

## 2013: FOCUSED ON CREATING VALUE FOR STOCKHOLDERS

Dear Fellow Stockholders,

2013 was a period of significant accomplishment for Nationstar. Hard work and dedication from our employees and support from our business partners helped generate strong operational and financial performance for all of our business lines in 2013. We increased the size of our servicing portfolio by nearly 90%, increased our originations volume by over 200%, grew revenues by 113% and increased operating pretax income by 32%. Our return on equity was 25%. We remain committed to increasing stockholder value, as demonstrated by the 19% increase in share price in 2013 and 164% increase since our IPO in March 2012 through the end of 2013.

When I think about the last year, I am very proud of the team's successful boarding of the Bank of America servicing portfolios. This was a landmark transaction for the company and doubled the size of our servicing book. Our team did a fabulous job boarding over \$200 billion dollars of unpaid principal balance ("UPB") and added more than one million new customers. We remained focused on the customers, regulators and investors to ensure a smooth transition for all.

As we look forward, in servicing, we are focused on increasing profitability and executing on additional portfolio acquisitions. Solutionstar, our fee-based services business, is committed to expanding its offerings across the mortgage and real estate lifecycle as it diversifies revenues by adding third-party clients. We are very excited about our opportunity to grow Solutionstar into the premier provider of services for the real estate industry. In originations, we are focused on our core consumer direct channel and profitability creating long-term servicing assets. We view our origination platform as the most cost-effective and profitable way to acquire servicing assets.

We expect to generate significant investable cash flow in 2014, which will provide optionality for future investments and capital management. We continue to focus on providing solutions for our customers, improving the portfolio performance for credit investors and generating strong returns for our stockholders.

## LONG HISTORY OF PROVIDING SOLUTIONS TO OUR CUSTOMERS AND PRESERVING HOMEOWNERSHIP

As the sixth largest mortgage servicer in the United States, we now service nearly as many delinquent homeowners as our larger competitors that are more than double our size, and we service these customers by choice.

Americans have been impacted by unemployment and falling home prices, which created distress in the mortgage market. During this time we stepped in to provide homeowners, investors and taxpayers the solutions they needed and rose to meet the challenges of these unprecedented times. A cornerstone of our business model is to improve the performance of servicing portfolios principally through providing delinquent customers with solutions while making mortgages more affordable.

Approximately 15% of our 2.3 million customers are facing difficult situations in life that make paying their mortgage challenging. These situations include job loss, divorce, illness or death of a loved one. These homeowners need a partner with a proven track record of helping people succeed and retain homeownership. We are dedicated to offering a variety of solutions through government and investor assistance programs.

I'm pleased to report that we delivered 108,000 workouts, including 39,000 loan modifications in 2013. Each homeowner who received a loan modification last year saved an average of approximately \$4,800 per year. We also provided 69,000 customers with collateral workouts and other repayment plans. As a result of these measures, Nationstar was able to reduce the overall 60+ day delinquency in our servicing portfolio by 16% while keeping customers in their homes. For every one foreclosure, we were able to save three homeowners from foreclosure through our modifications and workout solutions.

We helped 117,000 homeowners secure mortgages. This includes 62,000 homeowners whose mortgages were refinanced through the federal government's Home Affordable Refinance Program ("HARP"), which allows borrowers to refinance a mortgage with a very high loan-to-value ratio. On average, the customers who

refinanced with Nationstar saved \$2,400 per year on their mortgage payments, providing more disposable income for everyday living expenses.

These statistics clearly demonstrate that Nationstar has the people, processes and technology in place to help preserve homeownership. At the end of 2013, we had nearly 7,000 employees working with our customers, compared to 4,700 the year before. And throughout 2013, we increased the investment in our platform by more than six times over 2012 levels, allowing us to help customers-in-need better than any of the other top ten servicers.

We have built processes that drive accountability, compliance and customer solutions. Of the top ten mortgage servicers, Nationstar ranked second for the fewest complaints from delinquent borrowers during 2012 and 2013. Notably, Nationstar was 65% lower than the group average. We take complaints very seriously, and even one complaint is more than we would like. However, these statistics show that complaints are the exception, not the rule at Nationstar.

Over the past 20 years, Nationstar has a strong track record of helping homeowners, investors and the American taxpayers. Our goal has always been to provide solutions to our customers and preserve homeownership, and our promise is to continue to improve the lives of our 2.3 million customers every day.

#### **MORTGAGE SERVICING: CONTINUED GROWTH AND INCREASED PROFITABILITY**

We ended the year at \$391 billion in UPB. As a result of executing on our plan to increase the profitability of our servicing portfolio, our core servicing business continues to generate long-term recurring revenues and predictable cash flows.

Those cash flows have the potential to extend in duration in an improving economy and rising interest rate environment. We continue to believe that we are well situated given the amount of servicing we acquired or originated at very low multiples over the last few years and believe the earnings stream will be extended significantly as the economy continues to improve and prepayments slow. An improving economy should further increase servicing profitability as delinquencies fall.

We continue to see a multi-year opportunity to grow our servicing business through continued investment in bulk portfolio acquisitions. We also are focused on long-term flow servicing agreements with strategic partners in which we acquire newly originated or delinquent loan servicing on a recurring basis.

As we grow our servicing assets under management, we are very focused on improving servicing profitability. We have implemented several strategic operational initiatives to strengthen earnings over the course of 2014, and we expect the benefit of these initiatives to materialize with the fully ramped earnings power of the platform.

#### **SOLUTIONSTAR: STRONG GROWTH IN FEE-BASED SERVICES BUSINESS**

Solutionstar, our fee-based services business, complements our servicing and originations businesses and continues to rapidly grow. Solutionstar has experienced significant growth operationally and financially since its launch in the fourth quarter of 2012.

In early 2013, we acquired the Equifax settlement services business. As we order appraisals, title insurance, and closing services, we now use this platform to capture the associated profits and enhance the customer experience. The Equifax acquisition also expanded our service of third-party clients, and we have increased our penetration rate with those clients. In March of 2013, we launched Homeseach.com, our portal to offer and sell real estate services to consumers. While today the platform is geared towards REO sales from Nationstar, we are making inroads on selling third-party REO properties and non-distressed properties.

Solutionstar is focused on increasing the amount of properties sold through our Homeseach.com platform, diversifying Homeseach.com's service offerings, expanding our settlement services business and pursuing acquisition opportunities. We are planning to make real estate simple through a technology platform addressing each touch point to provide end-to-end services to our customers as well as third parties. This represents a

tremendous opportunity for our company as we seek to expand our participation in the more than eight million annual U.S. real estate transactions.

#### **ORIGINATIONS: PROFITABLE GENERATION OF LONG-TERM SERVICING ASSETS**

2013 was a year of volatility in the origination market. Conditions were favorable in the first half of the year but became more challenging as interest rates rose in the second half of the year. The market conditions during the 3rd and 4th quarters resulted in a transition and re-tooling for our originations segment. Despite these challenges, our originations segment originated more than \$24 billion during 2013, a 200% increase over 2012. Throughout 2013, we also executed on our goal to maximize originations under HARP. During the year we originated 62,000 HARP loans which reduce borrowers' payments and make mortgages more affordable for our customers.

Our originations business remains an important component in driving the growth of our servicing business. Our over-arching strategy for our originations segment remains unchanged: to generate attractive, long-term servicing assets at a profit that will supplement and sustain our servicing portfolio.

Our focus for 2014 is on our consumer direct channel, increasing the speed of our turn-times and improving profitability. We refocused the platform to our more profitable consumer direct channel, which includes recapture, Greenlight and our joint-venture with KB Home.

We will continue to opportunistically originate from our correspondent channel, another low-cost way to create servicing assets. We also believe there are going to be increased opportunities in purchase money originations, and we are starting to see the first signs of the return of private capital to the market.

#### **2014 AND BEYOND**

We remain focused on our objectives of 1) maximizing value for our stockholders, 2) providing exceptional customer service and preserving homeownership, and 3) improving portfolio performance for credit investors.

While we cannot control or predict major market changes, our employees' steadfast dedication to our strategic plan places Nationstar in a position to deliver increased stockholder value. We are also well positioned for an improving economy and continue to explore ways to grow our business, diversify our product offerings, help our customers and drive value for our stockholders. We are committed to our long-term strategy, and we know that the best days are still ahead — for our industry, for our customers and for Nationstar.

On behalf of everyone at Nationstar, thank you for your continued support.



Jay Bray  
Chief Executive Officer  
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