be, a part of this report.

Our strategy to position the company for continued, sustainable long-term growth includes initiatives to improve profitability and strengthen the balance sheet. Key strategic initiatives include the following:

- Integrate our recent acquisitions, which include Assurant Mortgage Solutions, Pacific Union, and Seterus;
- Complete Project Titan, our servicing transformation initiative, which consists of a series of interrelated technology initiatives designed to streamline processes, improve customer and team member experiences, and drive efficiency;
- Identify additional opportunities throughout the organization to drive greater efficiency;
- Strengthen our balance sheet and reduce leverage;
- Manage the interest rate risk associated with holding MSRs on balance sheet by providing existing customers with attractive refinance options, growing the size and improving the profitability of our Origination segment (whose results are typically counter-cyclical to those of the Servicing segment), expanding the size of our subservicing portfolio through value-added partnerships with MSR owners, and by utilizing excess spread facilities to pass through a portion of the interest rate risk to capital partners; and
- Maintain strong relationships with agencies, investors, regulators, and other counterparties and a strong reputation for compliance and customer service.

Results of Operations

Table 1. Consolidated Operations

	Successor	Predecessor		
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	$ Change	% Change
Revenues - operational	$ **630**	$ 425	$ 205	48 %
Revenues - Mark-to-market	**(231)**	19	(250)	(1,316)%
Total revenues	**399**	444	(45)	(10)%
Expenses	**492**	339	153	45 %
Other income (expenses), net	**(24)**	(26)	2	(8)%
(Loss) income before income tax (benefit) expense	**(117)**	79	(196)	(248)%
Less: Income tax (benefit) expense	**(29)**	21	(50)	(238)%
Net (loss) income	**(88)**	58	(146)	(252)%
Less: Net (loss) income attributable to non-controlling interests	**(1)**	—	(1)	(100)%
Net (loss) income attributable to Successor/Predecessor	$ **(87)**	$ 58	$ (145)	(250)%

We incurred a total loss before income tax of $117 during the three months ended June 30, 2019 whereas the Predecessor generated total income before income tax of $79 during the same period in 2018. The net loss in 2019 was primarily due to unfavorable mark-to-market ("MTM") of $231 driven by declining interest rates when compared with a favorable MTM of $19 in 2018. Both operational revenue and expenses increased in 2019 as a result of the acquisitions of Pacific Union and Seterus in February 2019 and Xome's acquisition of AMS in August 2018.

Table 1.1 Consolidated Operations

	Successor	Predecessor		
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	$ Change	% Change
Revenues - operational	$ **1,173**	$ 861	$ 312	36 %
Revenues - Mark-to-market	**(524)**	171	(695)	(406)%
Total revenues	**649**	1,032	(383)	(37)%
Expenses	**935**	703	232	33 %
Other income (expenses), net	**(64)**	(44)	(20)	45 %
(Loss) income before income tax (benefit) expense	**(350)**	285	(635)	(223)%
Less: Income tax (benefit) expense	**(76)**	67	(143)	(213)%
Net (loss) income	**(274)**	218	(492)	(226)%
Less: Net (loss) income attributable to non-controlling interests	**(1)**	—	(1)	(100)%
Net (loss) income attributable to Successor/Predecessor	$ **(273)**	$ 218	$ (491)	(225)%

We incurred a total loss before income tax of $350 during the six months ended June 30, 2019 whereas the Predecessor generated total income before income tax expense of $285 during the same period in 2018. The net loss in 2019 was primarily due to unfavorable MTM of $524 driven by declining interest rates when compared with a favorable MTM of $171 in 2018. Consolidated operational revenue and expenses increased during the six months ended June 30, 2019 compared to the same period in 2018 largely driven by the acquisitions of Pacific Union and Seterus in February 2019, as well as Xome's acquisition of AMS in August 2018.

Total other income (expenses), net, declined during the six months ended June 30, 2019 compared to the same period in 2018. The decline was primarily due to an increase in interest expense in our Corporate segment in 2019 as a result of a higher debt balance and higher interest rates related to unsecured senior notes.

Table 2. Provision for Income Taxes

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Income tax (benefit) expense	**$ (29)**	$ 21	$ (50)	(238)%
Effective tax rate[1]	**24.6%**	26.5%		

(1) Effective tax rate is calculated using whole numbers.

We had an income tax benefit for the three months ended June 30, 2019. For the same period ended in 2018, the Predecessor had an income tax expense. The effective tax rate for the three months ended June 30, 2019 was 24.6% as compared to the effective tax rate of 26.5% for the three months ended June 30, 2018. The decreased rate is primarily attributable to the tax effect of permanent differences.

Table 2.1. Provision for Income Taxes

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Income tax (benefit) expense	**$ (76)**	$ 67	$ (143)	(213)%
Effective tax rate[1]	**21.7%**	23.6%		

(1) Effective tax rate is calculated using whole numbers.

We had an income tax benefit for the six months ended June 30, 2019. For the same period ended in 2018, the Predecessor had an income tax expense. The effective tax rate for the six months ended June 30, 2019 was 21.7% as compared to the effective tax rate of 23.6% for the six months ended June 30, 2018. The decreased rate is primarily attributable to the tax effect of permanent differences.

Segment Results

Our operations are conducted through four segments: Servicing, Originations, Xome, and Corporate/Other.

- The Servicing segment performs operational activities on behalf of investors or owners of the underlying mortgages, including collecting and disbursing borrower payments, investor reporting, customer service, modifying loans where appropriate to help borrowers stay current, and when necessary performing collections, foreclosures, and the sale of REO.
- The Originations segment originates residential mortgage loans through our direct-to-consumer channel, which provides refinance options for our existing customers, and through our correspondent and wholesale channels which purchase or originate loans from mortgage bankers and brokers.
- The Xome segment provides a variety of real estate services to mortgage originators, mortgage and real estate investors, and mortgage servicers, including valuation, title, and field services, operates an exchange which facilitates the sale of foreclosed properties, and contains a subsidiary which sells data and technology solutions.
- The Corporate/Other segment represents unallocated overhead expenses, including the costs of executive management and other corporate functions that are not directly attributable to our operating segments, our senior unsecured notes, and the results of a legacy mortgage investment portfolio.

Table 3. Segment Results

	Successor						
	Three Months Ended June 30, 2019						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification[1]**	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	$ 27	$ 20	$ 108	$ (18)	$ 137	$ —	$ 137
Net gain on mortgage loans held for sale	—	244	—	18	262	—	262
Total revenues	27	264	108	—	399	—	399
Total Expenses	189	145	101	—	435	57	492
Other income (expenses)							
Interest income	136	23	—	—	159	3	162
Interest expense	(109)	(25)	—	—	(134)	(53)	(187)
Other	—	1	—	—	1	—	1
Total Other Income (Expenses), Net	27	(1)	—	—	26	(50)	(24)
(Loss) income before income tax (benefit) expense	$ (135)	$ 118	$ 7	$ —	$ (10)	$ (107)	$ (117)

	Predecessor						
	Three Months Ended June 30, 2018						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification**[1]	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	$ 248	$ 17	$ 62	$ (11)	$ 316	$ 1	$ 317
Net gain on mortgage loans held for sale	—	116	—	11	127	—	127
Total revenues	248	133	62	—	443	1	444
Total Expenses	166	102	52	—	320	19	339
Other income (expenses)							
Interest income	121	17	—	—	138	2	140
Interest expense	(115)	(16)	—	—	(131)	(33)	(164)
Other	—	—	—	—	—	(2)	(2)
Total Other Income (Expenses), Net	6	1	—	—	7	(33)	(26)
Income (loss) before income tax expense (benefit)	$ 88	$ 32	$ 10	$ —	$ 130	$ (51)	$ 79

(1) For Servicing segment results purposes, all revenue is attributable to servicing the portfolio. Therefore, $18 and $11 of net gain on mortgage loans is moved to service related, net for the three months ended June 30, 2019 and 2018, respectively. For consolidated results purposes, these amounts were reclassed to net gain on mortgage loans held for sale.

Table 3.1 Segment Results

	Successor						
	Six Months Ended June 30, 2019						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification**[1]	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	**$ 35**	**$ 35**	**$ 204**	**$ (53)**	**$ 221**	**$ —**	**$ 221**
Net gain on mortgage loans held for sale	**—**	**375**	**—**	**53**	**428**	**—**	**428**
Total revenues	**35**	**410**	**204**	**—**	**649**	**—**	**649**
Total Expenses	**384**	**249**	**200**	**—**	**833**	**102**	**935**
Other income (expenses)							
Interest income	**251**	**40**	**—**	**—**	**291**	**5**	**296**
Interest expense	**(223)**	**(43)**	**—**	**—**	**(266)**	**(110)**	**(376)**
Other	**—**	**5**	**11**	**—**	**16**	**—**	**16**
Total Other Income (Expenses), Net	**28**	**2**	**11**	**—**	**41**	**(105)**	**(64)**
(Loss) income before income tax (benefit) expense	**$ (321)**	**$ 163**	**$ 15**	**$ —**	**$ (143)**	**$ (207)**	**$ (350)**

	Predecessor						
	Six Months Ended June 30, 2018						
	Servicing	**Originations**	**Xome**	**Elimination/ Reclassification**[1]	**Total Operating Segments**	**Corporate/Other**	**Consolidated**
Revenues							
Service related, net	$ 643	$ 32	$ 127	$ (22)	$ 780	$ 1	$ 781
Net gain on mortgage loans held for sale	—	229	—	22	251	—	251
Total revenues	643	261	127	—	1,031	1	1,032
Total Expenses	348	211	104	—	663	40	703
Other income (expenses)							
Interest income	247	32	—	—	279	6	285
Interest expense	(233)	(31)	—	—	(264)	(71)	(335)
Other	(1)	—	9	—	8	(2)	6
Total Other Income (Expenses), Net	13	1	9	—	23	(67)	(44)
(Loss) income before income tax (benefit) expense	$ 308	$ 51	$ 32	$ —	$ 391	$ (106)	$ 285

(1) For Servicing segment results purposes, all revenue is attributable to servicing the portfolio. Therefore, $53 and $22 of net gain on mortgage loans is moved to service related, net for the six months ended June 30, 2019 and 2018, respectively. For consolidated results purposes, these amounts were reclassed to net gain on mortgage loans held for sale.

Servicing Segment

The Servicing segment's strategy is to generate income by growing the portfolio and maximizing the servicing margin. We believe several competitive strengths have been critical to our long-term growth as a servicer, including our low-cost platform, our skill in mitigating losses for investors, our commitment to strong customer service and regulatory compliance, our history of successfully boarding new loans, and the ability to retain existing customers by offering attractive refinance options. We believe that our operational capabilities are reflected in strong ratings.

Table 4. Servicer Ratings

	Successor		
	Fitch[1]	**Moody's**[2]	**S&P**[3]
Rating date	*November 2018*	*May 2019*	*May 2019*
Residential	RPS2-	Not Rated	Above Average
Master Servicer	RMS2+	SQ2	Above Average
Special Servicer	RSS2-	Not Rated	Above Average
Subprime Servicer	RPS2-	Not Rated	Above Average

(1) Fitch Rating Scale of 1 (Highest Performance) to 5 (Low/No Proficiency)
(2) Moody's Rating Scale of SQ1 (Strong Ability/Stability) to SQ5 (Weak Ability/Stability)
(3) S&P's Rating Scale of Strong to Weak

Servicing Portfolio Composition

As of June 30, 2019, the outstanding principal balance consisted of approximately $618 billion in forward loans, of which $302 billion was subservicing, and $26 billion in reverse servicing.

- The term “forward” refers to loans we service which are not “reverse mortgages,” as discussed below.
- Our subservicing portfolio consists of loans where we perform the servicing responsibilities for a contractual fee, but do not own the servicing rights and therefore do not hold an MSR on balance sheet.
- Reverse mortgage loans, known as HECMs, provide seniors 62 and older with a loan upon which draws can be made periodically. The draws are secured by the equity in the borrower’s home. We acquired portfolios of reverse mortgages in prior years, and our portfolio of reverse mortgages is now in run-off mode. For reverse mortgages, we hold MSRs on balance sheet, similar to the accounting for forward mortgages, except in cases where the costs of servicing are expected to exceed revenues, in which case a Mortgage Servicing Liability (“MSL”) is created. Additionally, we consolidate certain reverse mortgages on our balance sheet and accrue interest income and expense.

The following tables set forth the results of operations for the Servicing segment.

Table 5. Servicing - Operations

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues				
Operational	**$ 314**	$ 277	$ 37	13 %
Amortization, net of accretion	**(56)**	(48)	(8)	17 %
Mark-to-market	**(231)**	19	(250)	(1,316)%
Total revenues	**27**	248	(221)	(89)%
Expenses	**189**	166	23	14 %
Total other income (expenses), net	**27**	6	21	350 %
Income (loss) before income tax expense	**$ (135)**	$ 88	$ (223)	(253)%

For the three months ended June 30, 2019, total revenues decreased compared to the same period in 2018 primarily due to unfavorable mark-to-market revenues, partially offset by an increase in operational revenues. The change in the mark-to-market revenue was primarily due to the lower interest rate environment in 2019. The increase in the operational revenues was primarily due to an increase in base servicing and subservicing fees. Base servicing and subservicing fees increased in 2019 primarily due to the increase in the forward and subservicing portfolios largely driven by the acquisition of Pacific Union, along with continued growth in subservicing clients’ portfolios. The increase in servicing and subservicing fees was partially offset by an increase in excess spread principal payments, a decrease in modification fees and reverse servicing fees revenues. Amortization, net of accretion for the three months ended June 30, 2019 increased primarily due to an increase in amortization of forward MSR as a result of growth in the forward MSR portfolio and elevated prepayments driven by the lower interest rate environment. Partially offsetting the increase in amortization of the forward MSR was the accretion of excess spread, as well as the accretion of the premium that was recorded in connection with the Merger on our reverse MSL.

Expenses for the three months ended June 30, 2019 increased compared to the same period in 2018 primarily due to an increase in salaries, wages and benefits from an increase in headcount to service the growth in the servicing portfolio primarily driven by the Pacific Union and Seterus acquisitions. Other income (expense), net, increased primarily due to an increase in interest income driven by earnings credits and bank fee credits the Predecessor previously classified as interest expense and a decrease in interest expense due to lower reverse mortgage interest expense.

Table 5.1. Servicing - Operations

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues				
Operational	**$ 638**	$ 568	$ 70	12 %
Amortization, net of accretion	**(79)**	(96)	17	(18)%
Mark-to-market	**(524)**	171	(695)	(406)%
Total revenues	**35**	643	(608)	(95)%
Expenses	**384**	348	36	10 %
Total other income (expenses), net	**28**	13	15	115 %
Income before income tax expense	**$ (321)**	$ 308	$ (629)	(204)%

For the six months ended June 30, 2019, total revenues decreased compared to the same period in 2018 primarily due to unfavorable mark-to-market revenues, partially offset by an increase in operational revenues and lower amortization. The change in the mark-to-market revenue was primarily due to the lower interest rate environment in 2019. The increase in the operational revenues was primarily due to an increase in base servicing and subservicing fees and other ancillary revenues. Base servicing and subservicing fees increased in 2019 primarily due to the increase in the forward and subservicing portfolios largely driven by the acquisition of Pacific Union, along with continued growth in subservicing clients' portfolios. The increase in other ancillary revenues was primarily due to a gain from the execution of a clean-up call option on a reverse mortgage loan trust during the first quarter of 2019. Partially offsetting the increase in servicing and subservicing fees and other ancillary revenues was a decrease in incentive fees, modification fees and reverse servicing fees revenues, as well as an increase in excess spread principal payments. Amortization, net of accretion for the six months ended June 30, 2019 decreased primarily due to the accretion of our reverse MSL that was recorded in connection with the Merger. The remaining change in amortization was a result of an increase in excess spread accretion. Other income (expense), net, increased primarily due to a decrease in interest expense as a result of the accretion of the HMBS bond premium as well as a decrease in interest expense on financing vehicles.

Expenses for the six months ended June 30, 2019 increased compared to the same period in 2018 primarily due to an increase in salaries, wages and benefits from an increase in headcount in connection with the Pacific Union and Seterus acquisitions.

The following table provides a rollforward of our forward servicing portfolio UPB, including loans subserviced for others.

Table 6. Forward Servicing and Subservicing Portfolio UPB Rollforward

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Balance - beginning of period	**$ 604,883**	**$ 519,367**	$ 466,401	$ 473,256
Additions:				
Originations	**9,920**	**15,215**	5,545	10,633
Acquisitions	**32,787**	**130,598**	14,655	20,804
Deductions:				
Dispositions	**(2,914)**	**(4,165)**	(1,739)	(1,793)
Principal reductions and other	**(5,700)**	**(10,845)**	(4,724)	(9,659)
Voluntary reductions[1]	**(19,778)**	**(30,050)**	(13,166)	(24,829)
Involuntary reductions[2]	**(994)**	**(1,851)**	(1,478)	(2,823)
Net changes in loans serviced by others	**(84)**	**(149)**	(96)	(191)
Balance - end of period	**$ 618,120**	**$ 618,120**	$ 465,398	$ 465,398

(1) Voluntary reductions are related to loan payoffs by customers.

(2) Involuntary reductions refer to loans liquidated through default.

During the three and six months ended June 30, 2019, our forward servicing and subservicing portfolio UPB increased when compared to the same periods in 2018, primarily due to increased boarding of loans generated from the acquisitions and portfolio growth from our subservicing clients. The increase in dispositions was a result of an increase in our loan sales driven by increased sales volume in our origination channel.

The following tables provide the composition of revenues for the Servicing segment.

Table 7. Servicing - Revenues

	Successor		*Predecessor*					
	Three Months Ended June 30, 2019		**Three Months Ended June 30, 2018**		**$ Change**		**% Change**	
	Amt	**bps[(1)]**	**Amt**	**bps[(1)]**	**Amt**	**bps[(1)]**	**Amt**	**bps[(1)]**
Forward MSR Operational Revenue								
Base servicing fees	**$ 257**	**16**	$ 214	17	$ 43	(1)	20 %	(6)%
Modification fees[(2)]	**6**	**—**	13	1	(7)	(1)	(54)%	(100)%
Incentive fees[(2)]	**1**	**—**	4	—	(3)	—	(75)%	— %
Late payment fees[(2)]	**20**	**2**	19	2	1	—	5 %	— %
Other ancillary revenues[(2)]	**30**	**2**	26	2	4	—	15 %	— %
Total forward MSR operational revenue	**314**	**20**	276	22	38	(2)	14 %	(9)%
Base subservicing fees and other subservicing revenue[(2)]	**62**	**4**	37	3	25	1	68 %	33 %
Reverse servicing fees	**8**	**—**	14	1	(6)	(1)	(43)%	(100)%
Total servicing fee revenue	**384**	**24**	327	26	57	(2)	17 %	(8)%
MSR financing liability costs	**(11)**	**(1)**	(14)	(1)	3	—	(21)%	— %
Excess spread costs - principal	**(59)**	**(3)**	(36)	(2)	(23)	(1)	64 %	50 %
Total operational revenue	**314**	**20**	277	23	37	(3)	13 %	(13)%
Amortization, net of accretion								
Forward MSR amortization	**(125)**	**(8)**	(84)	(7)	(41)	(1)	49 %	14 %
Excess spread accretion	**59**	**3**	36	3	23	—	64 %	— %
Reverse MSL accretion	**11**	**1**	—	—	11	1	100 %	100 %
Reverse MSR amortization	**(1)**	**—**	—	—	(1)	—	(100)%	— %
Total amortization, net of accretion	**(56)**	**(4)**	(48)	(4)	(8)	—	17 %	— %
Mark-to-Market Adjustments								
MSR MTM[(3)]	**(227)**	**(14)**	25	2	(252)	(16)	(1,008)%	(800)%
Excess spread / financing MTM	**(4)**	**—**	(6)	—	2	—	(33)%	— %
Total MTM adjustments	**(231)**	**(14)**	19	2	(250)	(16)	(1,316)%	(800)%
Total revenues - Servicing	**$ 27**	**2**	$ 248	21	$ (221)	(19)	(89)%	(90)%

(1) Calculated basis points ("bps") are as follows: Annualized dollar amount/Total average UPB X 10000.

(2) Certain ancillary and other non-base fees related to subservicing operations are separately presented as other subservicing revenues.

(3) The amount of MSR MTM includes the impact of negative modeled cash flows which have been transferred to reserves on advances and other receivables. The negative modeled cash flows relate to advances and other receivables associated with inactive and liquidated loans that are no longer part of the MSR portfolio. The impact of negative modeled cash flows was $17 for the three months ended June 30, 2019. The impact of negative modeled cash flows for the Predecessor was $22 for the three months ended June 30, 2018.

Forward - Due to the increase of the forward MSR portfolio's UPB, base servicing fee revenue and servicing fees per total average UPB increased for the three months ended June 30, 2019 as compared to the same period in 2018. The improvement in delinquency rates as of June 30, 2019 contributed to the decrease in modification fees. Other ancillary revenues increased primarily due to a gain from the execution of a clean-up call option on a reverse mortgage loan trust, as we were the master servicer and holder of clean-up call rights.

MSR prepayment and scheduled amortization increased for the three months ended June 30, 2019 as compared to the same period in 2018, primarily due to higher average MSR UPB, and elevated prepayments driven by the lower interest rate environment.

Total MTM adjustments declined in the three months ended June 30, 2019 as compared to the same period in 2018 primarily due to the lower interest rate environment during 2019.

Subservicing - Subservicing fees increased for the three months ended June 30, 2019 as compared to the same period in 2018, due to significant growth in the subservicing portfolio UPB.

Reverse - Servicing fees on reverse mortgage portfolios for the three months ended June 30, 2019 decreased as compared to the same period in 2018 primarily due to the decline in the reverse mortgage portfolio.

Table 7.1. Servicing - Revenues

	Successor		*Predecessor*					
	Six Months Ended June 30, 2019		**Six Months Ended June 30, 2018**		**$ Change**		**% Change**	
	Amt	**bps[1]**	**Amt**	**bps[1]**	**Amt**	**bps[1]**	**Amt**	**bps[1]**
Forward MSR Operational Revenue								
Base servicing fees	**$ 497**	**17**	$ 433	17	$ 64	—	15 %	— %
Modification fees[2]	**9**	**—**	20	1	(11)	(1)	(55)%	(100)%
Incentive fees[2]	**2**	**—**	11	—	(9)	—	(82)%	— %
Late payment fees[2]	**39**	**1**	39	2	—	(1)	— %	(50)%
Other ancillary revenues[2]	**78**	**3**	53	2	25	1	47 %	50 %
Total forward MSR operational revenue	**625**	**21**	556	22	69	(1)	12 %	(5)%
Base subservicing fees and other subservicing revenue[2]	**114**	**4**	74	3	40	1	54 %	33 %
Reverse servicing fees	**17**	**—**	33	1	(16)	(1)	(48)%	(100)%
Total servicing fee revenue	**756**	**25**	663	26	93	(1)	14 %	(4)%
MSR financing liability costs	**(23)**	**(1)**	(29)	(1)	6	—	(21)%	— %
Excess spread costs - principal	**(95)**	**(3)**	(66)	(2)	(29)	(1)	44 %	50 %
Total operational revenue	**638**	**21**	568	23	70	(2)	12 %	(9)%
Amortization, net of accretion								
Forward MSR amortization	**(204)**	**(7)**	(162)	(7)	(42)	—	26 %	— %
Excess spread accretion	**95**	**3**	66	3	29	—	44 %	— %
Reverse MSL accretion	**29**	**1**	—	—	29	1	100 %	100 %
Reverse MSR amortization	**1**	**—**	—	—	1	—	100 %	— %
Total amortization, net of accretion	**(79)**	**(3)**	(96)	(4)	17	1	(18)%	(25)%
Mark-to-Market Adjustments								
MSR MTM[3]	**(587)**	**(19)**	251	10	(838)	(29)	(334)%	(290)%
Excess spread / financing MTM	**63**	**2**	(80)	(3)	143	5	(179)%	(167)%
Total MTM adjustments	**(524)**	**(17)**	171	7	(695)	(24)	(406)%	(343)%
Total revenues - Servicing	**$ 35**	**1**	$ 643	26	$ (608)	(25)	(95)%	(96)%

(1) Calculated basis points ("bps") are as follows: Annualized dollar amount/Total average UPB X 10000.

(2) Certain ancillary and other non-base fees related to subservicing operations are separately presented as other subservicing revenues.

(3) The amount of MSR MTM includes the impact of negative modeled cash flows which have been transferred to reserves on advances and other receivables. The negative modeled cash flows relate to advances and other receivables associated with inactive and liquidated loans that are no longer part of the MSR portfolio. The impact of negative modeled cash flows was $28 for the six months ended June 30, 2019. The impact of negative modeled cash flows for the Predecessor was $34 for the six months ended June 30, 2018.

Forward - Due to the increase of the forward MSR portfolio's UPB, base servicing fee revenue and servicing fees per total average UPB increased for the six months ended June 30, 2019 as compared to the same period in 2018. The improvement in delinquency rates as of June 30, 2019 contributed to the decrease in modification fees. Other ancillary revenues increased primarily due to the gain on sale from the securitization of reperforming GNMA loans.

MSR prepayment and scheduled amortization increased for the six months ended June 30, 2019 as compared to the same period in 2018, primarily due to higher average MSR UPB, and elevated prepayments driven by the lower rate environment.

Total MTM adjustments declined in the six months ended June 30, 2019 as compared to the same period in 2018 primarily due to the lower interest rate environment during 2019.

Subservicing - Subservicing fees increased for the six months ended June 30, 2019 as compared to the same period in 2018, due to significant growth in the subservicing portfolio UPB.

Reverse - Servicing fees on reverse mortgage portfolios for the six months ended June 30, 2019 decreased as compared to the same period in 2018 primarily due to the decline in the reverse mortgage portfolio.

Table 8. Servicing Portfolio - Unpaid Principal Balances

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Average UPB:				
Forward MSRs	**$ 315,333**	**$ 312,158**	$ 277,297	$ 279,504
Subservicing and other[(1)]	**297,924**	**268,696**	187,068	187,663
Reverse portfolio	**26,028**	**26,750**	32,873	33,651
Total average UPB	**$ 639,285**	**$ 607,604**	$ 497,238	$ 500,818

	Successor	*Predecessor*
	June 30, 2019	**June 30, 2018**
Ending UPB:		
Forward MSRs		
Agency	**$ 254,543**	$ 206,017
Non-agency	**61,469**	72,088
Total Forward MSRs	**316,012**	278,105
Subservicing and other[(1)]		
Agency	**253,846**	178,236
Non-agency	**48,262**	9,057
Total subservicing and other	**302,108**	187,293
Reverse loans		
MSR	**3,127**	—
MSL	**15,374**	22,777
Securitized loans	**7,068**	9,487
Total reverse portfolio serviced	**25,569**	32,264
Total ending UPB	**$ 643,689**	$ 497,662

(1) Subservicing and other includes (i) loans we service for others, (ii) residential mortgage loans originated but have yet to be sold and (iii) agency REO balances for which we own the mortgage servicing rights.

Key Metrics

The tables below present the number of modifications and workout units with our serviced portfolios.

Table 9. Forward Loan Modifications and Workout Units

	Successor Three Months Ended June 30, 2019	*Predecessor* Three Months Ended June 30, 2018	Amount Change	% Change
HAMP modifications	**3**	9	(6)	(67)%
Non-HAMP modifications	**5,629**	7,547	(1,918)	(25)%
Workouts	**6,476**	7,159	(683)	(10)%
Total modification and workout units	**12,108**	14,715	(2,607)	(18)%

Total modifications and workouts during the three months ended June 30, 2019 decreased compared to the same period in 2018 primarily due to lower delinquency rates.

Table 9.1. Forward Loan Modifications and Workout Units

	Successor Six Months Ended June 30, 2019	*Predecessor* Six Months Ended June 30, 2018	Amount Change	% Change
HAMP modifications	**9**	31	(22)	(71)%
Non-HAMP modifications	**10,812**	13,382	(2,570)	(19)%
Workouts	**10,877**	21,252	(10,375)	(49)%
Total modification and workout units	**21,698**	34,665	(12,967)	(37)%

Total modifications and workouts during the six months ended June 30, 2019 decreased compared to the same period in 2018 primarily due to lower delinquency rates and lower disaster (hurricanes and wildfires) related loss mitigation activity.

The table below summarizes the overall performance of the forward servicing and subservicing portfolio.

Table 10. Key Performance Metrics - Forward Servicing and Subservicing Portfolio [(1)]

	Successor June 30, 2019	*Predecessor* June 30, 2018
Loan count	**3,637,538**	2,970,692
Average loan amount[(2)]	**$ 169,935**	$ 156,688
Average coupon - credit sensitive[(3)]	**4.8%**	4.8%
Average coupon - interest sensitive[(3)]	**4.4%**	4.2%
60+ delinquent (% of loans)[(4)]	**2.3%**	2.8%
90+ delinquent (% of loans)[(4)]	**2.0%**	2.5%
120+ delinquent (% of loans)[(4)]	**1.8%**	2.3%
Total prepayment speed (12-month constant prepayment rate)	**13.0%**	12.1%

(1) Characteristics and key performance metrics of our servicing portfolio exclude UPB and loan counts acquired but not yet boarded and currently serviced by others.

(2) Average loan amount is presented in whole dollar amounts.

(3) The weighted average coupon amounts for our credit and interest sensitive pools presented in the table above are only reflective of our owned forward MSR portfolio that is reported at fair value.

(4) Loan delinquency is based on the current contractual due date of the loan. In the case of a completed loan modification, delinquency is based on the modified due date of the loan.

Delinquency is a significant assumption in determining the mark-to-market adjustment and is a key indicator of MSR portfolio performance. Delinquent loans contribute to lower MSR values due to higher costs to service and increased carrying costs of advances. We continued to experience low delinquency rates during the six months ended June 30, 2019, which preserves the value of our MSRs.

Servicing Expenses

The tables below summarize expenses in the Servicing segment.

Table 11. Servicing - Expenses

	Successor		*Predecessor*					
	Three Months Ended June 30, 2019		**Three Months Ended June 30, 2018**		**Change**		**% Change**	
	Amt	**bps**	**Amt**	**bps**	**Amt**	**bps**	**Amt**	**bps**
Salaries, wages and benefits	**$ 90**	**6**	$ 74	6	$ 16	—	22 %	— %
General and administrative								
Servicing support fees	**24**	**2**	35	3	(11)	(1)	(31)%	(33)%
Corporate and other general and administrative expenses	**39**	**2**	32	2	7	—	22 %	— %
Foreclosure and other liquidation related expenses	**32**	**2**	19	2	13	—	68 %	— %
Depreciation and amortization	**4**	**—**	6	—	(2)	—	(33)%	— %
Total general and administrative expenses	**99**	**6**	92	7	7	(1)	8 %	(14)%
Total expenses - Servicing	**$ 189**	**12**	$ 166	13	$ 23	(1)	14 %	(8)%

Total expenses increased during the three months ended June 30, 2019 compared to the same period in 2018 primarily driven by increased salaries, wages and benefits. Salaries, wages and benefits increased as a result of the expansion of the servicing portfolio and an increase in headcount largely driven by the Pacific Union and Seterus acquisitions. Servicing support fees decreased in 2019 primarily due to lower legal and tax service expenses. Furthermore, corporate and other general and administrative expenses increased in 2019 driven by costs related to drive operational efficiencies and enhance overall customer experience. In addition, foreclosure and other liquidation related expenses increased in 2019, primarily due to incremental reserves related to the Reverse portfolio.

Table 11.1. Servicing - Expenses

	Successor		*Predecessor*					
	Six Months Ended June 30, 2019		**Six Months Ended June 30, 2018**		**Change**		**% Change**	
	Amt	**bps**	**Amt**	**bps**	**Amt**	**bps**	**Amt**	**bps**
Salaries, wages and benefits	**$ 176**	**6**	$ 150	6	$ 26	—	17 %	— %
General and administrative								
Servicing support fees	**63**	**2**	62	2	1	—	2 %	— %
Corporate and other general and administrative expenses	**78**	**3**	63	3	15	—	24 %	— %
Foreclosure and other liquidation related expenses	**59**	**2**	60	2	(1)	—	(2)%	— %
Depreciation and amortization	**8**	**—**	13	1	(5)	(1)	(38)%	(100)%
Total general and administrative expenses	**208**	**7**	198	8	10	(1)	5 %	(13)%
Total expenses - Servicing	**$ 384**	**13**	$ 348	14	$ 36	(1)	10 %	(7)%

Total expenses increased during the six months ended June 30, 2019 compared to the same period in 2018 primarily due to increased salaries, wages and benefits. The increase in salaries, wages and benefits is primarily due to the expansion of the servicing portfolio and an increase in headcount largely driven by the Pacific Union and Seterus acquisitions. In addition, corporate and other general and administrative expenses increased as compared to the same period in 2018 as a result of expenses related to our initiative to increase operational efficiencies and enhance overall customer experience.

Table 12. Servicing - Other Income (Expenses), Net

	Successor		*Predecessor*					
	Three Months Ended June 30, 2019		**Three Months Ended June 30, 2018**		**Change**		**% Change**	
	Amt	**bps**	**Amt**	**bps**	**Amt**	**bps**	**Amt**	**bps**
Reverse mortgage interest income	**$ 86**	**6**	$ 118	10	$ (32)	(4)	(27)%	(40)%
Other interest income	**50**	**3**	3	—	47	3	1,567 %	100 %
Interest income	**136**	**9**	121	10	15	(1)	12 %	(10)%
Reverse mortgage interest expense	**(46)**	**(3)**	(95)	(8)	(49)	(5)	(52)%	(63)%
Advance interest expense	**(8)**	**(1)**	(12)	(1)	(4)	—	(33)%	— %
Other interest expense	**(55)**	**(3)**	(8)	(1)	47	2	588 %	200 %
Interest expense	**(109)**	**(7)**	(115)	(10)	(6)	(3)	(5)%	(30)%
Other income (expense)	**—**	**—**	—	—	—	—	— %	— %
Total other income (expenses), net - Servicing	**$ 27**	**2**	$ 6	—	$ 21	2	350 %	100 %
Weighted average cost - advance facilities	**5.5%**		4.0%		1.5%		38 %	
Weighted average cost - excess spread financing	**8.9%**		8.8%		0.1%		1 %	

Total other income (expenses), net increased during the three months ended June 30, 2019 as compared to the same period in 2018 primarily due to an increase in interest income. Other interest income increased due to $48 of earnings credits and bank fee credits the Predecessor previously classified as interest expense. Reverse mortgage interest income decreased due to the decline in the reverse mortgage interests balance. Interest expense decreased during the three months ended June 30, 2019 as compared to the same period in 2018 as a result of lower reverse mortgage interest expense driven by the decline in the reverse mortgage interest portfolio balance as well as the accretion of the HMBS bond premium, offset by an increase in other interest expense. The increase in other interest expense was primarily due to an increase of $16 in excess spread costs and $26 of earnings credits and bank fee credits the Predecessor previously classified as interest expense and $5 of compensating interest expense driven by higher payoff volume.

Table 12.1. Servicing - Other Income (Expenses), Net

	Successor		*Predecessor*					
	Six Months Ended June 30, 2019		**Six Months Ended June 30, 2018**		**Change**		**% Change**	
	Amt	**bps**	**Amt**	**bps**	**Amt**	**bps**	**Amt**	**bps**
Reverse mortgage interest income	**$ 168**	**5**	$ 237	10	$ (69)	(5)	(29)%	(50)%
Other interest income	**83**	**3**	10	—	73	3	730 %	100 %
Interest income	**251**	**8**	247	10	4	(2)	2 %	(20)%
Reverse mortgage interest expense	**(117)**	**(4)**	(191)	(7)	(74)	(3)	(39)%	(43)%
Advance interest expense	**(17)**	**—**	(17)	(1)	—	(1)	— %	100 %
Other interest expense	**(89)**	**(3)**	(25)	(1)	64	2	256 %	200 %
Interest expense	**(223)**	**(7)**	(233)	(9)	(10)	(2)	(4)%	(22)%
Other income (expense)	**—**	**—**	(1)	—	1	—	100 %	— %
Total other income (expenses), net - Servicing	**$ 28**	**1**	$ 13	1	$ 15	—	115 %	— %
Weighted average cost - advance facilities	**5.1%**		3.9%		1.2%		31 %	
Weighted average cost - excess spread financing	**8.9%**		8.9%		—%		— %	

Total other income (expenses), net increased during the six months ended June 30, 2019 as compared to the same period in 2018 primarily due to a decrease in interest expense. Interest expense decreased during the six months ended June 30, 2019 as compared to the same period in 2018 due to lower reverse mortgage interest expense driven by the decline in the reverse mortgage interest portfolio balance as well as the accretion of the HMBS bond premium, offset by an increase in other interest expense. Other interest expense increased primarily due to an increase of $23 in excess spread costs and $34 of earnings credits and bank fee credits the Predecessor previously classified as interest expense. In addition, interest income increased primarily due to an increase in other interest income as a result of $34 of earnings credits and bank fee credits the Predecessor previously classified as interest expense. Offsetting the increase in other interest income was a decrease in reverse mortgage interest income which was related to the decline in the reverse mortgage interests balance.

Serviced Portfolio and Liabilities

The tables below summarize the serviced portfolio and liabilities in the Servicing segment.

Table 13. Serviced Portfolios and Related Liabilities

	Successor					
	June 30, 2019			December 31, 2018		
	UPB	Carrying Amount	Weighted Avg. Coupon	UPB	Carrying Amount	Weighted Avg. Coupon
Forward MSRs - fair value						
Agency	**$ 254,543**	**$ 2,904**	**4.5%**	$ 229,108	$ 3,027	4.5%
Non-agency	**61,469**	**601**	**4.8%**	66,373	638	4.8%
Total Forward MSRs - fair value	**316,012**	**3,505**	**4.6%**	295,481	3,665	4.5%
Subservicing and other[(1)]						
Agency	**253,846**	**N/A**	**N/A**	208,607	N/A	N/A
Non-agency	**48,262**	**N/A**	**N/A**	15,279	N/A	N/A
Total subservicing and other	**302,108**	**N/A**	**N/A**	223,886	N/A	N/A
Reverse portfolio - amortized cost						
MSR	**3,127**	**6**	**N/A**	3,940	11	N/A
MSL	**15,374**	**(80)**	**N/A**	16,538	(71)	N/A
Securitized loans	**7,068**	**7,110**	**N/A**	7,937	7,934	N/A
Total reverse portfolio serviced	**25,569**	**7,036**	**N/A**	28,415	7,874	N/A
Total servicing portfolio unpaid principal balance	**$ 643,689**	**$ 10,541**	**N/A**	$ 547,782	$ 11,539	N/A

(1) Subservicing and other amounts include loans we service for others, residential mortgage loans originated but have yet to be sold and agency REO balances for which we own the mortgage servicing rights.

We assess whether acquired portfolios are more credit sensitive or interest sensitive in nature on the date of the acquisition. We consider numerous factors in making this assessment, with the primary factors consisting of the overall portfolio delinquency characteristics, portfolio seasoning and residential mortgage loan composition. Interest rate sensitive portfolios typically consist of single-family conforming residential forward mortgage loans serviced for GSEs or other third-party investors. Credit sensitive portfolio primarily consists of higher delinquency single-family non-conforming residential forward mortgage loans in private-label securitizations.

Table 14. Fair Value MSR Valuation

	Successor					
	June 30, 2019			December 31, 2018		
	UPB	Carrying Amount	bps	UPB	Carrying Amount	bps
MSRs - fair value						
Credit sensitive	**$ 167,381**	**$ 1,797**	**107**	$ 135,752	$ 1,495	110
Interest sensitive	**148,631**	**1,708**	**115**	159,729	2,170	136
Total MSRs - fair value	**$ 316,012**	**$ 3,505**	**111**	$ 295,481	$ 3,665	124

As of June 30, 2019, when measuring the fair value of the portfolio as a basis point of the unpaid principal balance, our credit sensitive pool increased in value by 3 bps and interest sensitive pool decreased in value 21 bps, compared to December 31, 2018 due to higher forecasted prepayment speeds as a result of the declining interest rate environment in 2019.

The following table provides information on the fair value of our owned forward MSR portfolio.

Table 15. MSRs - Fair Value, Roll Forward

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Fair value - beginning of period	**$ 3,481**	**$ 3,665**	$ 3,194	$ 2,937
Additions:				
Servicing retained from mortgage loans sold	**103**	**169**	71	139
Purchases of servicing rights	**280**	**689**	113	132
Dispositions:				
Sales of servicing rights	**(34)**	**(294)**	4	4
Changes in fair value:				
Due to changes in valuation inputs or assumptions used in the valuation model:				
Credit sensitive	**(35)**	**(156)**	11	192
Interest sensitive	**(175)**	**(386)**	33	91
Other changes in fair value:				
Scheduled principal payments	**(23)**	**(45)**	(19)	(38)
Disposition of negative MSRs and other[1]	**11**	**23**	14	23
Prepayments				
Voluntary prepayments				
Credit sensitive	**(26)**	**(45)**	(31)	(61)
Interest sensitive	**(70)**	**(102)**	(25)	(46)
Involuntary prepayments				
Credit sensitive	**(2)**	**(4)**	(5)	(10)
Interest sensitive	**(5)**	**(9)**	(4)	(7)
Fair value - end of period	**$ 3,505**	**$ 3,505**	$ 3,356	$ 3,356

[1] Amounts primarily represent negative fair values reclassified from the MSR asset to reserves of advances and other receivables as underlying loans are removed from the MSR and other reclassification adjustments.

The following table sets forth the weighted average assumptions in estimating the fair value of MSRs.

Table 16. MSRs - Fair Value

	Successor	*Predecessor*
	June 30, 2019	**June 30, 2018**
Credit Sensitive MSRs		
Discount rate	**10.6%**	11.4%
Weighted average prepayment speeds	**13.5%**	11.7%
Weighted average life of loans	**5.9 years**	6.6 years
Interest Sensitive MSRs		
Discount rate	**8.9%**	9.2%
Weighted average prepayment speeds	**13.9%**	9.8%
Weighted average life of loans	**5.6 years**	7.0 years
Total MSRs Portfolio		
Discount rate	**9.7%**	10.4%
Weighted average prepayment speeds	**13.7%**	10.8%
Weighted average life of loans	**5.8 years**	6.8 years

Discount rate for credit sensitive and interest sensitive MSRs decreased as of June 30, 2019 compared to the same period in 2018 due to the declining interest rate environment in 2019. Weighted average lives decreased for both credit sensitive and interest sensitive MSRs due to the increase in prepayment speeds, which was attributable to the interest rate decline period over period.

The discount rate used to determine the present value of estimated future net servicing income is based on the required rate of return market investors would expect for an asset with similar risk characteristics. The discount rate is determined through review of recent market transactions as well as comparing the discount rate to those utilized by third-party valuation specialists and market surveys.

Total prepayment speeds represent the annual rate at which borrowers are forecasted to repay their mortgage loan principal, which includes estimates for both voluntary and involuntary borrower liquidations. The expected weighted average life represents the total years we expect to service the MSR.

Excess Spread Financing

As further disclosed in *Note 3, Mortgage Servicing Rights and Related Liabilities*, we have entered into sale and assignment agreements treated as financing arrangements whereby the acquirer has the right to receive a specified percentage of the excess cash flow generated from an MSR.

The servicing fees associated with an MSR can be segregated into (i) a base servicing fee and (ii) an excess servicing fee. The base servicing fee, along with ancillary income and other revenues, is designed to cover costs incurred to service the specified pool plus a reasonable margin. The remaining servicing fee is considered excess. We sell a percentage of the excess fee as a method for efficiently financing acquired MSRs. Excess spread financings are presently applicable only to acquired MSRs and originated pools of loans; however, they can be entered into at any time for both acquired and originated MSRs. These financings have been provided by companies including New Residential, certain funds managed by Fortress Investment Group, and third-parties associated with funds and accounts under management of BlackRock Financial Management, Inc and Värde Partners, Inc.

Excess spread financings are recorded at fair value, and the impact of fair value adjustments on future revenues and capital resources varies primarily due to changes in (i) prepayment speeds and (ii) our ability to recapture mortgage loan payoffs through the origination platform. In *Note 3, Mortgage Servicing Rights and Related Liabilities*, we discuss the range of assumptions and sensitivities related to the measurement of the excess spread financing liability as of June 30, 2019 and December 31, 2018.

The following table sets forth the change in the excess spread liability and the related key weighted average assumptions.

Table 17. Excess Spread Financing

	Successor		*Predecessor*	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Fair value - beginning of period	**$ 1,309**	**$ 1,184**	$ 1,001	$ 996
Additions:				
New financings	**193**	**438**	70	70
Deductions:				
Repayments of debt	**(11)**	**(12)**	(2)	(2)
Settlements of principal balances	**(57)**	**(107)**	(46)	(91)
Fair value changes:				
Credit Sensitive	**17**	**(15)**	20	66
Interest Sensitive	**(22)**	**(59)**	4	8
Fair value - end of period	**$ 1,429**	**$ 1,429**	$ 1,047	$ 1,047

	Successor	*Predecessor*
Total Key Weighted Average Assumptions:	**June 30, 2019**	**June 30, 2018**
Credit Sensitive		
Discount rate	**10.3%**	11.1%
Prepayment speeds	**13.1%**	11.4%
Recapture rate	**22.3%**	16.8%
Average life	**5.8 years**	6.5 years
Interest Sensitive		
Discount rate	**8.4%**	9.0%
Prepayment speeds	**12.9%**	9.9%
Recapture rate	**17.4%**	19.8%
Average life	**5.4 years**	6.8 years
Total Excess Spread Financing Portfolio		
Discount rate	**9.6%**	10.6%
Prepayment speeds	**13.1%**	11.1%
Recapture rate	**20.2%**	18.0%
Average life	**5.7 years**	6.5 years

Table 18. MSRs Financing Liability - Rollforward

	Successor		Predecessor	
	Three Months Ended June 30, 2019	**Six Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Six Months Ended June 30, 2018**
Fair value - beginning of period	**$ 34**	**$ 32**	$ 34	$ 10
Changes in fair value[1]:				
Changes in valuation inputs or assumptions used in the valuation model	**13**	**19**	(14)	11
Other changes in fair value	**(4)**	**(8)**	(4)	(5)
Fair value - end of period	**$ 43**	**$ 43**	$ 16	$ 16

	Successor	Predecessor
	June 30, 2019	**June 30, 2018**
Weighted Average Assumptions		
Advance financing rates	**3.7%**	4.1%
Annual advance recovery rates	**19.3%**	18.9%

(1) The changes in fair value related to our MSRs financing liability primarily relate to both scheduled and unscheduled principal payments reflected in the underlying MSRs and changes in the fair value model assumptions.

We entered into several sale agreements whereby we sold the right to receive servicing advances on private-label servicing advances and the right to receive a portion of the base fee component on the related MSRs, and also transferred the obligations to make future advances. These transactions are treated as a MSR Financing Liability. The balance sheet entry for these financings represents that component of fair value that reflects the excess cost of these transactions relative to the cost of financing advances assumed in the value of the corresponding MSR, and the change in fair value is recorded against servicing revenue and interest imputed on the outstanding liability is recorded as interest expense.

We estimate fair value of the MSR financing liability based on the present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being advance financing rates and annual advance recovery rates.

The following table provides an overview of our forward servicing portfolio and amounts that have been transferred to our co-invest partners for the periods indicated.

Table 19. Leveraged Portfolio Characteristics

	Successor	Predecessor
	June 30, 2019	**June 30, 2018**
Owned forward servicing portfolio - unencumbered	**$ 87,007**	$ 91,619
Owned forward servicing portfolio - encumbered	**229,005**	186,486
Subserviced forward servicing portfolio and other	**302,108**	187,293
Total unpaid principal balance	**$ 618,120**	$ 465,398

The encumbered forward servicing portfolio consists of residential mortgage loans included within our excess spread financing transactions and MSR financing liability. Subserviced and other amounts include (1) loans serviced for others, (2) residential mortgage loans originated but not yet sold and (3) agency REO balances for which we own the mortgage servicing rights.

Reverse - MSLs and Participating Interests - Amortized Cost

The table below provides detail of the characteristics and key performance metrics of the reverse servicing portfolio, which is included in MSLs and participating interests in reverse mortgages. Such assets are recorded at amortized cost.

Table 20. Reserve - Mortgage Portfolio Characteristics

	Successor	*Predecessor*
	June 30, 2019	**June 30, 2018**
Loan count	**180,899**	205,438
Ending unpaid principal balance	**$ 25,569**	$ 32,264
Average loan amount[1]	**$ 141,342**	$ 157,050
Average coupon	**4.3%**	4.2%
Average borrower age	**80**	79

[1] Average loan amount is presented in whole dollar amounts.

Historically, the Predecessor acquired servicing rights and participating interests in reverse mortgage portfolios. Reverse mortgage loans, known as HECMs, provide seniors 62 and older with a loan upon which draws can be made periodically. The draws are secured by the equity in the borrower's home. For acquired servicing rights on reverse mortgages, an MSR or MSL is established on the acquisition date at fair value, as applicable, based on the expected discounted cash flow from servicing the reverse portfolio.

Each quarter, we accrete the MSL to service related revenue, net of the respective portfolios run-off. The MSL is assessed for increased obligation based on its fair value, using a variety of assumptions, with the key assumptions being discount rates, prepayment speeds and borrower life expectancy. The MSLs are stratified based on predominant risk characteristics of the underlying serviced loans. Impairment, if any, represents the excess of amortized cost of an individual stratum over its estimated fair value and is recognized through an increase in valuation allowance. Based on our assessment, no impairment was required for reverse MSLs as of June 30, 2019.

Originations Segment

The strategy of our Originations segment is to originate new loans for the servicing portfolio at a more attractive cost than purchasing MSRs in bulk transactions and to retain our existing customers by providing them with attractive refinance options. The Originations segment plays a strategically important role because its profitability is typically counter-cyclical to that of the Servicing segment. Furthermore, by originating loans at a more attractive cost than would be the case in bulk MSR acquisitions, the Origination segment improves our overall profitability and cash flow. Growing the Originations segment has been a strategic focus for us for several years.

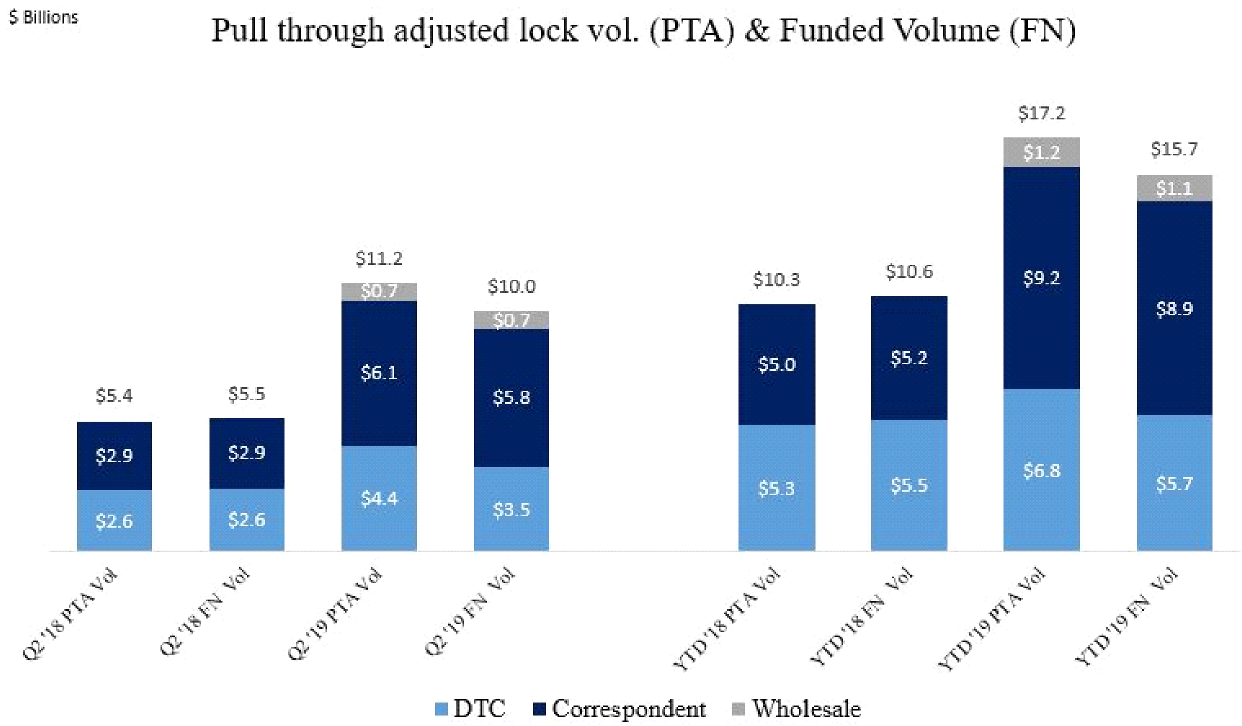
The Originations segment includes three channels:

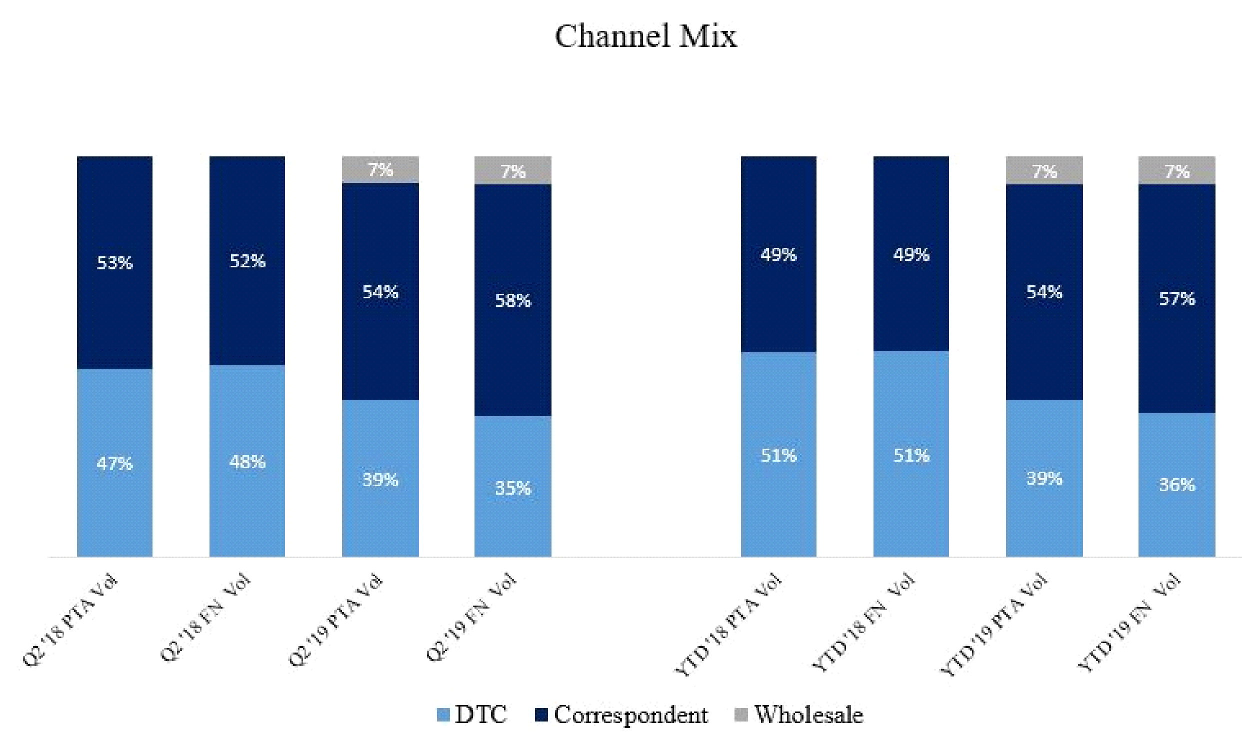
- Our direct-to-consumer lending channel relies on call centers, our website and mobile apps to interact with customers. Our primary focus is to assist our customers with a refinance or home purchase by providing them with a needs-based approach to understanding their current mortgage options.

- Our correspondent lending channel acquires newly originated residential mortgage loans that have been underwritten to investor guidelines. This includes both conventional and government-insured loans that qualify for inclusion in securitizations that are guaranteed by the GSEs. Our correspondent lending channel enables us to replenish servicing portfolio run-off typically at better rate of return than traditional bulk or flow acquisitions.

- Our wholesale lending channel works with mortgage brokers to source loans which are underwritten and funded by us and also in our name. Counterparty risk is mitigated through quality and compliance monitoring and all brokers are subject to our eligibility requirements coupled with an annual recertification process.

The charts below set forth the pull through adjusted lock volume and funded volume by channel and channel mix.





The following tables set forth the results of operations for the Originations segment.

Table 21. Originations - Operations

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues	**$ 264**	$ 133	$ 131	98 %
Expenses	**145**	102	43	42 %
Other income (expenses), net	**(1)**	1	(2)	(200)%
Income before income tax expense	**$ 118**	$ 32	$ 86	269 %
Income before taxes margin	**44.7%**	24.1%	20.6 %	85 %

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenue	**$ 264**	$ 133	$ 131	98 %
Pull through adjusted lock volume	**$ 11,197**	$ 5,440	$ 5,757	106 %
Revenue basis points[(1)]	**2.36%**	2.44%	(0.08)%	(3)%
Expenses	**$ 145**	$ 102	$ 43	42 %
Funded volume	**$ 9,996**	$ 5,543	$ 4,453	80 %
Expenses basis points[(2)]	**1.45%**	1.84%	(0.39)%	(21)%
Margin	**0.91%**	0.60%	0.31 %	52 %

(1) Calculated on pull-through adjusted lock volume as revenue is recognized at the time of loan lock.

(2) Calculated on funded volume as expenses are incurred based on closing of the loan.

Income before income tax expense increased for the three months ended June 30, 2019 as compared to the same period in 2018 primarily due to an increase in revenues driven by origination volume growth as a result of lower interest rates and loans originated as a result of the acquisition of Pacific Union. Expense basis points during the three months ended June 30, 2019 decreased as compared the same period in 2018 due to cost saving initiatives and a higher percentage of volume from the correspondent channel. Net margin in 2019 increased because of a combination of higher revenue and lower expenses.

Table 21.1 Originations - Operations

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues	**$ 410**	$ 261	$ 149	57 %
Expenses	**249**	211	38	18 %
Other income (expenses), net	**2**	1	1	100 %
Income before income tax expense	**$ 163**	$ 51	$ 112	220 %
Income before taxes margin	**39.8%**	19.5%	20.3 %	104 %

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenue	**$ 410**	$ 261	$ 149	57 %
Pull through adjusted lock volume	**$ 17,157**	$ 10,302	$ 6,855	67 %
Revenue basis points[(1)]	**2.39%**	2.53%	(0.14)%	(6)%
Expenses	**$ 249**	$ 211	$ 38	18 %
Funded volume	**$ 15,712**	$ 10,630	$ 5,082	48 %
Expenses basis points[(2)]	**1.58%**	1.98%	(0.40)%	(20)%
Margin	**0.81%**	0.55%	0.26 %	47 %

(1) Calculated on pull-through adjusted lock volume as revenue is recognized at the time of loan lock.

(2) Calculated on funded volume as expenses are incurred based on closing of the loan.

Income before income tax expense increased for the six months ended June 30, 2019 as compared to the same period in 2018 primarily due to an increase in revenues driven by origination volume growth as a result of lower interest rates and loans originated as a result of the acquisition of Pacific Union. Expense basis points during the six months ended June 30, 2019 decreased as compared the same period in 2018 due to cost saving initiatives and a higher percentage of volume coming through the correspondent channel. Net margin in 2019 increased in combination of higher revenue and lower expenses.

Gain on Loans Originated and Sold

Gain on loans originated and sold represents the realized gains and losses on loan sales and settled derivatives. The gain loans originated and sold is a function of the volume, margin and channel mix of our originations activity and is impacted by fluctuations in interest rates.

Net Gain on Mortgage Loans Held for Sale

The net gain on mortgage loans held for sale includes gain on mortgage loans held for sale as well as capitalized servicing rights and mark-to-market adjustments on mortgage loans held for sale and related derivative financial instruments. We recognize the fair value of the interest rate lock commitments ("IRLC"), including the fair value of the related servicing rights, at the time we commit to originate or purchase a loan at specified terms. Loan origination costs are recognized as the obligations are incurred, which typically aligns with the date of loan funding for direct-to-consumer originations and the date of loan purchase for correspondent lending originations.

Revenues, including net gain on mortgage loans held for sale, for our Originations segment are set forth in the tables below.

Table 22. Originations - Revenues

	Successor	Predecessor		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Service related, net - Originations	**$ 20**	$ 17	$ 3	18 %
Net gain on mortgage loans held for sale				
Gain on loans originated and sold	**84**	45	39	87 %
Fair value adjustment on loans held for sale	**6**	6	—	— %
Mark-to-market on locks and commitments (1)	**65**	3	62	2,067 %
Mark-to-market on derivative/hedges	**(3)**	(6)	3	(50)%
Capitalized servicing rights	**100**	69	31	45 %
Provision for repurchase reserves, net of release	**(8)**	(1)	(7)	700 %
Total net gain on mortgage loans held for sale	**244**	116	128	110 %
Total revenues - Originations	**$ 264**	$ 133	$ 131	98 %
Key Metrics				
Consumer direct lock pull through adjusted volume(2)	**$ 4,390**	$ 2,552	$ 1,838	72 %
Other locked pull through adjusted volume(2)	**6,807**	2,888	3,919	136 %
Total pull through adjusted volume	**$ 11,197**	$ 5,440	$ 5,757	106 %
Funded volume	**$ 9,996**	$ 5,543	$ 4,453	80 %
Funded HARP volume	**$ 1**	$ 324	$ (323)	(100)%
Recapture percentage	**23.1%**	21.8%	1.3%	6 %
Purchase percentage of funded volume	**52.8%**	51.3%	1.5%	3 %
Value of capitalized servicing on retained settlements	**149 bps**	142 bps	7	5 %

(1) Mark-to-market on locks and commitments includes our fair value mark-to-market adjustments on IRLCs.

(2) Pull through adjusted volume represents the expected funding from locks taken during the period.

During the three months ended June 30, 2019, total revenues increased compared to the same period in 2018 primarily driven by higher volume in a lower interest rate environment and the integration of the Pacific Union acquisition which occurred in February 2019. Total revenue increased 98% or $131 period over period as pull through adjusted lock volume increased 106% during the same period.

Table 22.1. Originations - Revenues

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Service related, net - Originations	**$ 35**	$ 32	$ 3	9 %
Net gain on mortgage loans held for sale				
Gain on loans originated and sold	**130**	101	29	29 %
Fair value adjustment on loans held for sale	**16**	1	15	1,500 %
Mark-to-market on locks and commitments (1)	**71**	2	69	3,450 %
Mark-to-market on derivative/hedges	**7**	(8)	15	(188)%
Capitalized servicing rights	**161**	134	27	20 %
Provision for repurchase reserves, net of release	**(10)**	(1)	(9)	900 %
Total net gain on mortgage loans held for sale	**375**	229	146	64 %
Total revenues - Originations	**$ 410**	$ 261	$ 149	57 %
Key Metrics				
Consumer direct lock pull through adjusted volume(2)	**$ 6,723**	$ 5,294	$ 1,429	27 %
Other locked pull through adjusted volume(2)	**10,434**	5,008	5,426	108 %
Total pull through adjusted volume	**$ 17,157**	$ 10,302	$ 6,855	67 %
Funded volume	**$ 15,712**	$ 10,630	$ 5,082	48 %
Funded HARP volume	**$ 82**	$ 760	$ (678)	(89)%
Recapture percentage	**24.9%**	24.3%	0.6%	2 %
Purchase percentage of funded volume	**52.4%**	45.8%	6.6%	14 %
Value of capitalized servicing retained	**146 bps**	142 bps	4	3 %

(1) Mark-to-market on locks and commitments includes our fair value mark-to-market adjustments on IRLCs.

(2) Pull through adjusted volume represents the expected funding from locks taken during the period.

During the six months ended June 30, 2019, total revenues increased compared to the same period in 2018 driven by higher volume in a lower interest rate environment and the integration of the Pacific Union acquisition which occurred in February 2019. Total revenue increased 57% or $149 period over period as pull through adjusted lock volume increased 67% during the same period.

Table 23. Originations - Expenses

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Salaries, wages and benefits	**$ 88**	$ 61	$ 27	44%
General and administrative				
Loan origination expenses	**17**	13	4	31%
Corporate and other general and administrative expenses	**13**	12	1	8%
Marketing and professional service fee	**21**	13	8	62%
Depreciation and amortization	**6**	3	3	100%
Total general and administrative	**57**	41	16	39%
Total expenses - Originations	**$ 145**	$ 102	$ 43	42%

Total expenses during the three months ended June 30, 2019 increased when compared to the same period in 2018 primarily due to growth in volumes, which was driven by the low interest rate environment and the Pacific Union acquisition. The volume growth impacted increases in salaries, wages and benefits in connection with compensation and headcount related costs, and loan origination expense which is volume driven. Marketing and professional service fee expense increased in second quarter 2019 due to a $10 legal reserve offset by lower marketing expense period over period.

Table 23.1. Originations - Expenses

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Salaries, wages and benefits	**$ 157**	$ 127	$ 30	24%
General and administrative				
Loan origination expenses	**27**	27	—	—%
Corporate and other general and administrative expenses	**27**	23	4	17%
Marketing and professional service fee	**29**	28	1	4%
Depreciation and amortization	**9**	6	3	50%
Total general and administrative	**92**	84	8	10%
Total expenses - Originations	**$ 249**	$ 211	$ 38	18%

Total expenses during the six months ended June 30, 2019 increased when compared to the same period in 2018 primarily due to growth in volumes, which was driven by the low interest rate environment and the Pacific Union acquisition. The volume growth impacted increases in salaries, wages and benefits in connection with compensation and headcount related costs. Loan origination expense was flat period over period as the costs due to higher volume were offset by expense reduction initiatives. Marketing and professional service fee expense increased slightly due to a $10 legal reserve in the second quarter of 2019 offset by lower marketing expense period over period. Corporate costs increased period over period driven primarily by the Pacific Union acquisition.

Table 24. Originations - Other Income (Expenses), Net

	Successor	Predecessor		
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	$ Change	% Change
Interest income	**$ 23**	$ 17	$ 6	35 %
Interest expense	**(25)**	(16)	9	56 %
Other income	**1**	—	1	100 %
Total other income, net - Originations	**$ (1)**	$ 1	$ (2)	(200)%
Weighted average note rate - mortgage loans held for sale	**4.4%**	4.7%	(0.3)%	(6)%
Weighted average cost of funds (excluding facility fees)	**4.3%**	4.4%	(0.1)%	(2)%

Interest income relates primarily to mortgage loans held for sale. Interest expense is associated with the warehouse facilities utilized to finance newly originated loans.

Interest income increased in 2019 primarily due to higher funded volume offset by an increase in interest expense driven by higher cost of funds from an increase in the origination volume.

Table 24.1. Originations - Other Income (Expenses), Net

	Successor	Predecessor		
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	$ Change	% Change
Interest income	**$ 40**	$ 32	$ 8	25%
Interest expense	**(43)**	(31)	12	39%
Other income	**5**	—	5	100%
Total other income, net - Originations	**$ 2**	$ 1	$ 1	100%
Weighted average note rate - mortgage loans held for sale	**4.6%**	4.5%	0.1%	2%
Weighted average cost of funds (excluding facility fees)	**4.5%**	4.2%	0.3%	7%

Interest income increased in 2019 primarily driven by higher funded volume, which was offset by an increase in interest expense due to higher cost of funds from an increase in the origination volume. Other income increased in the six months ended June 30, 2019 due to the recognition of incentives we received related to our financing of certain loans satisfying certain consumer relief characteristics. In September 2018, we entered into a master repurchase agreement that provided us with incentives to finance mortgage loans satisfying certain consumer relief characteristics as provided in the agreement. In the six months ended June 30, 2019, we recorded $5 in other income related to such incentives.

Xome Segment

Xome is a real estate data and services company that provides services for mortgage originators and servicers, including Mr. Cooper, as well as mortgage and real estate investors. Xome is strategically important because it generates fee income that complements our servicing and origination businesses without requiring a significant amount of capital or exposing us to the same level of interest rate or credit risk.

Xome is organized into three divisions: Exchange, Services and Data/Technology.

- The Exchange division consists of the Xome.com auction platform which utilizes proprietary technology designed to provide efficient execution for sales of foreclosed properties.

- The Services division includes title, escrow, valuation and field services related to real estate investments or transactions including purchases, sales, refinances and defaults. Services includes the business of AMS, which we acquired in August 2018.

- The Data/Technology division sells data or software solutions to real estate service providers, MLS organizations, data aggregators, real estate or mortgage investors and mortgage lenders or servicers. Data/Technology contains Affinity Solutions, which provides aggregation, standardization and licensing for MLS organizations, public records, and neighborhood demographic data, Quantarium, which provides artificial intelligence-powered valuation and other real estate data and analytics, and Xome Signings, which provides technology-enabled notary services.

The following tables set forth the results of operations for the Xome segment.

Table 25. Xome - Operations

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues	**$ 108**	$ 62	$ 46	74 %
Expenses	**101**	52	49	94 %
Other income (expenses), net	**—**	—	—	— %
Income before income tax expense	**$ 7**	$ 10	$ (3)	(30)%
Income before taxes margin - Xome	**6.5%**	16.1%	(9.6)%	(60)%

Income before income tax expense decreased for the three months ended June 30, 2019 as compared to the same period in 2018 primarily due to an increase in expenses driven by operational expenses related to the acquisition of AMS, which was completed in August 2018. This increase in expenses was partially offset by increased Services revenues related to the AMS acquisition, which contributed to higher volumes of units for valuation and field services.

Table 25.1. Xome - Operations

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues	**$ 204**	$ 127	$ 77	61 %
Expenses	**200**	104	96	92 %
Other income (expenses), net	**11**	9	2	22 %
Income before income tax expense	**$ 15**	$ 32	$ (17)	(53)%
Income before taxes margin - Xome	**7.4%**	25.2%	(17.8)%	(71)%

Income before income tax expense decreased for the six months ended June 30, 2019 as compared to the same period in 2018 primarily driven by an increase in expenses, partially offset by an increase in revenues. The increase in expenses is primarily related to the acquisition of AMS. The increase in revenues is due to the AMS acquisition, which added to higher volumes of units for valuation and field services, and other income of $11 for the change in fair value of the contingent consideration for the acquisition of AMS.

Table 26. Xome - Revenues

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Exchange	**$ 20**	$ 27	$ (7)	(26)%
Services	**82**	30	52	173 %
Data/Technology	**6**	5	1	20 %
Total revenues - Xome	**$ 108**	$ 62	$ 46	74 %
Key Metrics				
Exchange property listings sold	**2,645**	3,112	(467)	(15)%
Average Exchange property listings	**6,693**	6,621	72	1 %
Services completed orders	**417,510**	117,093	300,417	257 %
Percentage of revenue earned from third-party customers	**52.9%**	28.0%	24.9%	89 %

Exchange revenues for the three months ended June 30, 2019 decreased as compared to the same period in 2018, primarily due to the decrease in defaults and foreclosures nationwide. Despite the decline in total property listings sold, revenues from third-party customers for the three months ended June 30, 2019 increased significantly to 26% from 17% in 2018 for the Exchange division.

Services revenues increased for the three months ended June 30, 2019 as compared to the same period in 2018, primarily due to the August 2018 acquisition of AMS.

Table 26.1. Xome - Revenues

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Exchange	**$ 40**	$ 53	$ (13)	(25)%
Services	**153**	63	90	143 %
Data/Technology	**11**	11	—	— %
Total revenues - Xome	**$ 204**	$ 127	$ 77	61 %
Key Metrics				
Exchange property listings sold	**5,066**	5,992	(926)	(15)%
Average Exchange property listings	**6,484**	6,714	(230)	(3)%
Services completed orders	**797,095**	228,432	568,663	249 %
Percentage of revenue earned from third-party customers	**53.0%**	27.5%	25.5%	93 %

Exchange revenues for the six months ended June 30, 2019 decreased as compared to the same period in 2018, primarily as a result of lower foreclosure sales and inventories across the industry and nation. Lower average number of real estate property listings contributed to a decrease in revenues earned from default property listings. Though total property listings sold declined in 2019, revenues from third-party customers for the six months ended June 30, 2019 increased significantly to 23% from 14% in 2018 for the Exchange division.

Services revenues increased for the six months ended June 30, 2019 as compared to the same period in 2018, primarily as a result of the August 2018 acquisition of AMS.

Table 27. Xome - Expenses

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Salaries, wages and benefits	**$ 36**	$ 25	$ 11	44%
General and administrative				
Operational expenses	**62**	24	38	158%
Depreciation and amortization	**3**	3	—	—%
Total general and administrative	**65**	27	38	141%
Total expenses - Xome	**$ 101**	$ 52	$ 49	94%

Both salaries, wages and benefits expenses, and operational expenses increased for the three months ended June 30, 2019 as compared to the same period in 2018, primarily driven by the acquisition of AMS in August 2018.

Table 27.1. Xome - Expenses

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Salaries, wages and benefits	**$ 74**	$ 49	$ 25	51%
General and administrative				
Operational expenses	**119**	49	70	143%
Depreciation and amortization	**7**	6	1	17%
Total general and administrative	**126**	55	71	129%
Total expenses - Xome	**$ 200**	$ 104	$ 96	92%

Both salaries, wages and benefits expenses, and operational expenses increased for the six months ended June 30, 2019 as compared to the same period in 2018, primarily due to the acquisition of AMS in August 2018.

Corporate/Other Segment

Our Corporate and Other segment records corporate expenses that are not directly attributable to our operating segments, interest expense on our unsecured senior notes, and income or loss from our legacy portfolio of non-prime and non-conforming residential mortgage loans that were transferred to a securitization trust in 2009.

The following tables set forth the results of operations for the Corporate/Other segment.

Table 28. Corporate/Other - Operations

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues	**$ —**	$ 1	$ (1)	(100)%
Expenses	**57**	19	38	200 %
Other income (expenses), net	**(50)**	(33)	(17)	52 %
Loss before income tax benefit	**$ (107)**	$ (51)	$ (56)	110 %

Loss before income taxes increased in the three months ended June 30, 2019 as compared to the same period in 2018 due to an increase in expenses, primarily driven by acquisition and integration expenses related to the acquisition of Pacific Union and Seterus in February 2019, and amortization of intangible assets related to the Nationstar transaction. Other income (expense), net declined during the three months ended June 30, 2019 primarily due to an increase in interest expense on higher debt balance and higher interest rates related to unsecured senior notes.

Table 28.1. Corporate/Other - Operations

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Revenues	**$ —**	$ 1	$ (1)	(100)%
Expenses	**102**	40	62	155 %
Other income (expenses), net	**(105)**	(67)	(38)	57 %
Loss before income tax benefit	**$ (207)**	$ (106)	$ (101)	95 %

For the six months ended June 30, 2019, loss before income taxes increased as compared to the same period in 2018 due to an increase in expenses, primarily driven by acquisition and integration expenses related to the acquisition of Pacific Union and Seterus in February 2019, and amortization of intangible assets related to the Nationstar transaction. Other income (expense), net declined during the six months ended June 30, 2019 primarily driven by an increase in interest expense on a higher debt balance and higher interest rates related to unsecured senior notes.

Table 29. Legacy Portfolio Composition

	Successor	
	June 30, 2019	**December 31, 2018**
Performing - UPB	**$ 141**	$ 145
Nonperforming (90+ delinquency) - UPB	**21**	27
REO - estimated fair value	**4**	4
Total legacy portfolio	**$ 166**	$ 176

Table 30. Corporate/Other - Expenses

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Salaries, wages and benefits	**$ 24**	$ 17	$ 7	41%
General and administrative				
Operational expenses	**22**	—	22	100%
Depreciation and amortization	**11**	2	9	450%
Total general and administrative	**33**	2	31	1,550%
Total expenses - Corporate/Other	**$ 57**	$ 19	$ 38	200%

Total expenses increased during the three months ended June 30, 2019 as compared to the same period in 2018, primarily due to increased expenses related to the Pacific Union and Seterus acquisitions and amortization of intangible assets related to the Merger with Nationstar.

Table 30.1. Corporate/Other - Expenses

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Salaries, wages and benefits	**$ 46**	$ 31	$ 15	48%
General and administrative				
Operational expenses	**35**	5	30	600%
Depreciation and amortization	**21**	4	17	425%
Total general and administrative	**56**	9	47	522%
Total expenses - Corporate/Other	**$ 102**	$ 40	$ 62	155%

For the six months ended June 30, 2019, total expenses increased as compared to the same period in 2018, primarily due to increased expenses related to the Pacific Union and Seterus acquisitions and amortization of intangible assets related to the the Merger with Nationstar.

Table 31. Corporate/Other - Other Income (Expenses), Net

	Successor	*Predecessor*		
	Three Months Ended June 30, 2019	**Three Months Ended June 30, 2018**	**$ Change**	**% Change**
Interest income, legacy portfolio	**$ 3**	$ 3	$ —	— %
Other interest income	**—**	—	—	— %
Total interest income	**3**	3	—	— %
Interest expense, legacy portfolio	**(1)**	(1)	—	— %
Interest expense on unsecured senior notes	**(51)**	(31)	20	65 %
Other interest expense	**(1)**	(2)	(1)	(50)%
Total interest expense	**(53)**	(34)	19	56 %
Other income (expense)	**—**	(2)	2	(100)%
Other income (expenses), net - Corporate/Other	**$ (50)**	$ (33)	$ (17)	52 %
Weighted average cost - unsecured senior notes	**7.9%**	7.3%	0.6%	8 %

Other income (expenses), net for the Corporate/Other segment consists of interest expense on our unsecured senior notes, the interest income and expense from our legacy portfolio, and other interest related to a revolving facility used for general corporate purposes.

Total other income (expenses), net declined during the three months ended June 30, 2019 as compared to the same period in 2018. Interest expense on unsecured senior notes increased in 2019 due to a higher debt balance and higher borrowing rates under the new unsecured senior notes that were executed in July 2018 to fund the Merger with Nationstar.

Table 31.1. Corporate/Other - Other Income (Expenses), Net

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Interest income, legacy portfolio	**$ 5**	$ 6	$ (1)	(17)%
Other interest income	**—**	—	—	— %
Total interest income	**5**	6	(1)	(17)%
Interest expense, legacy portfolio	**(1)**	(2)	(1)	(50)%
Interest expense on unsecured senior notes	**(102)**	(66)	36	55 %
Other interest expense	**(7)**	(3)	4	133 %
Total interest expense	**(110)**	(71)	39	55 %
Other income (expense)	**—**	(2)	2	(100)%
Other income (expenses), net - Corporate/Other	**$ (105)**	$ (67)	$ (38)	57 %
Weighted average cost - unsecured senior notes	**7.9%**	7.3%	0.6%	8 %

For six months ended June 30, 2019, total other income (expenses), net declined as compared to the same period in 2018. Interest expense on unsecured senior notes increased during the six months ended June 30, 2019 compared to the same period in 2018 due to a higher debt balance and higher borrowing rates under the new unsecured senior notes that were executed in July 2018 to fund the Merger with Nationstar.

Changes in Financial Position

Table 32. Changes in Assets

	Successor			
	June 30, 2019	**December 31, 2018**	**$ Change**	**% Change**
Cash and cash equivalents	**$ 245**	$ 242	$ 3	1 %
Mortgage servicing rights	**3,511**	3,676	(165)	(4)%
Advances and other receivables, net	**1,000**	1,194	(194)	(16)%
Reverse mortgage interests, net	**7,110**	7,934	(824)	(10)%
Mortgage loans held for sale at fair value	**3,422**	1,631	1,791	110 %
Deferred tax asset, net	**1,055**	967	88	9 %
Other	**2,062**	1,329	733	55 %
Total assets	**$ 18,405**	$ 16,973	$ 1,432	8 %

Total assets as of June 30, 2019 increased by $1,432 or 8% compared with December 31, 2018 primarily due to the increase in mortgage loans held for sale and other, partially offset by decreases in reverse mortgage interests, advances and other receivables, and mortgage servicing rights. Mortgage loans held for sale increased in 2019 primarily attributable to loans originated as a result of the acquisition of Pacific Union and increased origination volume driven by a lower interest rate environment. Other increased primarily due to $483 of other assets related to the Pacific Union acquisition, as indicated in *Note 2, Acquisitions*, and $139 of right of use assets recorded in 2019 as a result of adoption of ASU 2016-02. Mortgage servicing rights decreased in 2019 primarily due to unfavorable mark-to-market adjustment driven by declining interest rates. Reverse mortgage interests, net decreased $824 primarily due to the collection on participating interests in HMBS.

Table 33. Changes in Liabilities and Stockholder's Equity

	Successor			
	June 30, 2019	**December 31, 2018**	**$ Change**	**% Change**
Unsecured senior notes, net	**$ 2,462**	$ 2,459	$ 3	— %
Advance facilities, net	**567**	595	(28)	(5)%
Warehouse facilities, net	**4,045**	2,349	1,696	72 %
MSR related liabilities - nonrecourse at fair value	**1,472**	1,216	256	21 %
Other nonrecourse debt, net	**5,985**	6,795	(810)	(12)%
Other liabilities	**2,196**	1,614	582	36 %
Total liabilities	**16,727**	15,028	1,699	11 %
Total stockholders' equity	**1,678**	1,945	(267)	(14)%
Total liabilities and stockholders' equity	**$ 18,405**	$ 16,973	$ 1,432	8 %

Total stockholders' equity at June 30, 2019 decreased by $267 or 14% compared with the balance as of December 31, 2018 primarily due to net loss of $274 during the six months ended June 30, 2019. Total liabilities at June 30, 2019 increased by $1,699 or 11% compared with the balance as of December 31, 2018 primarily due to an increase in warehouse facilities, MSR related liabilities and other liabilities, which was partially offset by a decrease in other nonrecourse debt. Warehouse facilities increased by $1,696 primarily due to the warehouse facilities acquired as part of the Pacific Union acquisition and higher origination volumes. MSR related liabilities increased by $256 primarily due to increase in excess spread financing related to new excess spread financing deals. The increase in other liabilities was primarily due to $530 of payables and other liabilities related to the Pacific Union acquisition. Other nonrecourse debt decreased by $810 primarily due to repayments of reverse mortgage related nonrecourse debt, which was partially offset by proceeds from issuance of HECM securitizations.

Liquidity and Capital Resources

We measure liquidity by unrestricted cash and availability of borrowings on our MSR facilities. We recorded cash and cash equivalents on hand of $245 and total stockholders' equity of $1,678 as of June 30, 2019. As of June 30, 2019, we had $1,214 collateral pledged against the MSR facilities, of which we could borrow up to $810. During the six months ended June 30, 2019, operating activities used cash totaling $52.

Our operating cash flow is primarily impacted by the receipt of servicing fees, changes in our servicing advance balances, the level of new loan production, the timing of sales and securitizations of forward and reverse mortgage loans, and revenues from our Xome segment.

We have sufficient borrowing capacity to support our operations. As of June 30, 2019, total available borrowing capacity is $8,690, of which $4,076 is unused.

Sources and Uses of Cash

Our primary sources of funds for liquidity include: (i) servicing fees and ancillary revenues; (ii) payments received from sale or securitization of loans; (iii) payments from the liquidation or securitization of our outstanding participating interests in reverse mortgage loans; (iv) advance and warehouse facilities, other secured borrowings and the unsecured senior notes; and (v) payments received in connection with the sale of advance receivables and excess spread.

Our primary uses of funds for liquidity include: (i) funding of servicing advances; (ii) originations of loans; (iii) payment of interest expenses; (iv) payment of operating expenses; (v) repayment of borrowings and repurchases or redemptions of outstanding indebtedness; (vi) payments for acquisitions of MSRs; (vii) scheduled and unscheduled draws on our serviced reverse residential mortgage loans; and (viii) payment of our technology expenses.

Our business is subject to extensive regulation, investigations and reviews by various federal, state and local regulatory and enforcement agencies. We are also subject to various legal proceedings in the ordinary course of our business. Addressing these regulations, reviews and legal proceedings and implementing any resulting remedial measures may require us to devote substantial resources to legal and regulatory compliance or to make other changes to our business practices, resulting in higher costs which may adversely affect our cash flows.

We believe that our cash flows from operating activities, as well as capacity through existing facilities, provide adequate resources to fund our anticipated ongoing cash requirements. We rely on these facilities to fund operating activities. As the facilities mature, we anticipate renewal of these facilities will be achieved. Future debt maturities will be funded with cash and cash equivalents, cash flow from operating activities and, if necessary, future access to capital markets. We continue to optimize the use of balance sheet cash to avoid unnecessary interest carrying costs.

We service reverse mortgage loan portfolios with a UPB of $25,569 as of June 30, 2019, which includes $3,127 of reverse MSR, $15,374 of reverse MSLs and $7,068 of reverse mortgage interests. Reverse mortgages provide seniors with the ability to monetize the equity in their homes in a lump sum, line of credit or monthly draws. The unpaid principal balance of the loan is accreted for borrower draws and other costs such as mortgage insurance premiums, property taxes and insurance, as wells as applicable servicing fees earned and the interest applicable to the underlying principal. Recovery of advances and draws related to reverse MSLs is generally recovered over a two to three month period from the investor. However, for reverse assets recorded as a loan, the repayment of loan balances and collection of servicing fees occurs upon the payoff or other liquidation of the loan. We securitize our holdings in reverse mortgage loans in order to finance subsequent borrower draws and loan related costs.

Cash Flows

The table below presents the major sources and uses of cash flow for operating activities.

Table 34. Operating Cash Flow

	Successor	*Predecessor*		
	Six Months Ended June 30, 2019	**Six Months Ended June 30, 2018**	**$ Change**	**% Change**
Originations net sales activities	**$ (1,013)**	$ 386	$ (1,399)	(362)%
Cash provided by operating profits and changes in working capital and other assets	**961**	1,483	(522)	(35)%
Net cash attributable to operating activities	**$ (52)**	$ 1,869	$ (1,921)	(103)%

Cash used in originations net sales activities was $1,013 during the six months ended June 30, 2019 compared to $386 cash generated in the same period in 2018. The change was primarily due to a higher funding of $5,088 for loan origination activities driven by lower interest rate environment and an increase in funds used of $240 to repurchase forward loan assets out of Ginnie Mae securitizations. The increase in funding was partially offset by an increase in proceeds of $3,929 on the sales of previously originated loans.

Cash generated from other operating activities and from changes in working capital and other assets during the six months ended June 30, 2019 decreased by $522 when compared to the same period in 2018. The decrease was primarily due to a net loss of $273 during the six months ended June 30, 2019 compared to a net income of $218 in the same period in 2018. Changes in advances, other assets and payables and other liabilities increased cash outflow by $212 during the six months ended June 30, 2019. Partially offsetting these changes was an increase in fair value changes and amortization/accretion of mortgage servicing rights/liabilities of $850 primarily due to the unfavorable mark-to-market for the six months ended June 30, 2019.

Table 35. Investing Cash Flows

	Successor Six Months Ended June 30, 2019	*Predecessor* Six Months Ended June 30, 2018	$ Change	% Change
Acquisitions, net	**$ (85)**	$ —	$ (85)	(100)%
Purchase of forward mortgage servicing rights, net of liabilities incurred	**(409)**	(123)	(286)	233 %
Proceeds on sale of assets	**—**	13	(13)	(100)%
Proceeds on sale of forward and reverse mortgage servicing rights	**279**	—	279	100 %
Other	**(27)**	(32)	5	(16)%
Net cash attributable to investing activities	**$ (242)**	$ (142)	$ (100)	70 %

Our investing activities used $242 during the six months ended June 30, 2019, which increased from $142 of cash used in the same period in 2018. The change in investing activities was primarily due to an increase of $286 in purchase of forward mortgage servicing rights, net of liabilities incurred and net cash of $85 used in connection with the acquisitions of Pacific Union and Seterus. Partially offsetting these uses of cash was an increase in proceeds on sale of forward mortgage servicing rights of $279. Although we continue to seek to acquire servicing portfolios at advantageous pricing, the amounts and timing of these opportunities is not of a consistent frequency and can result in cash flow variability between periods.

Table 36. Financing Cash Flow

	Successor Six Months Ended June 30, 2019	*Predecessor* Six Months Ended June 30, 2018	$ Change	% Change
Decrease in advance facilities	**$ (40)**	$ (339)	$ 299	(88)%
Increase (decrease) in warehouse facilities	**1,173**	(199)	1,372	(689)%
Repayment of notes payable	**(294)**	—	(294)	100 %
Payment of unsecured senior notes and nonrecourse debt	**(9)**	(75)	66	(88)%
Issuance of excess spread financing	**437**	70	367	524 %
Repayment of excess spread financing	**(12)**	(2)	(10)	500 %
Settlements of excess spread financing	**(107)**	(91)	(16)	18 %
Decrease in participating interest financing in reverse mortgage interests	**(848)**	(1,184)	336	(28)%
Changes in HECM securitizations	**(36)**	20	(56)	(280)%
Other	**18**	(7)	25	(357)%
Net cash attributable to financing activities	**$ 282**	$ (1,807)	$ 2,089	(116)%

Our financing activities generated $282 cash during the six months ended June 30, 2019, whereas the Predecessor used cash of $1,807 cash in the same period in 2018. The change in cash flows from financing activities was primarily due to an increase of $1,173 in warehouse facilities during the six months ended June 30, 2019 compared to a pay down on warehouse facilities of $199 during the same period in 2018. Payment of warehouse facilities decreased in 2019 due to proceeds from HECM securitizations being used to pay down the facilities in 2018, which did not occur in the same period in 2019. In addition, the cash used for pay down of advance facilities during the six months ended June 30, 2019 decreased by $299 when compared to the same period in 2018. The issuance of excess spread financing increased by $367 due to new excess spread financing deals. Offsetting these decreases in cash used is an increase in cash used for repayment of notes payable and HECM securitizations when compared to the same period in 2018. During the six months ended June 30, 2019, cash of $294 was used to pay off the notes payable assumed from the Pacific Union acquisition. The cash used in the change in HECM securitizations during the six months ended June 30, 2019 increased due to scheduled pay downs and amounts incurred to settle the collapsed trusts exceeding proceeds from the securitization, resulting in a net cash outflow of $36. In the six months ended June 30, 2018, proceeds from the securitization exceeded scheduled pay downs and amounts incurred to settle the collapsed trusts, resulting in a net cash inflow of $20.

Capital Structure and Debt

We require access to external financing resources from time to time depending on our cash requirements, assessments of current and anticipated market conditions and after-tax cost of capital. If needed, we believe additional capital could be raised through a combination of issuances of equity, corporate indebtedness, asset-backed acquisition financing and/or cash from operations. Our access to capital markets can be impacted by factors outside our control, including economic conditions.

Financial Covenants

Our credit facilities contain various financial covenants which primarily relate to required tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements, which are measured at our operating subsidiary, Nationstar Mortgage LLC. We were in compliance with its required financial covenants as of June 30, 2019. The most restrictive tangible net worth covenant required us to maintain a minimum tangible net worth of at least $682.

Seller/Servicer Financial Requirements

Seller/Servicer financial requirements for our operating subsidiary, Nationstar Mortgage LLC, as defined by the Federal Housing Finance Agency minimum financial requirements for Fannie Mae and Freddie Mac Seller/Servicers are set forth below.

Minimum Net Worth

- Base of $2.5 plus 25 basis points of UPB for total loans serviced.
- Tangible Net Worth comprises total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

Minimum Capital Ratio

- Tangible Net Worth/Total Assets greater than 6%.

Minimum Liquidity

- 3.5 basis points of total Agency servicing (Fannie Mae, Freddie Mac, Ginnie Mae) plus,
- Incremental 200 basis points of total nonperforming Agency, measured as 90+ delinquencies, servicing in excess of 6% of the total Agency servicing UPB,
- Allowable assets for liquidity may include: cash and cash equivalents (unrestricted), available for sale or held for trading investment grade securities (e.g., Agency MBS, Obligations of GSEs, US Treasury Obligations); and unused/available portion of committed servicing advance lines.

In addition, Fannie Mae or Freddie Mac may require capital ratios in excess of stated requirements. Refer to Financial Covenants in *Note 10, Indebtedness,* and *Note 17, Capital Requirements*, for additional information. As of June 30, 2019, we were in compliance with our seller/servicer financial requirements.

Table 37. Debt

	Successor	
	June 30, 2019	**December 31, 2018**
Advance facilities, net	**$ 567**	$ 595
Warehouse facilities, net	**4,045**	2,349
Unsecured senior notes, net	**2,462**	2,459

Advance Facilities

As part of our normal course of business, we borrow money to fund servicing advances. Our servicing agreements require that we advance our own funds to meet contractual principal and interest payments for certain investors and to pay taxes, insurance, foreclosure costs and various other items that are required to preserve the assets being serviced. Delinquency rates and prepayment speeds affect the size of servicing advance balances along with our stop advance policies. These servicing requirements affect our liquidity. We rely upon several counterparties to provide us with financing facilities to fund a portion of our servicing advances. Pursuant to the terms of our agreements, New Residential has the obligation to fund future advances on the private-label securitized loans subject to the agreements.

Warehouse Facilities

Loan origination activities generally require short-term liquidity in excess of amounts generated by our operations. The loans we originate are financed through several warehouse lines on a short-term basis. We typically hold the loans for approximately 30 days and then sell or place the loans in government securitizations in order to repay the borrowings under the warehouse lines. Our ability to fund current operations depends upon our ability to secure these types of short-term financings on acceptable terms and to renew or replace the financings as they expire.

As a servicer for reverse mortgage loans, among other things, we are required to fund borrower draws on the loans. We typically pool borrower draws for approximately 30 days before including them in a HMBS securitization. At June 30, 2019, unsecuritized borrower draws totaled $295, and our maximum unfunded advance obligation related to these reverse mortgage loans was $2,869.

Unsecured Senior Notes

In 2013 and 2018, we completed offerings of unsecured senior notes, which mature on various dated through July 2026. We pay interest semi-annually to the holders of these notes at interest rates ranging from 6.500% to 9.125%.

Table 38. Contractual Maturities - Unsecured Senior Notes

Year Ending December 31,	**Amount**
2019	**$ —**
2020	**—**
2021	**592**
2022	**206**
2023	**950**
Thereafter	**750**
Unsecured senior notes	**2,498**
Unamortized debt issuance costs	**(36)**
Unsecured senior notes, net of unamortized debt issuance costs	**$ 2,462**

Contractual Obligations

As of June 30, 2019, no material changes to our outstanding contractual obligations were made from the amounts previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Critical Accounting Policies

Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, we have identified the following policies that, due to the judgment, estimates and assumptions inherent in those policies, are critical to an understanding of our consolidated financial statements. These policies relate to fair value measurements, particularly those determined to be Level 3 as discussed in *Note 16, Fair Value Measurements,* and valuation and reserves for deferred tax assets. We believe that the judgment, estimates and assumptions used in the preparation of our consolidated financial statements are appropriate given the factual circumstances at the time. However, given the sensitivity of these critical accounting policies on our consolidated financial statements, the use of other judgments, estimates and assumptions could result in material differences in our results of operations or financial condition. Fair value measurements considered to be Level 3 representing estimated values based on significant unobservable inputs include (i) the valuation of MSRs, (ii) the valuation of excess spread financing and (iii) the valuation of the mortgage servicing rights financing liability. For further information on our critical accounting policies, please refer to the Company's and Predecessor's Annual Reports on Form 10-K for the year ended December 31, 2018. There have been no material changes to our critical accounting policies since December 31, 2018.

Recent Accounting Developments

See *Note 1, Nature of Business and Basis of Presentation,* in the consolidated financial statements which is incorporated herein for details of recently issued accounting pronouncements and the expected impact on our consolidated financial statements.

Impact of Inflation and Changing Prices

Our consolidated financial statements and notes thereto presented herein have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike most industrial companies, nearly all of our assets and liabilities are monetary in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Further, interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Variable Interest Entities and Off-Balance Sheet Arrangements

See *Note 12, Securitizations and Financings,* in the consolidated financial statements in Item 1, *Financial Statements,* which is incorporated herein for a summary of our transactions with VIEs and unconsolidated balances details of their impact on our consolidated financial statements.

Derivatives

See *Note 9, Derivative Financial Instruments,* in the consolidated financial statements in Item 1, *Financial Statements,* which is incorporated herein for a summary of our derivative transactions.

Income Taxes

See *Note 15, Income Taxes,* in the consolidated financial statements in Item 1, *Financial Statements,* which is incorporated herein for a summary of our income tax considerations.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Refer to the discussion included in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2018. There have been no material changes in the types of market risks faced by us since December 31, 2018.

Sensitivity Analysis

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on fair values based on hypothetical changes (increases and decreases) in interest rates.

We use a duration-based model in determining the impact of interest rate shifts on our loan portfolio, certain other interest-bearing liabilities measured at fair value and interest rate derivatives portfolios. The primary assumption used in these models is that an increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

We utilize a discounted cash flow analysis to determine the fair value of MSRs and the impact of parallel interest rate shifts on MSRs. The primary assumptions in this model are prepayment speeds, earnings related to float and market discount rates. However, this analysis ignores the impact of interest rate changes on certain material variables, such as the benefit or detriment on the value of future loan originations, non-parallel shifts in the spread relationships between MBS, swaps and U.S. Treasury rates and changes in primary and secondary mortgage market spreads. For mortgage loans, IRLCs and forward delivery commitments on MBS, we rely on a model in determining the impact of interest rate shifts. In addition, the primary assumption used for IRLCs, is the borrower’s propensity to close their mortgage loans under the commitment.

Our total market risk is influenced by a wide variety of factors including market volatility and the liquidity of the markets. There are certain limitations inherent in the sensitivity analysis presented, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

We used June 30, 2019 market rates on our instruments to perform the sensitivity analysis. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in fair value may not be linear.

The following table summarizes the estimated change in the fair value of our assets and liabilities sensitive to interest rates as of June 30, 2019 given hypothetical instantaneous parallel shifts in the yield curve. Results could differ materially.

Table 39. Change in Fair Value

	June 30, 2019	
	Down 25 bps	**Up 25 bps**
Increase (decrease) in assets		
Mortgage servicing rights at fair value	**$ (248)**	**$ 251**
Mortgage loans held for sale at fair value	**10**	**(12)**
Derivative financial instruments:		
Interest rate lock commitments	**13**	**(17)**
Total change in assets	**(225)**	**222**
Increase (decrease) in liabilities		
Mortgage servicing rights liabilities at fair value	**(5)**	**5**
Excess spread financing at fair value	**(61)**	**65**
Derivative financial instruments:		
Forward MBS trades	**21**	**(26)**
Total change in liabilities	**(45)**	**44**
Total, net change	**$ (180)**	**$ 178**

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of June 30, 2019.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2019, our disclosure controls and procedures are effective. Disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2019, no changes in our internal control over financial reporting occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

PART II – OTHER INFORMATION

Item 1. *Legal Proceedings*

We are a state licensed, non-bank mortgage lender, servicer and ancillary services provider. From time to time, we and our subsidiaries are involved in a number of legal proceedings, including, but not limited to, judicial, arbitration, regulatory and governmental proceedings relating to matters that arise in connection with the conduct of our business. These legal proceedings are generally based on alleged violations of federal, state and local laws and regulations governing our mortgage servicing and lending activities including, without limitation, consumer protection laws, but may also include alleged violations of securities, employment, contract, tort, common law fraud and other laws. Legal proceedings include open and pending examinations, information gathering requests and investigations by governmental, regulatory and enforcement agencies as well as litigation in judicial forums and arbitration proceedings.

Our business is subject to extensive examinations, investigations and reviews by various federal, state and local governmental, regulatory and enforcement agencies. We have historically had and continue to have a number of open investigations with these agencies. We continue to receive governmental and regulatory requests for information, subpoenas, examinations and other inquiries. We are currently the subject of various governmental or regulatory investigations, subpoenas, examinations and inquiries related to our residential loan servicing and origination practices, bankruptcy and collections practices, financial reporting and other aspects of our businesses. These matters include investigations by the Consumer Financial Protection Bureau (the “CFPB”), the Securities and Exchange Commission, the Executive Office of the United States Trustees, the Department of Justice, the Office of the Special Inspector General for the Troubled Asset Relief Program, the U.S. Department of Housing and Urban Development, the multi-state coalition of mortgage banking regulators and various State Attorneys General. These specific matters and other pending or potential future investigations, subpoenas, examinations or inquiries may lead to administrative, civil or criminal proceedings or settlements and possibly result in remedies including fines, penalties, restitution, or alterations in our business practices and in additional expenses and collateral costs. We are cooperating fully in these matters.

For example, we continue to progress towards resolution of certain legacy regulatory matters involving examination findings in prior years for alleged violations of certain laws related to our business practices. We have been in discussions with the multi-state committee of mortgage banking regulators and various State Attorneys General concerning a potential resolution of their investigations. We are continuing to cooperate with all parties. In connection with these discussions, we previously recorded an accrual. These discussions may not result in a settlement of the matter; furthermore, any such settlement may exceed the amount accrued as of June 30, 2019. Moreover, if the discussions do not result in a settlement, the regulators and State Attorneys General may seek to exercise their enforcement authority through litigation or other proceedings and seek injunctive relief, damages, restitution and civil monetary penalties, which could have a material adverse effect on our business, reputation, financial condition and results of operations.

Further, on April 24, 2018, the CFPB notified us that, in accordance with the CFPB’s discretionary Notice and Opportunity to Respond and Advise (NORA) process, the CFPB’s Office of Enforcement is considering whether to recommend that the CFPB take enforcement action against us, alleging violations of the Real Estate Settlement Procedures Act, the Consumer Financial Protection Act, and the Homeowners Protection Act, which stems from a 2014 examination. The purpose of a NORA letter is to provide a party being investigated an opportunity to present its position to the CFPB before an enforcement action may be recommended or commenced. The CFPB may seek to exercise its enforcement authority through settlement, administrative proceedings or litigation and seek injunctive relief, damages, restitution and civil monetary penalties, which could have a material adverse effect on our business, reputation, financial condition and results of operations. We have not recorded an accrual related to this matter as of June 30, 2019 as we do not believe that the possible loss or range of loss arising from any such action is estimable. We are continuing to cooperate with the CFPB.

Similarly, we are in discussions with the Executive Office of the United States Trustees concerning certain legacy issues with respect to bankruptcy servicing practices. In connection with these discussions, we are undertaking certain voluntary remediation activities with respect to loans at issue in these matters. While we and the Executive Office of the United States Trustees are engaged in discussions to potentially resolve these issues, there is no guarantee a resolution will occur. Moreover, if the discussions do not result in a resolution, the Executive Office of the United States Trustees may seek redress through litigation or other proceedings and seek injunctive relief, damages and restitution in addition to the remediation activities, which could have a material adverse effect on our business, reputation, financial condition and results of operations. However, we believe it is premature to predict the potential outcome or to estimate the financial impact to us in connection with any potential action or settlement arising from this matter, including the voluntary remediation activities undertaken and to be undertaken by us.

In addition, we were a defendant in a class action proceeding originally filed in state court in March 2012, and then removed to the United States District Court for the Eastern District of Washington under the caption Laura Zamora Jordan v. Nationstar Mortgage LLC. The suit was filed on behalf of a class of Washington borrowers and challenges property preservation measures we took, as loan servicer, after the borrowers defaulted and our vendors determined that the borrowers had vacated or abandoned their properties. The case raises claims for (i) common law trespass, (ii) statutory trespass, and (iii) violation of Washington's Consumer Protection Act, and seeks recovery of actual, statutory, and treble damages, as well as attorneys' fees and litigation costs. On July 25, 2018, we entered into a settlement agreement to resolve this matter, and on May 2, 2019, the court approved the settlement agreement. We are pursuing reimbursement of the settlement payment from the owners of the loans we serviced, but there can be no assurance that we will prevail with any claims for reimbursement.

We are a defendant in a proceeding filed on January 2, 2018 in the U.S. District Court for the Northern District of California under the caption Collateral Analytics LLC v. Nationstar Mortgage LLC et al. The plaintiff alleges that we and certain affiliated entities misappropriated plaintiff's intellectual property for the purpose of replicating plaintiff's products. The case raises federal and state law claims for misappropriation of trade secrets and breach of contract and seeks an award of actual damages, unjust enrichment, lost profits and/or a reasonable royalty, exemplary damages and injunctive relief preventing further misuse or disclosure of plaintiff's intellectual property. We believe we have meritorious defenses and will vigorously defend ourselves in this matter, and the parties are currently seeking approval of the settlement from the court.

We are also a defendant in a proceeding filed on October 23, 2015 in the U.S. District Court for the Central District of California under the caption Alfred Zaklit and Jessy Zaklit, individually and on behalf of all others similarly situated v. Nationstar Mortgage LLC et al. The plaintiff alleges that we improperly recorded telephone calls without the knowledge or consent of borrowers in violation of the California Penal Code. On July 24, 2017, the court certified a class comprised of California borrowers who, from October 2014 to May 2016, participated in outbound telephone conversations with our employees who recorded the conversations without first informing the borrowers that the conversations were being recorded. The class seeks statutory damages and attorney's fees. On September 10, 2018, we reached an agreement in principal to settle this matter.

Responding to these matters requires us to devote substantial resources, resulting in higher costs and lower net cash flows. Adverse results in any of these matters could further increase our operating expenses and reduce our revenues, require us to change business practices and limit our ability to grow and otherwise materially and adversely affect our business, reputation, financial condition or results of operation.

Item 1A. *Risk Factors*

There have been no material changes or additions to the risk factors previously disclosed under "Risk Factors" included in our Annual Report on Form 10-K filed for the year ended December 31, 2018.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

We did not make any repurchases of our shares during the three months ended June 30, 2019.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. ***Other Information***

The Company previously announced that on June 28, 2019, Anthony Villani, Executive Vice President & General Counsel, informed the Company of his intent to retire effective October 4, 2019. In connection with his resignation, on August 2, 2019, the Company and Mr. Villani entered into a Transition Agreement (the "Transition Agreement") to provide services to the Company to ensure a smooth transition. The transition payments and benefits are substantially consistent with Mr. Villani's previously disclosed Severance Agreement that was entered into on February 12, 2018, in connection with the merger with WMIH Corp. Additionally, upon his retirement, Mr. Villani's unvested restricted stock units will continue to vest pursuant to the vesting schedule in the applicable Restricted Stock Unit Agreement. The Transition Agreement includes certain confidentiality, non-competition and non-solicitation provisions. The transition payments described above are conditioned on Mr. Villani executing and not revoking a release, which releases and waives any and all claims against the Company. This description of the Transition Agreement is not complete and is qualified in its entirety by reference to the full text of the Transition Agreement, which is filed as Exhibit 10.3 to this report and is incorporated by reference herein.

Item 6. ***Exhibits***

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Amendment Number Eighteen, dated April 3, 2019, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC					X
10.2	Amendment Number Eleven, dated as of April 3, 2019 to the Second Amended and Restated Master Repurchase Agreement, dated January 29, 2016, among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller					X
10.3**	Transition Agreement, dated as of August 2, 2019 by and between Mr. Cooper Group Inc. and Anthony W. Villani					X
10.4**	Mr. Cooper Group Inc. 2019 Omnibus Incentive Plan	S-8	333-231552	99.1	05/16/2019	
10.5**	Form of Grant Notice and Restricted Stock Unit Award Agreement-Employees	8-K	001-14667	10.2	05/17/2019	
10.6**	Form of Grant Notice and Restricted Stock Unit Award Agreement-Non-Employee Directors	8-K	001-14667	10.3	05/17/2019	
31.1	Certification by Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification by Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

** Management contract, compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MR. COOPER GROUP INC.

August 2, 2019	/s/ Jay Bray
Date	**Jay Bray** **Chief Executive Officer** **(Principal Executive Officer)**
August 2, 2019	/s/ Christopher G. Marshall
Date	**Christopher G. Marshall** **Vice Chairman & Chief Financial Officer** **(Principal Financial and Accounting Officer)**

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

AMENDMENT NUMBER EIGHTEEN

to the
MORTGAGE LOAN PARTICIPATION PURCHASE AND SALE AGREEMENT
dated as of March 25, 2011
between
BARCLAYS BANK PLC
and
NATIONSTAR MORTGAGE LLC

This AMENDMENT NUMBER EIGHTEEN (this "Amendment") is made as of this 3rd day of April, 2019, by and between Barclays Bank PLC ("Purchaser" and "Agent") and Nationstar Mortgage LLC ("Seller"), to that certain Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011 (as amended by that certain (i) Amendment and Waiver, dated as of February 17, 2012, (ii) Amendment Number One to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of February 29, 2012, (iii) Amendment Number Two to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of August 28, 2012, (iv) Amendment Number Three to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of December 24, 2012, (v) Amendment Number Four to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of July 18, 2013, (vi) Amendment Number Five to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of July 24, 2013, (vii) Amendment Number Six to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of September 20, 2013, (viii) Amendment Number Seven to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of August 21, 2014, (ix) Amendment Number Eight to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of October 20, 2014, (x) Amendment Number Nine to the Mortgage Loan Participation and Sale Agreement, dated as of October 19, 2015, (xi) Amendment Number Ten to the Mortgage Loan Participation and Sale Agreement, dated as of October 17, 2016, (xii) Amendment Number Eleven to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of October 31, 2016, (xiii) Amendment Number Twelve to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of October 30, 2017, (xiv) Amendment Number Thirteen Mortgage to the Loan Participation Purchase and Sale Agreement, dated as of March 22, 2018, (xv) Amendment Number Fourteen to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of October 24, 2018, (xvi) Amendment Number Fifteen to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of November 20, 2018 (xvii) Amendment Number Sixteen to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of January 28, 2019 and (xviii) Amendment Number Seventeen to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 29, 2019, each by and between Purchaser and Seller, and as further amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"), by and between Purchaser and Seller.

WHEREAS, Purchaser, Agent and Seller have agreed to amend the Purchase Agreement as more particularly set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Amendment. Effective as of the Effective Date, the Purchase Agreement is hereby amended as follows:

(a) Section 1 of the Purchase Agreement is hereby amended by deleting the defined term "Maturity Date" in its entirety and replacing it with the following:

"Maturity Date" means April 4, 2020.

(b) Section 1 of the Purchase Agreement is hereby amended by adding the defined term "FCA" in its proper alphabetical sequence:

"FCA" means the United Kingdom Financial Conduct Authority.

(c) Section 1 of the Purchase Agreement is hereby amended by deleting the defined terms "Error Rate," Maximum Error Rate" and "Non-Utilization Fee" in their entirety.

(d) Section 6(d)(i) of the Purchase Agreement is hereby amended by deleting clause (A) in its entirety and replacing it with the following:

(A) Seller shall have the option to (i) withdraw from the Custodial Account all collections and deposits therein with respect to the Related Mortgage Loans relating to Participation Certificates purchased by Purchaser hereunder and use such funds at its discretion or (ii) cause the Bank to disburse such collections to Purchaser, which amounts shall be applied by Purchaser in the following order of priority (i) to reduce the Purchase Price for the Related Participation Certificate or the Completion Fee or (ii) to reduce any outstanding fees or expenses due and owing by Seller to Purchaser hereunder.

(e) Section 10 of the Purchase Agreement is hereby amended by deleting clauses (d) (ii) and (iii) in their entirety.

(f) Section of the Purchase Agreement is hereby amended by deleting clause (l) in its entirety and replacing it with "Reserved.".

(g) The Purchase Agreement is hereby amended by adding the following as a new Section 28 in its proper numerical sequence:

28. CONTRACTUAL RECOGNITION OF UK STAY IN RESOLUTION.

(a) Where a resolution measure is taken in relation to any BRRD undertaking or any member of the same group as that BRRD undertaking and that BRRD undertaking or any member of the same group as that BRRD undertaking is a party to this Agreement (any such party to this Agreement being an "Affected Party"), each other party to this Agreement agrees that it shall only be entitled to exercise any termination right under this Agreement against the Affected Party to the extent that it would be entitled to do so under the Special Resolution Regime if this Agreement were governed by the laws of any part of the United Kingdom.

(b) For the purpose of this Section 28 "resolution measure" means a 'crisis prevention measure', 'crisis management measure' or 'recognised third-country resolution action', each with the meaning given in the "PRA Rulebook: CRR Firms and Non-Authorised Persons: Stay in Resolution Instrument 2015", as may be amended from time to time (the "PRA Contractual Stay Rules"), provided, however, that 'crisis prevention measure' shall be interpreted in the manner outlined in Rule 2.3 of the PRA Contractual Stay Rules; "BRRD undertaking", "group", "Special Resolution Regime" and "termination right" have the respective meanings given in the PRA Contractual Stay Rules.

(h) The Purchase Agreement is hereby amended by adding the following as a new Section 29 in its proper numerical sequence:

29. NOTICE REGARDING CLIENT MONEY RULES.

Purchaser, as a CRD credit institution (as such term is defined in the rules of the FCA), holds all money received and held by it hereunder as banker and not as trustee. Accordingly, money that is received and held by Purchaser from Seller will not be held in accordance with the provisions of the FCA's Client Asset Sourcebook relating to client money (the "Client Money Rules") and will not be subject to the statutory trust provided for under the Client Money Rules.

In particular, Purchaser shall not segregate money received by it from Seller from Purchaser money and Purchaser shall not be liable to account to you for any profits made by Purchaser use as banker of such cash and upon failure of Purchaser, the client money distribution rules within the Client Asset Sourcebook (the "Client Money Distribution Rules") will not apply to these sums and so you will not be entitled to share in any distribution under the Client Money Distribution Rules.

SECTION 2. Fees and Expenses. Seller agrees to pay to Purchaser all fees and out of pocket expenses incurred by Purchaser and Agent in connection with this Amendment, including all reasonable fees and out of pocket costs and expenses of the legal counsel to Purchaser and Agent incurred in connection with this Amendment, in accordance with Section 21 of the Purchase Agreement.

SECTION 3. Defined Terms. Any terms capitalized but not otherwise defined herein should have the respective meanings set forth in the Purchase Agreement.

SECTION 4. Conditions to Effectiveness of this Amendment. This Amendment shall become effective on the day (the "Effective Date") when Seller shall have paid or delivered, as applicable, to Purchaser all of the following fees, expenses, documents and instruments, each of which shall be in form and substance acceptable to Purchaser:

(a) all accrued and unpaid fees and expenses owed to Purchaser in accordance with the Facility Documents, in each case, in immediately available funds, and without deduction, set-off or counterclaim;

(b) a copy of this Amendment duly executed by each of the parties hereto;

(c) a copy of (i) the Amendment Number Eleven to the Second Amended and Restated Master Repurchase Agreement, dated as of the date hereof, (ii) the Amendment Number Six to the Second Amended and Restated Pricing Side Letter to the Master Repurchase Agreement, dated as of the date hereof (the "Amendment No. 6"), (iii) the Amendment Number Fourteen to the Loan and Security Agreement, dated as of the date hereof (iv) the Second Amended and Restated Loan and Security Agreement Pricing Side Letter, dated as of the date hereof and (v) the Amendment Number Ten to the Mortgage Loan Participation Purchase and Sale Agreement Pricing Side Letter, dated as the date hereof, in each case duly executed by each of the parties thereto;

(d) the first installment of the Renewal Fee (as defined in the Amendment No. 6); and

(e) any other documents reasonably requested by Purchaser on or prior to the date hereof.

SECTION 5. Limited Effect. Except as amended hereby, the Purchase Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Purchase Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Purchase Agreement, any reference in any of such items to the Purchase Agreement being sufficient to refer to the Purchase Agreement as amended hereby.

SECTION 6. Representations. In order to induce Purchaser and Agent to execute and deliver this Amendment, Seller hereby represents to Purchaser and Agent that as of the date hereof, (i) Seller is in full compliance with all of the terms and conditions of the Program Documents and remains bound by the terms thereof, (ii) no default or event of default has occurred and is continuing under the Program Documents, and (iii) no Servicing Termination Event has occurred and is continuing under the Purchase Agreement.

SECTION 7. Governing Law. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the State of New York, without regard to principles of conflict of laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law which shall be applicable).

SECTION 8. Counterparts. For the purpose of facilitating the execution of this Amendment, and for other purposes, this Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties. The original documents shall be promptly delivered, if requested.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Purchaser, Agent and Seller have caused their names to be duly signed to this Amendment by their respective officers thereunto duly authorized, all as of the date first above written.

BARCLAYS BANK PLC,
as Purchaser and Agent

By: */s/ Ellen Kiernan*
Name: Ellen Kiernan
Title: Director

NATIONSTAR MORTGAGE LLC,
as Seller

By: */s/ Jeffrey Neufeld*
Name: Jeffrey Neufeld
Title: Senior Vice President and Treasurer

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Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

AMENDMENT NUMBER ELEVEN

to the
SECOND AMENDED AND RESTATED
MASTER REPURCHASE AGREEMENT
dated as of January 29, 2016
between
BARCLAYS BANK PLC
and
NATIONSTAR MORTGAGE LLC

This AMENDMENT NUMBER ELEVEN (this "Amendment") is made as of this 3rd day of April, 2019, by and between Barclays Bank PLC ("Purchaser" and "Agent") and Nationstar Mortgage LLC ("Seller"), to that certain Second Amended and Restated Master Repurchase Agreement, dated as of January 29, 2016 (as amended by that certain Amendment Number One to the Second Amended and Restated Master Repurchase Agreement, dated as of June 24, 2016, Amendment Number Two to the Second Amended and Restated Master Repurchase Agreement, dated as of October 17, 2016, Amendment Number Three to the Second Amended and Restated Master Repurchase Agreement, dated as of October 31, 2016, Amendment Number Four to the Second Amended and Restated Master Repurchase Agreement, dated as of October 30, 2017, Amendment Number Five to the Second Amended and Restated Master Repurchase Agreement, dated as of March 22, 2018, Amendment Number Six to the Second Amended and Restated Master Repurchase Agreement, dated as of May 29, 2018, Amendment Number Seven to the Second Amended and Restated Master Repurchase Agreement, dated as of October 24, 2018, Amendment Number Eight to the Second Amended and Restated Master Repurchase Agreement, dated as of November 20, 2018, Amendment Number Nine to the Second Amended and Restated Master Repurchase Agreement, dated as of January 28, 2019 and Amendment Number Ten to the Second Amended and Restated Master Repurchase Agreement, dated as of March 29, 2019, and as further amended, restated, supplemented or otherwise modified from time to time, the "Repurchase Agreement"), by and among Seller, Agent and Purchaser.

WHEREAS, Purchaser, Agent and Seller have agreed to amend the Repurchase Agreement as more particularly set forth herein;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. Amendments. Effective as of the Effective Date, the Repurchase Agreement is hereby amended as follows:

(a) Section 2(a) of the Repurchase Agreement is hereby amended by deleting the defined terms "Aged Mortgage Loan," "Barclays Custodial Agreement," "Custodian," "Eligible Mortgage Loan," "Maturity Date," "Maximum Age Since Origination," "Mortgage Loan," "Request for Release of Documents," "Seller Mortgage Loan Schedule" and "Trust Receipt" in their entirety and replacing them with the following:

"Aged Mortgage Loan" means a Mortgage Loan (except for Seasoned Mortgage Loans) for which the time between the Origination Date and the date of determination is more than (i) sixty (60) days, with respect to Fannie Mae Mortgage Loans, Freddie Mac Mortgage Loans and Ginnie Mae Mortgage Loans, (ii) sixty (60) days, with respect to Jumbo Mortgage Loans, (iii) sixty (60) days, with respect to Modified Loans, (iv) sixty (60) days, with respect to Non-Qualified Mortgage Loans and (v) 180 days with respect to an FHA Buyout Loan or HECM Buyout Loan, if it is a Pre-Foreclosure Loan.

"Barclays Custodial Agreement" means the DB Custodial Agreement or the U.S. Bank Custodial Agreement, as applicable.

"Custodian" means U.S. Bank National Association or Deutsche Bank National Trust Company, as the case may be, and their successors and permitted assigns.

"Eligible Mortgage Loan" means a Mortgage Loan that (i) satisfies each of the representations and warranties in Exhibit B-1 or B-2 to this Agreement, as applicable, in all material respects, (ii) if such Mortgage Loan is (a) a Ginnie Mae Mortgage Loan, Fannie Mae Mortgage Loan or Freddie Mac Mortgage Loan, it is in Strict Compliance with the eligibility requirements of the Ginnie Mae Program, Fannie Mae Program, or Freddie Mac Program, as applicable, or (b) an FHA Buyout Loan or HECM Buyout Loan, it meets the additional eligibility requirements as set forth in Exhibit I, (iii) contains all required documents in the Mortgage Loan File without exceptions unless otherwise waived by the Purchaser or permitted below, and (iv) meets each of the applicable Additional Eligible Loan Criteria.

"Maturity Date" means April 4, 2020.

"Maximum Age Since Origination" means for (a) each Eligible Mortgage Loan (other than Wet-Ink Mortgage Loans and Seasoned Mortgage Loans), the following period of time commencing with the related Origination Date for which such Eligible Mortgage Loan may be subject to a Transaction hereunder: (i) ninety (90) days for Fannie Mae Mortgage Loans, Freddie Mac Mortgage Loans and Ginnie Mae Mortgage Loans, (ii) ninety (90) days for Modified Loans and (iii) 364 calendar days for FHA Buyout Loans, HECM Buyout Loans, Non-Qualified Mortgage Loans and Jumbo Mortgage Loans and (b) for the REO Asset, the 364 day period of time commencing with the date the REO Asset is sold to Purchaser by Seller. Wet-Ink Mortgage Loans shall have the aging restrictions set forth in the Pricing Side Letter.

"Mortgage Loan" means a Jumbo Mortgage Loan, a Second Lien Mortgage Loan, a Non-Qualified Mortgage Loan, a Ginnie Mae Mortgage Loan, a Fannie Mae Mortgage Loan or a Freddie Mac Mortgage Loan.

"Request for Release of Documents" shall mean the Request for Release of Documents set forth as Annex 5 of the DB Custodial Agreement or U.S. Bank Custodial Agreement, as applicable.

"Seller Mortgage Loan Schedule" means the list of Purchased Assets proposed to be purchased by Purchaser, in the form of Exhibit H hereto, that will be delivered in an excel spreadsheet format by Seller to Agent, Purchaser and Custodian and attached by the Custodian to the related Trust Receipt.

"Trust Receipt" shall have the meaning assigned thereto in the DB Custodial Agreement or the U.S. Bank Custodial Agreement, as applicable.

(b) Section 2(a) of the Repurchase Agreement is hereby amended by adding the defined terms "FCA," "Non-Qualified Mortgage Loan" and "Non-Utilization Fee" in their proper alphabetical sequence:

"FCA" means the United Kingdom Financial Conduct Authority.

"Non-Qualified Mortgage Loan" means a Mortgage Loan that does not satisfy the eligibility requirement of the Agencies or criteria for a "qualified mortgage" in connection with the ability-to-repay provisions of the Truth-in-Lending Act.

"Non-Utilization Fee" shall have the meaning assigned thereto in the Pricing Side Letter.

(c) Section 2(a) of the Repurchase Agreement is hereby amended by deleting the defined terms "Certified Mortgage Loan Trust Receipt," "Error Rate," "Maximum Error Rate" and "ReconTrust Custodial Agreement" in their entirety.

(d) Section 10 of the Repurchase Agreement is hereby amended by deleting subsection (b)(i)(D) in its entirety and replacing it with the following:

(b)(i)(D) Purchaser shall have received the Structuring Fee and any Non-Utilization Fee in respect of such Transaction then due and owing pursuant to Section 2 of the Pricing Side Letter, in immediately available funds, and without deduction, set-off or counterclaim;

(e) Section 13(m) of the Repurchase Agreement is hereby amended by deleting "Exhibit B" in the first sentence and replacing it with "Exhibit B-1 or B-2, as applicable,".

(f) Section 13 of the Repurchase Agreement is hereby amended by deleting subsection (t) in its entirety and replacing it with the following:

(t) Affiliated Parties. Seller is not an Affiliate of the Custodian, Disbursement Agent, Settlement Agent (other than Title365 Company Inc.) or any other party to a Program Document hereunder.

(g) Section 14(g)(iii) of the Repurchase Agreement is hereby amended by adding the following as a new sentence at the end of such Section 14(g)(iii):

Each certification to be executed and delivered hereunder shall be sent via electronic mail to creditsecuritizedp1@barclayscapital.com or such other email address as the Agent may furnish to the Seller from time to time by written notice.

(h) Section 14(aa) of the Repurchase Agreement is hereby amended by deleting it in its entirety and replacing it with "Reserved.".

(i) Section 15 of the Repurchase Agreement is hereby amended by deleting "Exhibit B" in the first, second and third sentences and replacing it with "Exhibit B-1 or B-2, as applicable,".

(j) Section 16(f) of the Repurchase Agreement is hereby amended by deleting clause (ii) in its entirety and replacing it with the following:

(ii) Seller shall have the option to (i) withdraw from a Collection Account all Income on deposit therein with respect to the Purchased Assets and use such funds at its discretion or (ii) cause the Bank to disburse such Income to the Purchaser, which amounts shall be applied by Purchaser in the following order of priority (i) to reduce outstanding Price Differential due and payable in respect of Purchased Assets for which the Purchaser has received the related Repurchase Price (other than Price Differential) pursuant to Section 3(f) during the prior calendar month, (ii) to reduce the Repurchase Price for all outstanding Transactions, and (iii) to pay all other Obligations then due and payable to such Purchaser.

(k) Section 17(d) of the Repurchase Agreement is hereby amended by deleting "Exhibit B" in the first sentence and replacing it with "Exhibit B-1 or B-2, as applicable,".

(l) Section 34 and Exhibit E of the Repurchase Agreement are hereby amended by deleting the address for Barclays Capital – Operations and replacing it with the following:

Barclays Capital – Operations
1301 Sixth Ave, 8th Floor
New York, NY 10019
Attention: Roger Billotto
Email: roger.billotto@barclays.com

(m) Section 27(a) of the Repurchase Agreement is hereby amended by deleting "Exhibit B" in the second sentence and replacing it with "Exhibit B-1 or B-2, as applicable,".

(n) The Repurchase Agreement is hereby amended by adding the following as a new Section 41 in its proper numerical sequence:

41. NOTICE REGARDING CLIENT MONEY RULES.

Purchaser, as a CRD credit institution (as such term is defined in the rules of the FCA), holds all money received and held by it hereunder as banker and not as trustee. Accordingly, money that is received and held by Purchaser from Seller will not be held in accordance with the provisions of the FCA's Client Asset Sourcebook relating to client money (the "Client Money Rules") and will not be subject to the statutory trust provided for under the Client Money Rules.

In particular, Purchaser shall not segregate money received by it from Seller from Purchaser money and Purchaser shall not be liable to account to you for any profits made by Purchaser use as banker of such cash and upon failure of Purchaser, the client money distribution rules within the Client Asset Sourcebook (the "Client Money Distribution Rules") will not apply to these sums and so you will not be entitled to share in any distribution under the Client Money Distribution Rules.

(o) Exhibit B-1 to the Repurchase Agreement is hereby amended by deleting the second line of the introduction in its entirety and replacing it with the following:

Seller hereby represents and warrants to the Purchaser and Agent that, for each Mortgage Loan, other than a Non-Qualified Mortgage Loan, as of the related Purchase Date and the related Repurchase Date and on each date that such Mortgage Loan, other than a Non-Qualified Mortgage Loan, is subject to a Transaction:

(p) Exhibit B-1 to the Repurchase Agreement is hereby amended by deleting clause (q) in its entirety and replacing with the following:

(q) Such Mortgage Loan has not been released from the possession of the Custodian under (i) Section 5 of the DB Custodial Agreement, to Seller or its bailee for a period in excess of thirty (30) calendar days (or if such thirtieth day is not a Business Day, the next succeeding Business Day); or (ii) Section 5 of the U.S. Bank Custodial Agreement, to Seller or its bailee for a period in excess of thirty (30) calendar days (or if such thirtieth day is not a Business Day, the next succeeding Business Day) or, in each case, such earlier time period as indicated on the related Request for Release of Documents;

(q) Exhibit B-2 is hereby added to the Repurchase Agreement as provided in Annex 1 hereto.

SECTION 2. Fees and Expenses. Seller agrees to pay to Purchaser all fees and out of pocket expenses incurred by Purchaser and Agent in connection with this Amendment, including all reasonable fees and out of pocket costs and expenses of the legal counsel to Purchaser and Agent incurred in connection with this Amendment, in accordance with Section 23 (a) of the Repurchase Agreement.

SECTION 3. Defined Terms. Any terms capitalized but not otherwise defined herein should have the respective meanings set forth in the Repurchase Agreement.

SECTION 4. Conditions to Effectiveness of this Amendment. This Amendment shall become effective on the day (the "Effective Date") when Seller shall have paid or delivered, as applicable, to Purchaser all of the following fees, expenses, documents and instruments, each of which shall be in form and substance acceptable to Purchaser:

(a) all accrued and unpaid fees and expenses owed to Purchaser in accordance with the Facility Documents, in each case, in immediately available funds, and without deduction, set-off or counterclaim;

(b) a copy of this Amendment duly executed by each of the parties hereto;

(c) a copy of (i) the Amendment Number Six to the Second Amended and Restated Master Repurchase Agreement Pricing Side Letter, dated as of the date hereof, duly executed by each of the parties thereto (the "PSL Amendment"), (ii) the Amendment Number Eighteen to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of the date hereof, (iii) the Amendment Number Ten to the Mortgage Loan Participation Purchase and Sale Agreement Pricing Side Letter, dated as the date hereof, (iv) the Amendment Number Fourteen to the Loan and Security Agreement, dated as of the date hereof and (v) the Second Amended and Restated Loan and Security Agreement Pricing Side Letter, dated as of the date hereof, in each case duly executed by each of the parties thereto;

(d) the first installment of the Renewal Fee (as defined in the PSL Amendment); and

(e) any other documents reasonably requested by Purchaser or Agent on or prior to the date hereof.

SECTION 5. Limited Effect. Except as amended hereby, the Repurchase Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in the Repurchase Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to, or with respect to, the Repurchase Agreement, any reference in any of such items to the Repurchase Agreement being sufficient to refer to the Repurchase Agreement as amended hereby.

SECTION 6. Representations. In order to induce Purchaser and Agent to execute and deliver this Amendment, Seller hereby represents to Purchaser and Agent that as of the date hereof, (i) Seller is in full compliance with all of the terms and conditions of the Program Documents and remains bound by the terms thereof, and (ii) no Default or Event of Default has occurred and is continuing under the Program Documents.

SECTION 7. Governing Law. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the State of New York, without regard to principles of conflict of laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law which shall be applicable).

SECTION 8. Counterparts. For the purpose of facilitating the execution of this Amendment, and for other purposes, this Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. The parties intend that faxed signatures and electronically imaged signatures such as .pdf files shall constitute original signatures and are binding on all parties. The original documents shall be promptly delivered, if requested.

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IN WITNESS WHEREOF, Purchaser, Agent and Seller have caused their names to be duly signed to this Amendment by their respective officers thereunto duly authorized, all as of the date first above written.

BARCLAYS BANK PLC,
as Purchaser and Agent

By: *<u>/s/ Ellen Kiernan</u>*
Name: Ellen Kiernan
Title: Director

NATIONSTAR MORTGAGE LLC,
as Seller

By: *<u>/s/ Jeffrey Neufeld</u>*
Name: Jeffrey Neufeld
Title: Senior Vice President and Treasurer

EXHIBIT B-2

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO NON-QUALIFIED MORTGAGE LOANS

Capitalized terms used but not defined in this Exhibit B-2 have the meanings assigned to such terms in the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 (the "Agreement"), by and between Barclays Bank PLC ("Purchaser" or "Agent") and Nationstar Mortgage LLC ("Seller"). Seller hereby represents and warrants to the Purchaser and Agent that, for each Non-Qualified Mortgage Loan as of the related Purchase Date and the related Repurchase Date and on each date that such Non-Qualified Mortgage Loan is subject to a Transaction:

(a) Each Mortgage Loan with a written appraisal, as indicated on Seller Mortgage Loan Schedule, contains a written appraisal prepared by an appraiser licensed or certified by the applicable governmental body in which the Mortgaged Property is located and in accordance with the requirements of Title XI of the Financial Institutions Reform Recovery and Enforcement Act of 1989 ("FIRREA") and Seller's underwriting guidelines. The appraisal was written in form and substance to USPAP standards and satisfies applicable legal and regulatory requirements. The appraisal was made and signed prior to the final approval of the Mortgage Loan application. The person performing any property valuation (including an appraiser) received no benefit from, and such person's compensation or flow of business from Seller was not affected by, the approval or disapproval of the Mortgage Loan.

(b) With respect to each Mortgage Loan whose document type on Seller Mortgage Loan Schedule indicates documented income, employment and/or assets, Seller verified the Mortgagor's income, employment and/or assets in accordance with Seller's underwriting guidelines. With respect to each Mortgage Loan other than a Mortgage Loan for which the Mortgagor documented his or her income by providing Form W-2 or tax returns, Seller employed a process designed to verify the income with third party documentation (including bank statements).

(c) With respect to each Mortgage Loan, Seller gave due consideration at the time of origination to factors, including but not limited to, other real estate owned by the Mortgagor, commuting distance to work and appraiser comments and notes, to evaluate whether the occupancy status of the property as represented by the Mortgagor was reasonable.

(d) With respect to each Mortgage Loan, no portion of the loan proceeds has been escrowed for the purpose of making Scheduled Payments on behalf of the Mortgagor and no payments due and payable under the terms of the Mortgage Note and Mortgage or deed of trust, except for seller or builder concessions or amounts paid or escrowed for payment by the Mortgagor's employer, have been paid by any person (other than a guarantor) who was involved in or benefited from the sale of the Mortgaged Property or the origination, refinancing, sale or servicing of the Mortgage Loan.

(e) The information on Seller Mortgage Loan Schedule correctly and accurately reflects the information contained in Seller's records (including, without limitation, the Mortgage File) in all material respects. In addition, the information contained under each of the headings in Seller

Mortgage Loan Schedule (e.g. Mortgagor's income, employment and occupancy, among others) is true and correct in all material respects. With respect to each Mortgage Loan, any seller or builder concession in excess of the allowable limits established by Fannie Mae or Freddie Mac has been subtracted from the Appraised Value of the Mortgaged Property for purposes of determining the LTV and combined LTV ("CLTV"). As of the transaction date, the most recent FICO score listed on Seller Mortgage Loan Schedule was no more than twelve months old. As of the date of funding of the Mortgage Loan to the Mortgagor, no appraisal or other property valuation listed on Seller Mortgage Loan Schedule was more than twelve (12) months old.

(f) Each Mortgage Loan was either underwritten in substantial conformance to the applicable Seller's underwriting guidelines in effect at the time of origination taking into account the compensating factors set forth in such Seller's underwriting guidelines as of the transaction date, or, if not underwritten in substantial conformance to Seller's underwriting guidelines, has reasonable and documented compensating factors.

(g) Other than with respect to TRID, compliance with which is covered by representation and warranty number (mm) below, at the time of origination or the date of modification each Mortgage Loan complied in all material respects with all then-applicable federal, state and local laws, including (without limitation) truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, predatory and abusive lending laws and disclosure laws or such noncompliance was cured subsequent to origination, as permitted by applicable law. The servicing of each Mortgage Loan prior to the transaction date complied in all material respects with all then-applicable federal, state and local laws; *provided*, *however*, that Seller will only be deemed to be in breach of this representation in the event that the noncompliance resulted in foreclosure or ultimate realization on the note being precluded or where, upon foreclosure, specific costs could be attributed to noncompliance. The Mortgage Loan meets or is exempt from applicable state, federal or local laws, regulations and other requirements pertaining to usury.

(h) With respect to each Mortgage Loan, unless otherwise indicated on Seller Mortgage Loan Schedule, each Mortgagor is a natural person or other acceptable forms (e.g. land trust), and at the time of origination, the Mortgagor was legally entitled to reside in or enter the U.S.

(i) Immediately prior to the transfer and assignment to the Purchaser contemplated herein, Seller was the sole owner and holder of the Mortgage Loan free and clear of any and all liens (other than any senior lien indicated on Seller Mortgage Loan Schedule), pledges, charges or security interests of any nature, and Seller has good and marketable title and full right and authority to sell and assign the same.

(j) The Mortgage is a valid, subsisting and enforceable first or second lien on the property therein described, and, except as noted in Seller Mortgage Loan Schedule, the Mortgaged Property is free and clear of all encumbrances and liens having priority over the lien of the Mortgage, except for: the lien of current real property taxes and assessments not yet due and payable; covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such mortgage acceptable to mortgage lending institutions in the area in which the Mortgaged Property is located or specifically referred to in the appraisal performed in connection with the origination of the related Mortgage Loan; liens created pursuant to any federal, state or local law, regulation or ordinance affording liens for the costs of cleanup of hazardous substances or hazardous wastes or for other environmental protection purposes; and such other matters to which like properties are commonly subject that do not individually or in aggregate materially interfere with the benefits of the security intended to be provided by the Mortgage; and any security agreement, chattel mortgage or equivalent document related to and delivered to the Custodian with any Mortgage establishes in Seller a valid and subsisting first or second lien on the property described therein, and Seller has full right to sell and assign the same to the Purchaser.

(k) All taxes, governmental assessments, insurance premiums and water, sewer and municipal charges that previously became due and payable have been paid or an escrow of funds has been established, to the extent permitted by law, in an amount sufficient to pay for any such item that remains unpaid.

(l) The Mortgaged Property is undamaged by water, fire, earthquake, earth movement other than earthquake, windstorm, flood, tornado or similar casualty (excluding casualty from the presence of hazardous wastes or hazardous substances) to affect adversely the value of the Mortgaged Property as security for the Mortgage Loan or the use for which the premises was intended or would render the property uninhabitable. Additionally, there is no proceeding (pending or threatened) for the total or partial condemnation of the Mortgaged Property.

(m) The Mortgaged Property is free and clear of all mechanics' and materialmen's liens or a title policy affording, in substance, the same protection afforded by this warranty has been furnished to the Purchaser by Seller.

(n) Except for Mortgage Loans secured by co-op shares and Mortgage Loans secured by residential long-term leases, the Mortgaged Property consists of a fee-simple estate in real property; all the improvements included for the purpose of determining the Appraised Value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of such property and no improvements on adjoining properties encroach on the Mortgaged Property (unless insured against under the related title insurance policy); and the Mortgaged Property and all improvements thereon comply with all requirements of any applicable zoning and subdivision laws and ordinances.

(o) All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

(p) The Mortgage Note, the related Mortgage and other agreements executed in connection therewith are genuine, and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law). Additionally, all parties to the Mortgage Note and the Mortgage had legal capacity to execute the Mortgage Note and the mortgage, and each Mortgage Note and Mortgage has been duly and properly executed by the Mortgagor.

(q) The proceeds of the Mortgage Loan have been fully disbursed, there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds have been complied with (except for escrow funds for exterior items, which could not be completed due to weather, and escrow funds for the completion of swimming pools). Additionally, all costs, fees and expenses incurred in making, closing or recording the Mortgage Loan have been paid, except recording fees with respect to Mortgages not recorded as of the transaction date.

(r) The Mortgage Loan (except any Mortgage Loan secured by a Mortgaged Property located in any jurisdiction for which an opinion Of counsel of the type customarily rendered in such jurisdiction in lieu of title insurance is instead received and any Mortgage Loan secured by co-op shares) is covered by an American Land Title Association mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable to Fannie Mae or Freddie Mac, issued by a title insurer acceptable to Fannie Mae or Freddie Mac insuring Seller or its successors and assigns as to the first or second priority lien of the Mortgage in the original principal amount of the Mortgage Loan and subject only to the following: (a) the lien of current real property taxes and assessments not yet due and payable; (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Mortgage acceptable to mortgage lending institutions in the area in which the Mortgaged Property is located or specifically referred to in the appraisal performed in connection with the origination of the related Mortgage Loan; (c) liens created pursuant to any federal, state or local law, regulation or ordinance affording liens for the costs of cleanup of hazardous substances or hazardous wastes or for other environmental protection purposes and (d) such other matters to which like properties are commonly subject that do not individually, or in the aggregate, materially interfere with the benefits of the security intended to be provided by the Mortgage. Seller is the sole insured of such mortgagee title insurance policy, the assignments to the Purchaser of such Seller’s interest in such mortgagee title insurance policy does not require any consent of or notification to the insurer that has not been obtained or made, such mortgagee title insurance policy is in full force and effect and will be in full force and effect and inure to the benefit of the Purchaser, no claims have been made under such mortgagee title insurance policy and no prior holder of the related mortgage, including Seller, has done, by act or omission, anything that would impair the coverage of such mortgagee title insurance policy.

(s) The Mortgaged Property securing each Mortgage Loan is insured by an insurer acceptable to Fannie Mae or Freddie Mac against loss by fire and such hazards as covered under a standard extended coverage endorsement in an amount not less than the lesser of 100% of the insurable value of the Mortgaged Property or the outstanding principal balance of the Mortgage Loan. If the Mortgaged Property is a condominium unit, it is included under the coverage afforded by a blanket policy for the project. If, upon origination of the Mortgage Loan, the improvements on the Mortgaged Property were in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier in an amount representing coverage not less than the least of the outstanding principal balance of the Mortgage Loan, the full insurable value of the Mortgaged Property, or the maximum amount of insurance that was available under the National Flood Insurance Act of 1968, as amended. Additionally, each Mortgage obligates the Mortgagor thereunder to maintain all such insurance at the Mortgagor’s cost and expense.

(t) There is no monetary default (including any related event of acceleration), monetary breach or monetary violation existing under the Mortgage or the related Mortgage Note and no event that, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a monetary default, monetary breach, monetary violation or event of acceleration. Additionally, Seller has not waived any such default, breach, violation or event of acceleration, and no foreclosure action is currently threatened or has been commenced with respect to the Mortgage Loan.

(u) No Mortgage Note or mortgage is subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor will the operation of any of the terms of the Mortgage Note or mortgage or the exercise of any right thereunder render the Mortgage Note or mortgage unenforceable in whole or in part or subject it to any right of rescission, set-off, counterclaim or defense, including the defense of usury, and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto.

(v) Each Mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security, including realization by judicial foreclosure (subject to any limitation arising from any bankruptcy, insolvency or other law for the relief of debtors), and there is no homestead or other exemption available to the Mortgagor that would interfere with such right of foreclosure.

(w) The Mortgage Loan is a "qualified mortgage" within the meaning of Section 860G(a)(3) of the Code.

(x) With respect to each Mortgage where a Lost Note Affidavit has been delivered to the Custodian in place of the related Mortgage Note, the related Mortgage Note is no longer in existence.

(y) With respect to each Mortgage Loan, all parties that have had any interest in such Mortgage Loan, whether as Mortgagee, assignee, pledge or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable licensing requirements of the laws of the state wherein the related Mortgaged Property is located, except to the extent that failure to be so licensed would not give rise to any claim against the Purchaser; provided, however, that Seller will only be deemed to be in breach of this representation in the event that the noncompliance resulted in foreclosure or ultimate realization on the Mortgage Note being precluded or where, upon foreclosure, specific costs could be attributed to noncompliance.

(z) No fraud or material error, omission, misrepresentation, negligence or similar occurrence with respect to a Mortgage Loan has taken place on the part of Seller, any correspondent or mortgage broker involved in the origination of such Mortgage Loan, the Mortgagor or any appraiser, builder, developer or other party involved in the origination of the Mortgage Loan or in the application of any insurance in relation to such Mortgage Loan. All information, reports and other documents submitted by Seller to Purchaser in connection with Purchaser's review and approval of Seller continue to be true, correct and accurate and no such information, reports or other documents contain any untrue statement of fact or omit to state a fact necessary to make the statements contained herein or therein not misleading. No representation, warranty or written statement made by Seller in connection with this Agreement or in any Mortgage Loan Document or any document submitted to Purchaser in connection with the transactions contemplated hereby by Seller contains, or will contain, any untrue statement of material fact or omits, or will omit, to state a material fact necessary to make the statements contained herein or therein not misleading.

(aa) With respect to any insurance policy, including, but not limited to, hazard or title insurance, covering a Mortgage Loan and the related Mortgaged Property, Seller has not engaged in, and the Mortgagor has not engaged in, any act or omission that would impair the coverage of any such policy, the benefits of the endorsement or the validity and binding effect of either, including without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind as has been or will be received, retained or realized by any attorney, firm, or other Person or entity, and no such unlawful items have been received, retained or realized by Seller.

(bb) In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently serves and is named in the Mortgage, and no fees or expenses are or will become payable by the Purchaser or Seller to such trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgage.

(cc) Each original Mortgage was recorded, and all subsequent assignments of the original mortgage have been recorded in the appropriate jurisdictions in which such recordation is necessary to perfect the liens against creditors of Seller or are being recorded.

(dd) The Mortgage contains an enforceable provision for the acceleration of the payment of the Unpaid Principal Balance of the Mortgage Loan in the event that the Mortgaged Property is sold or transferred without the prior written consent of the Mortgagee.

(ee) The Mortgaged Property is either a fee-simple estate or a long-term residential lease. If the Mortgage Loan is secured by a long-term residential lease: (i) the terms of such lease expressly permit the mortgaging of the leasehold estate, the assignment of the lease without the lessor's consent (or the lessor's consent has been obtained and such consent is in the Mortgage File) and the acquisition by the holder of the Mortgage of the rights of the lessee upon foreclosure or assignment in lieu of foreclosure or provide the holder of the Mortgage with substantially similar protection; (ii) the terms of such lease do not allow the termination thereof upon the lessee's default without the holder of the Mortgage being entitled to receive written notice of, and opportunity to cure, such default or prohibit the holder of the Mortgage from being insured under the hazard insurance policy related to the Mortgaged Property; (iii) the original term of such lease is not less than fifteen (15) years; (iv) the term of such lease does not terminate earlier than five (5) years after the maturity date of the Mortgage Note; and (v) the Mortgaged Property is located in a jurisdiction in which the use of leasehold estates for residential properties is an accepted practice.

(ff) No Mortgage Loan in the Trust is a "high-cost" loan, "covered" loan or any other similarly designated loan as defined under any state, local or federal law, as defined by applicable predatory and abusive lending laws; provided, that, for the avoidance of doubt, no representation or warranty is made as to whether a Mortgage Loan constitutes a highly-priced mortgage loan, as permitted by specific state or federal laws.

(gg) The instruments and documents with respect to each Mortgage Loan required to be delivered to the Custodian on or prior to the transaction date have been delivered to the Custodian.

(hh) Unless otherwise indicated on Seller Mortgage Loan Schedule, Seller nor any prior holder of the Mortgage or the related Mortgage Note has modified the mortgage or the related Mortgage Note in any material respect, satisfied, canceled or subordinated the Mortgage in whole or in part, released the Mortgaged Property in whole or in part from the lien of the Mortgage or executed any instrument of release, cancellation, modification or satisfaction, except in each case as reflected in an agreement included in the Mortgage File.

(ii) Each Mortgaged Property is located in the U.S. or a territory of the U.S. and consists of a one- to four-unit residential property, which may include, but is not limited to, a single-family dwelling, townhouse, condominium unit or unit in a planned unit development or, in the case of Mortgage Loans secured by co-op shares, leases or occupancy agreements.

(jj) Unless otherwise indicated on Seller Mortgage Loan Schedule, all Monthly Payments required to be made up to the Due Date immediately preceding the cut-off date under the terms of the related Mortgage Note have been made, and no Mortgage Loan was more than sixty (60) days delinquent in the twelve (12) months preceding the cut-off date, unless disclosed on Seller Mortgage Loan Schedule.

(kk) Seller has not received notice that the Mortgagor is a debtor in any state or federal bankruptcy or insolvency proceeding as of the cut-off date.

(ll) If required by Seller's underwriting guidelines, Seller made a reasonable and good faith determination that the Mortgagor would have a reasonable ability to repay the Mortgage Loan according to its terms, in accordance with, at a minimum, the eight underwriting factors set forth in 12 C.F.R 1026.43(c)(2).

(mm) With respect to each Mortgage Loan for which an application was taken on or after October 3, 2015, either: (i) the Mortgage Loan was originated in compliance with TRID; (ii) the Mortgage Loan is exempt from TRID; or (iii) with respect to each TRID compliance exception with respect to a Mortgage Loan, such TRID compliance exception will not result in civil liability or has been cured in a manner which negates the associated civil liability.

(nn) Seller does not employ or contract with any party listed on a debarment list, exclusionary list, or any similar list maintained by any governmental or quasi-governmental agency.

(oo) Seller shall make prompt, timely, full, accurate, and truthful disclosures to Purchaser of facts, information and documentation Seller may know, suspect, or have actual or constructive notice that could or has affected the validity, collectability, marketability or enforceability (including realization on the security) of any Mortgage Loan submitted to Purchaser, including all facts, information and documentation relating to any disputes, proceedings, litigation or governmental action threatened, anticipated, or pending, respecting the Mortgage Loan, the Mortgagor, or property securing the Mortgage Loan, as well as all facts, information and documentation relating to the Mortgage Loan, the Mortgagor, the Mortgagor's creditworthiness or the value or condition of the property securing the Mortgage Loan.

(pp) Seller shall not use Purchaser's name, trademarks or service marks in any manner, including, without limitation, in any advertising or marketing materials, or other promotional campaign, including any internet or website materials, without the express prior written consent of Purchaser.

(qq) Each loan originator employed by or affiliated with Seller is properly qualified, licensed and registered as required by applicable law to transact business in each state where property securing a Loan is located, and Seller and each loan originator have complied with and are in compliance with Seller's underwriting guidelines and all applicable law.

(rr) Seller agrees to notify Purchaser, in writing, of the termination or resignation of anyone employed by or working on behalf of Seller, who was involved in the origination of any Mortgage Loan sold to Purchaser, within ten (10) days of termination or resignation if such termination or resignation is related in any way to fraudulent activity or activity that violates applicable law or Seller's underwriting guidelines.

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Section 4: EX-10.3 (EXHIBIT 10.3)

Exhibit 10.3

TRANSITION AGREEMENT

This Transition Agreement ("Agreement") is made and entered into as of August 2, 2019, by and between Mr. Cooper Group Inc., a Delaware corporation (the "Company"), with its principal place of business located at 8950 Cypress Waters Blvd., Coppell, TX 75019 and Anthony W. Villani, an individual (hereinafter called the "Executive").

W I T N E S S E T H:

WHEREAS, Executive is currently employed as the Company's Executive Vice President and General Counsel;

WHEREAS, Executive previously notified the Company of his intention to retire on October 4, 2019 ("Retirement Date");

WHEREAS, the Company acknowledges that as of October 4, 2019 Executive shall be "Retirement" eligible and shall have met and satisfied the "Retirement Criteria" as those terms are defined under the Company's incentive compensation plan and agreements with Executive;

WHEREAS, the Company wishes to induce Executive to remain in his present employment through the Retirement Date ("the Transition Period"); and

WHEREAS, the Company believes it to be in its best interest to offer Executive a severance arrangement on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing, the mutual covenants and agreements contained herein, and other good and valuable consideration, the parties hereto agree as follows:

Section 1. Definitions.

a. "Accrued Benefits" means (i) earned but unpaid salary through the Retirement Date, (ii) any reimbursable expenses through the last day of employment, (iii) any vested benefits in accordance with the terms of the Company's employee benefits plans or programs or as otherwise provided herein, and (iv) any benefit continuation and/or conversion rights in accordance with the Company's employee benefits plans or programs.

b. "Cause" means (i) any act by Executive constituting (x) a felony charge under the laws of the United States or any state thereof or (y) misdemeanor charge involving moral turpitude, (ii) any act of misappropriation or fraud committed by Executive in connection with the Company's or its subsidiaries' business, (iii) any material breach by Executive of any material agreement to which Company and Executive are parties, after written notice thereof from the Company's Board of Directors is given in writing and such breach is not cured to the satisfaction of the Company's Board of Directors within a reasonable period of time (not greater than 30 days) under the circumstances, (iv) any breach of any reasonable and lawful rule or directive of the Company or its Board of Directors, (v) the gross or willful neglect of duties or gross or willful malfeasance or misconduct by Executive, or (vi) the habitual use of drugs or habitual, excessive use of alcohol to the extent that any of such uses in the good faith determination of the Company's Board of Directors materially interferes with the performance of Executive's duties.

c. "Developing Business" means any new business concepts and services the Company has developed and is in the process of developing during Executive's employment with the Company.

d. "Good Reason" means the occurrence, without the express written consent of Executive, of any of the following circumstances, unless, with respect to clauses (A), (B), (C) and (D) hereof, such circumstances are corrected by the Company in all material respects within thirty (30) days following written notification by Executive to the Company (which written notice must be delivered within thirty (30) days after the occurrence of such circumstances) that Executive intends to terminate Executive's employment for one of the reasons set forth below: (A) a material reduction in the Executive's base salary; (B) any relocation of Executive's principal office by more than twenty-five (25) miles from 8950 Cypress Waters Blvd., Coppell, TX 75019, (C) a material diminution in the authorities, duties or responsibilities of Executive, or (D) Company's breach of any term of this Agreement or of that certain Retention Bonus Agreement executed between Company and Executive.

e. "Release" means a release of employment claims in the form attached hereto as Exhibit A.

Section 2. Employment through the conclusion of the Transition Period. If Executive remains employed by the Company and does not voluntarily resign his employment before the end of the Transition Period, he shall be entitled to receive (a) the Accrued Benefits, (b) twelve (12) months of Executive's current base salary payable on the Company's normal payroll schedule (but not less frequently than monthly) for twelve (12) consecutive months, (c) at the conclusion of the twelve (12) months a final and additional lump sum payment of $760,000 and (d) the Company waives the 6 month notice of retirement provision and any unvested restricted stock units granted to Executive after January 1, 2018 pursuant to the applicable Nationstar Mortgage Holdings Inc. Restricted Stock Unit Agreement ("RSU Agreement") will continue to vest per the vesting schedule attached hereto as Exhibit B. All payments shall be subject to applicable federal, state, local and other tax withholding. Notwithstanding the foregoing, in order to receive the severance payments and benefits under subsections (b), (c) and (d), Executive must validly execute and not revoke a signed Release to the Company on or within twenty-one (21) days after Executive's termination of employment and any payments otherwise due prior to the delivery of the Release shall be paid in a lump sum following delivery of the signed Release, subject to the provisions of Section 5.

Section 3. Termination before the conclusion of the Transition Period. If the Company terminates Executive for Cause, or if Executive resigns without Good Reason before the end of the Transition Period, Executive shall be entitled to receive only the Accrued Benefits. If Company terminates Executive without Cause or by Executive For Good Reason before the end of the Transition Period, Executive shall be entitled to the severance payments specified in Section 2.

Section 4. Restrictive Covenants.

a. Non-Competition. Executive agrees that during the term of this Agreement and for the one (1) year period immediately following termination of such employment for any reason or no reason, Executive shall not, anywhere in the United States, directly or indirectly, either as a principal, agent, employee, employer, consultant, partner, shareholder of a closely held corporation or shareholder in excess of five percent (5%) of a publicly traded corporation, corporate officer or director, or in any other individual or representative capacity, engage or otherwise participate in any manner or fashion in any business that is in competition in any manner whatsoever with (i) the mortgage lending business of the Company or its subsidiaries (including, but not limited to, the business of originating, servicing or owning residential mortgages and related assets or (ii) any other business (A) in which the Company or its subsidiaries is engaged at the time of Executive's termination of employment, or which is part of the Company's Developing Business and (B) in which Executive learns Confidential Information or meets and develops relationships with potential and existing suppliers, financing sources, clients, customers and employees or in which Executive receives specialized training or knowledge.

b. Employee Nonsolicitation. Executive agrees that during the period of Executive's employment with the Company or its affiliates and for the twelve (12) month period immediately following termination of such employment (the "Restricted Period"), Executive shall not, directly or indirectly, solicit or induce any officer, director, employee, agent or consultant of the Company or any of its successors, assigns, subsidiaries or affiliates, or otherwise encourage any such person or entity to leave or sever his, her or its employment or other relationship with the Company or its successors, assigns, subsidiaries or affiliates.

c. Confidentiality. Executive acknowledges that the continued success of the Company depends upon the use and protection of a large body of confidential, proprietary, and/or trade secret information that (i) is related to the Company's or its subsidiaries' current or potential business and (ii) is not generally known or publicly available. All of such confidential, proprietary and trade secret information now existing or developed during Executive's employment with the Company will be referred to as "Confidential Information." Confidential Information includes, without specific limitation, the confidential, proprietary and trade secret information, that is obtained by Executive during the course of his or her employment, and that relates to the business and affairs of the Company and its subsidiaries, or of customers of the Company, or to any of their development, transition and transformation plans, methodologies and methods of doing business, strategic, marketing and expansion plans, including plans regarding planned and potential sales, financial and business plans, confidential employee lists and contact information, compensation and incentive structures and strategies, or to their confidential sales information, including volumes, pricing, and margins, new and existing programs and services, prices and terms, customer service, integration processes, requirements and costs of providing service, products or support. Executive agrees that he or she shall not disclose, at any time (including after his employment ends), to any unauthorized person or use for his own account any of such Confidential Information without the prior written consent of the Company's Board of Directors, unless and to the extent that any Confidential

Information is required (or permitted as provided below) to be disclosed pursuant to any applicable law or court order. Confidential Information will not be deemed to include information (i) that is or becomes available to the public other than as a result of a breach of this Agreement by Executive or any other person, (ii) that becomes available to Executive following termination of employment from a third party that has no confidentiality obligation to the Company related to such information, or (iii) that is independently developed by Executive following termination of employment from other sources of available information or Executive's general knowledge, without reference to or use of the Confidential Information. Pursuant to the Defend Trade Secrets Act of 2016, the parties hereto acknowledge and agree that Executive shall not have criminal or civil liability under any Federal or State trade secret law for the disclosure of a trade secret that (i) is made (x) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit for retaliation by the Company or any of its subsidiaries for reporting a suspected violation of law, Executive may disclose the trade secret to his attorney and may use the trade secret information in the court proceeding, if Executive (A) files any document containing the trade secret under seal and (B) does not disclose the trade secret, except pursuant to court order. Executive has the right under federal law to certain protections for cooperating with or reporting legal violations to the Securities Exchange Commission ("SEC") and/or its Office of the Whistleblower, as well as certain other governmental entities and self-regulatory organizations. As such, nothing in this Agreement or otherwise is intended to prohibit Executive from disclosing this Agreement to, or from cooperating with or reporting violations to, the SEC or any other such governmental entity or self-regulatory organization, and Executive may do so without notifying the Company. Neither the Company nor any of its subsidiaries may retaliate against Executive for any of these activities, and nothing in this Agreement or otherwise requires Executive to waive any monetary award or other payment that Executive might become entitled to from the SEC or any other governmental entity. Moreover, nothing in this Agreement or otherwise prohibits Executive from notifying the Company that Executive is going to make a report or disclosure to law enforcement.

Section 5. <u>Code Section 409A</u>. This Agreement is intended to comply with Section 409A of the Internal Revenue Code (the "Code") or an exemption thereunder, and this Agreement shall be construed and administered in accordance with such intention. Severance payments provided under the Agreement may only be made upon a "separation from service" under Code Section 409A and are intended to be excluded from Code Section 409A either as "short term deferrals" within the meaning of Treasury Regulations Section 1.409A-1(b)(4) or payments under an involuntary separation pay plan under Treasury Regulations Section 1.409A-1(b)(9) to the maximum extent possible. For purposes of Code Section 409A, the right to installment payments of severance shall be treated as the right to a series of separate payments. If Executive is a "specified employee" (as defined in Code Section 409A) at the time of his termination of employment, then any payment that is subject to Code Section 409A will be delayed for six months and will be paid in a lump sum, without interest, during the seventh month after termination of employment; provided that, if

Executive dies during such six-month period, the delayed payment shall be immediately payable to Executive's spouse, if any, otherwise to Executive's estate. In no event shall the timing of Executive's execution of a release, directly or indirectly, result in Executive designating the calendar year of any severance payment, and if a payment that is subject to execution of the release could be made in more than one taxable year, payment shall be made in the later taxable year.

Section 6. Miscellaneous.

a. The failure of any party to this Agreement at any time or times to require performance of any provision of this Agreement shall in no manner affect the right to enforce the same. No waiver by any party to this Agreement of any provision (or of a breach of any provision) of this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed or construed either as a further or continuing waiver of any such provision or breach or as a waiver of any other provision (or of a breach of any other provision) of this Agreement.

b. This Agreement shall inure to the benefit of and be enforceable by Exectuive or his legal representatives. If Executive shall die prior to receipt of all amounts due under this Agreement, such amounts shall be payable to Executive's spouse, if any, otherwise to Executive's estate.

c. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid. However, if any one or more of the provisions of this Agreement shall be invalid, illegal or unenforceable in any respect for any reason, the validity, legality or enforceability of any such provisions in every other respect and of the remaining provisions of this Agreement shall not be impaired.

d. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas (without giving effect to any applicable conflict of law provisions).

e. This Agreement may be executed in counterparts. Signatures delivered by fax or e-mail shall be as effective, as if they were originals.

[Signature page follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer, and Executive has executed this Agreement, as of the date and year first written above.

Executive

/s/ Anthony W. Villani
Anthony W. Villani

Mr. Cooper Group Inc.

/s/ Kelly Ann Doherty
By: Kelly Ann Doherty
Its: Executive Vice President

Exhibit A to Transition Agreement

WAIVER AND RELEASE OF ALL CLAIMS

This Waiver and Release ("Agreement") is made and entered into by and between NATIONSTAR MORTGAGE LLC (including its subsidiaries and affiliates, collectively "NSM" or “Company”) and Anthony W. Villani ("Employee") (each, a “Party” and collectively, the “Parties”).

RECITALS

WHEREAS, in conjunction with the Transition Agreement entered into by the Company and Employee, Employee is required to sign a waiver and release of all claims; and

WHEREAS, by entering into this Agreement, the Parties intend to resolve any and all of Employee’s disputes, claims, complaints, grievances, charges, actions, petitions, liabilities, and demands that Employee may have against NSM, including without limitation, attorneys’ fees, disbursements, monetary fines, damages, equitable relief, and/or any other benefits or other remuneration from NSM.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Payments To Employee: In consideration of Employee’s execution and compliance with this Agreement, NSM agrees to provide Employee with the payments and benefits as set forth in that certain Transition Agreement between NSM and Employee dated August 2, 2019. Employee understands and acknowledges that the consideration given pursuant to this Agreement in exchange for the execution of and compliance with this Agreement is given in addition to anything of value to which Employee is, as a matter of law, entitled. All payments will be less the required Federal and State payroll tax withholding and other lawful and authorized deductions.

2. Release of Claims. In exchange for the payment to Employee of the consideration detailed in this Agreement, Employee, for and on behalf of Employee and Employee’s heirs, administrators, executors, and assigns, does hereby fully, forever, irrevocably and unconditionally release and discharge NSM, including its past and present officers, directors, partners, members, parents, subsidiaries, divisions, affiliates, agents, employees, shareholders, representatives, attorneys, successors, assigns, and all persons acting by, through, under, or in concert with them (hereinafter collectively referred to as "Releasees"), for anything that has occurred up to the date of execution of this Agreement, including but not limited to, any and all claims resulting from Employee’s employment with NSM and any and all claims relating to the administration or terms of any employment or benefit plan or contract. This includes all claims, demands, rights, liabilities, and causes of action of every nature and description whatsoever, whether known or unknown, whether in tort, contract, statute, rule, ordinance, order, regulation, or otherwise, including, without limitation, any claims arising under or based upon Title VII of the Civil Rights Act, as amended;

the Civil Rights Act of 1991, as amended; Section 1981 of U.S.C. Title 42; the Age Discrimination in Employment Act; the Americans with Disabilities Act, as amended; the Family and Medical Leave Act, as amended; the Fair Credit Reporting Act; the Fair Labor Standards Act, as amended; the Equal Pay Act, as amended; the Employee Retirement Income Security Act, as amended (with respect to unvested benefits); the Consolidated Omnibus Budget Reconciliation Act; the Sarbanes Oxley Act of 2002, as amended; the Worker Adjustment and Retraining Notification Act, as amended; the Uniform Service Employment and Reemployment Rights Act, as amended; the Texas Labor Code (specifically including the Texas Payday Act, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code and the Texas Whistleblower Act) and amendments to those laws; all State and Local statutes that may be legally waived that employees could bring employment claims under, including any State or Local anti-discrimination statute, wage and hour statute, leave statute, equal pay statute and whistleblower statute; any federal or state constitutions; any and all claims pursuant to federal, state or local statute or ordinance; any and all claims pursuant to contract, quasi contract, common law or tort; and claims that are known or unknown, suspected or unsuspected, concealed or hidden, or whether developed or undeveloped, up through the date of Employee's execution of this Agreement.

Notwithstanding the foregoing, the parties expressly acknowledge and agree that Employee does not release any claim which cannot be released by private agreement, such as unemployment compensation claims, workers' compensation claims, claims of entitlement to vested benefits under any 401(k) plan or other ERISA-covered benefit plan provided by NSM, claims after the Effective Date of this Agreement, or any rights or claims arising the Transition Agreement. Nothing in this Agreement shall be construed to prohibit Employee from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, National Labor Relations Board, Occupational Health and Safety Administration, Securities and Exchange Commission, the Department of Justice or a comparable state or local enforcement agency. Notwithstanding the preceding sentence, Employee agrees to waive any right to recover monetary damages in connection with any charges filed by Employee or by anyone else on Employee's behalf. To the fullest extent permitted by law, Employee further waives Employee's right to participate in any collective or class action under the Fair Labor Standards Act or similar or state or local law, and Employee agrees to opt-out of any such collective or class action against NSM, to which Employee may be or become a party or class member. The preceding waivers do not include and employee has not waived Employee's right to file an application for or to accept a whistleblower award from the SEC pursuant to Section 21F of the Exchange Act.

3. No Admission. Execution of this Agreement and compliance with this Agreement shall not be considered as an admission by NSM of any liability whatsoever, or as an admission by NSM of: any violation of the rights of Employee or of any other person; a violation of any order, law, statute or duty; a breach of any contract; or an act of discrimination whatsoever against Employee or any other person. NSM specifically disclaims any liability to or discrimination against Employee or any other person; or any alleged violation of any rights of Employee or any person, any order, law, statute, duty; or a breach of any contract on the part of NSM and/or Releasees.

4. Post-Termination Insider Trading Obligations Employee understands and acknowledges that pursuant to the NSM insider trading policy, if Employee is in possession of

Material Nonpublic Information, Employee may not trade in Company securities until that information has become public or is no longer material.

5. Time to Consider and Right to Revoke. Employee acknowledges that Employee has been informed, pursuant to the federal Older Workers Benefit Protection Act of 1990, that:

a) Employee has the right to consult with an attorney before signing this Agreement;

b) Employee does not waive rights or claims under the federal Age Discrimination in Employment Act that may arise after the date this waiver is executed;

c) Employee has been given twenty-one (21) days within which to consider this agreement. Employee knowingly and voluntarily waives the remainder of the 21 day consideration period, if any, following the date Employee signed this Agreement below. Employee agrees that Employee has not been asked by NSM to shorten Employee's time-period for consideration of whether to sign this Agreement. Employee agrees that NSM has not threatened to withdraw or alter the benefits due Employee prior to the expiration of the 21 day period nor has NSM provided different terms to Employee because Employee has decided to sign this Agreement prior to the expiration of the 21 day consideration period. Employee understands that having waived some portion of the 21 day consideration period, NSM may expedite the processing of benefits provided to Employee in exchange for signing this Agreement;

d) Employee may, for a period of seven (7) days following the execution of this Agreement, revoke this Agreement and that said Agreement will not be considered effective until the revocation period has passed; and

e) This Agreement is written in a manner in which Employee fully understands and Employee enters into this Agreement knowingly and voluntarily.

Revocation must be made by delivering a written notice of revocation to: Eric Austin, SVP Human Resources, Nationstar Mortgage LLC, 4000 Horizon Way, Irving, Texas 75063. For this revocation to be effective, written notice must be postmarked or it must be received electronically or by fax to (469) 322-1642 no later than 5:00 p.m. Central Standard Time on the seventh day after Employee signs this Agreement.

Employee understands that nothing in this Agreement is intended to interfere with or deter Employee's right to challenge the waiver of an ADEA claim or state law age discrimination claim or the filing of an ADEA charge or ADEA complaint or state law age discrimination complaint or charge with the Equal Employment Opportunity Commission or any state discrimination agency or commission or to participate in any investigation or proceeding conducted by those agencies. Further, Employee understands that nothing in this Agreement would require Employee to tender back the money received under this Agreement if Employee seeks to challenge the validity of the

ADEA or state law age discrimination waiver, nor does Employee agree to ratify any ADEA or state law age discrimination waiver that fails to comply with the Older Workers' Benefit Protection Act by retaining the money received under the Agreement. Further, nothing in this Agreement is intended to require the payment of damages, attorneys' fees or costs to NSM should Employee challenge the waiver of an ADEA or state law age discrimination claim or file an ADEA or state law age discrimination suit except as authorized by federal or state law. However, Employee does waive any right to recover monetary damages with respect to any charge, complaint, or lawsuit against NSM filed by Employee or anyone else on Employee's behalf that concerns the ADEA, state law age discrimination laws, the Older Workers' Benefit Protection Act or any other law, rule or regulation concerning the rights of older workers.

6. Cooperation. Employee agrees that certain matters in which Employee has been involved during Employee's employment may necessitate Employee's assistance and cooperation with NSM in the future. Accordingly, Employee agrees to the extent reasonably requested by NSM, to cooperate with NSM in connection with any dispute, claim, investigation, legal or regulatory matter involving NSM that relates to Employee's period of employment with NSM. Employee will further make himself/herself reasonably available to answer questions from NSM regarding Employee's former duties and responsibilities and the knowledge Employee obtained in connection therewith. NSM shall make reasonable efforts to minimize disruption of Employee's other activities. NSM shall reimburse Employee for reasonable out-of-pocket expenses incurred in connection with such cooperation.

7. Employee Benefits. Employee understands and acknowledges that any vested benefits under any of NSM's employee benefit plans shall be governed by the terms of the applicable plan documents and award agreements.

8. Miscellaneous.

a) Entire Agreement. This Agreement and the Transition Agreement contain the entire understanding and agreement between the parties with respect to the matters set forth therein; supersede any other agreements between the parties hereto concerning the subject matters thereof, oral or written, and may not be amended, supplemented, changed, or modified in any manner, orally, or otherwise, except by an instrument in writing, executed by all parties hereto.

b) Successors Bound. This Agreement and the Transition Agreement are binding on the parties hereto, and their respective heirs, representatives, successors and assigns.

c) Governing Law. NSM and Employee agree that any questions arising under this Agreement, whether of validity, interpretation, performance or otherwise, will be governed by and construed in accordance with the laws of the state of Texas applicable to agreements made and to be performed in Texas without regard to choice of law rules.

d) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

e) Severability. Both parties agree and understand that if any provision of this Agreement is declared to be unenforceable by a court of competent jurisdiction, the remaining terms and conditions shall not be affected and shall remain in full force and effect.

f) No Waiver. NSM may elect not to pursue any remedy available to it under this Agreement or by law, provided, that such election shall not operate as a waiver of any such remedy or of any other remedy, nor shall it constitute a waiver of any of Employee's other obligations under this Agreement.

A copy of this Agreement was hand delivered or electronically delivered to Employee on or about _________________, 2019.

Notwithstanding any other provision in this Agreement, if Employee does not sign and deliver this Agreement to NSM on or before 21 days following Employee's Termination Date or on or before 21 days of Employee's receipt of the Agreement, whichever date occurs later, then this Agreement will be **null** and **void** and Employee will **not** be entitled to the Release Consideration described above.

EMPLOYEE UNDERSTANDS AND AGREES THAT EMPLOYEE MAY BE WAIVING SIGNIFICANT LEGAL RIGHTS BY SIGNING THIS RELEASE, AND REPRESENTS THAT EMPLOYEE ENTERED INTO THIS RELEASE VOLUNTARILY, AFTER HAVING THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF EMPLOYEE'S OWN CHOOSING, WITH A FULL UNDERSTANDING OF AND IN AGREEMENT WITH ALL OF ITS TERMS.

Date:____________________________ ____

Anthony W. Villani

Date:____________________________ ____

Kelly Ann Doherty
EVP, Nationstar Mortgage LLC

Exhibit B to Transition Agreement

Grant Date	QTY - Granted	QTY - Unvested	Vesting Date 1	QTY Vesting 1	Vesting Date 2	QTY Vesting 2	Vesting Date 3	QTY Vesting 3
03/01/2018	23,205.000	15,478.000	03/01/2020	7,727.000	03/01/2021	7,751.00	N/A	N/A
03/01/2019	27,263.000	27,263.000	03/01/2020	9,078.000	03/01/2021	9,079.000	03/01/2022	9,106.00
12/01/2018	16,695.000	16,695.000	03/01/2020	5,559.000	03/01/2021	5,559.000	03/01/2022	5,577.00

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Section 5: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jay Bray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019 of Mr. Cooper Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

/s/ Jay Bray

Jay Bray

Chief Executive Officer

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Section 6: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher G. Marshall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019 of Mr. Cooper Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

/s/ Christopher G. Marshall

Christopher G. Marshall

Vice Chairman & Chief Financial Officer

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Section 7: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mr. Cooper Group Inc. (the “Company”) on Form 10-Q for the three and six months ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay Bray, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2019

/s/ Jay Bray

Jay Bray

Chief Executive Officer

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Section 8: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Mr. Cooper Group Inc. (the “Company”) on Form 10-Q for the three and six months ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher G. Marshall, Vice Chairman & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2019

/s/ Christopher G. Marshall

Christopher G. Marshall

Vice Chairman & Chief Financial Officer

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