

Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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: 001-35449

Nationstar Mortgage Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

8950 Cypress Waters Blvd
Coppell, TX

(Address of principal executive offices)

45-2156869

(I.R.S. Employer
Identification No.)

75019

(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12(b)-2 of the Exchange Act

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company.)

Smaller reporting company

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 March 31, 2016: 102,873,112

NATIONSTAR MORTGAGE HOLDINGS INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I. Financial Information

Item 1. Financial Statements

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands)

	March 31, 2016	December 31, 2015
	<i>(unaudited)</i>	
Assets		
Cash and cash equivalents	\$ 460,951	\$ 613,241
Restricted cash	307,564	332,105
Mortgage servicing rights, \$3,088,123 and \$3,358,327 at fair value, respectively	3,096,084	3,366,973
Advances, net	2,070,599	2,223,083
Reverse mortgage interests, net	7,584,086	7,514,323
Mortgage loans held for sale	1,880,654	1,429,691
Mortgage loans held for investment, net of allowance for loan losses of \$3,549 and \$3,549, respectively	166,564	173,650
Property and equipment, net of accumulated depreciation of \$106,797 and \$92,834, respectively	142,155	142,836
Derivative financial instruments	109,168	99,699
Other assets	733,699	721,832
Total assets	\$ 16,551,524	\$ 16,617,433
Liabilities and stockholders' equity		
Unsecured senior notes, net of unamortized debt issuance costs \$21,535 and \$22,940, respectively	\$ 2,025,265	\$ 2,025,754
Advance facilities, net of unamortized debt issuance costs \$3,409 and \$6,433, respectively	1,563,750	1,639,690
Warehouse facilities, net of unamortized debt issuance costs \$2,171 and \$3,206, respectively	2,414,495	1,890,320
Payables and accrued liabilities	1,139,400	1,296,387
MSR related liabilities - nonrecourse	1,242,999	1,300,782
Mortgage servicing liabilities	18,065	25,260
Derivative financial instruments	20,835	5,823
Other nonrecourse debt, net of unamortized debt issuance costs \$5,758 and \$4,558, respectively	6,545,196	6,666,040
Total liabilities	14,970,005	14,850,056
Commitments and contingencies (Note 15)	—	—
Preferred stock at \$0.01 par value - 300,000 shares authorized, no shares issued and outstanding	—	—
Common stock at \$0.01 par value - 1,000,000 shares authorized, 109,909 shares and 109,826 shares issued, respectively	1,099	1,084
Additional paid-in-capital	1,109,005	1,104,972
Retained earnings	549,449	681,838
Treasury shares at cost; 7,036 and 989 shares, respectively	(86,395)	(29,780)
Total Nationstar stockholders' equity	1,573,158	1,758,114
Noncontrolling interest	8,361	9,263
Total stockholders' equity	1,581,519	1,767,377
Total liabilities and stockholders' equity	\$ 16,551,524	\$ 16,617,433

See accompanying notes to the consolidated financial statements.

NATIONSTAR MORTGAGE HOLDINGS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except for earnings per share data)

	Three months ended March 31,	
	2016	2015
Revenues:		
Service related	\$ 92,653	\$ 215,123
Net gain on mortgage loans held for sale	171,116	166,994
Total revenues	<u>263,769</u>	<u>382,117</u>
Expenses:		
Salaries, wages and benefits	197,362	178,755
General and administrative	224,115	205,088
Total expenses	<u>421,477</u>	<u>383,843</u>
Other income (expenses):		
Interest income	102,843	43,774
Interest expense	(160,776)	(115,648)
Gain on repurchase of unsecured senior notes	77	—
Gain (loss) on interest rate swaps and caps	8	(767)
Total other expenses, net	<u>(57,848)</u>	<u>(72,641)</u>
Loss before income tax benefit	<u>(215,556)</u>	<u>(74,367)</u>
Income tax benefit	(82,265)	(27,525)
Net loss	<u>(133,291)</u>	<u>(46,842)</u>
Less: net income (loss) attributable to non-controlling interests	(902)	1,473
Net loss attributable to Nationstar	<u>\$ (132,389)</u>	<u>\$ (48,315)</u>
Net loss per common share attributable to common stockholders:		
Basic and diluted	\$ (1.28)	\$ (0.54)
Weighted average shares of common stock outstanding:		
Basic and diluted	103,098	89,911
Dividends declared per share	\$ —	\$ —

See accompanying notes to the consolidated financial statements.

NATIONSTAR MORTGAGE HOLDINGS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands)

	Number of Shares Outstanding		Amount					
	Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Share Amount	Total Nationstar Stockholders' Equity	Non- controlling Interests	Total Equity
Balance at December 31, 2014	90,357	\$ 910	\$ 587,446	\$ 643,059	\$ (12,433)	\$ 1,218,982	\$ 5,296	\$ 1,224,278
Shares issued under incentive plan	585	(1)	1	—	—	—	—	—
Acquisition on noncontrolling interest in subsidiaries	—	—	—	—	—	—	(760)	(760)
Share-based compensation	—	—	5,524	—	—	5,524	—	5,524
Stock offering	17,500	175	497,583	—	—	497,758	—	497,758
Excess tax benefit from share based compensation	—	—	1,095	—	—	1,095	—	1,095
Shares acquired by Nationstar related to incentive compensation awards	(188)	—	—	—	(5,442)	(5,442)	—	(5,442)
Other	(675)	—	—	—	—	—	—	—
Net income (loss)	—	—	—	(48,315)	—	(48,315)	1,473	(46,842)
Balance at March 31, 2015	<u>107,579</u>	<u>\$ 1,084</u>	<u>\$ 1,091,649</u>	<u>\$ 594,744</u>	<u>\$ (17,875)</u>	<u>\$ 1,669,602</u>	<u>\$ 6,009</u>	<u>\$ 1,675,611</u>
Balance at December 31, 2015	108,837	\$ 1,084	\$1,104,972	\$681,838	\$(29,780)	\$ 1,758,114	\$ 9,263	\$1,767,377
Shares issued under incentive plan	489	—	—	—	—	—	—	—
Share-based compensation	—	—	6,843	—	—	6,843	—	6,843
Excess tax deficiency from share-based compensation	—	—	(2,795)	—	—	(2,795)	—	(2,795)
Shares acquired by Nationstar related to incentive compensation awards	(145)	—	—	—	(1,564)	(1,564)	—	(1,564)
Repurchase of common stock	(5,522)	—	—	—	(55,051)	(55,051)	—	(55,051)
Other	(786)	15	(15)	—	—	—	—	—
Net loss	—	—	—	(132,389)	—	(132,389)	(902)	(133,291)
Balance at March 31, 2016	<u>102,873</u>	<u>\$ 1,099</u>	<u>\$1,109,005</u>	<u>\$549,449</u>	<u>\$(86,395)</u>	<u>\$ 1,573,158</u>	<u>\$ 8,361</u>	<u>\$1,581,519</u>

See accompanying notes to the consolidated financial statements.

NATIONSTAR MORTGAGE HOLDINGS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Three months ended March 31,	
	2016	2015
Operating Activities		
Net loss attributable to Nationstar	\$ (132,389)	\$ (48,315)
Reconciliation of net loss to net cash attributable to operating activities:		
Noncontrolling interest	(902)	1,473
Share-based compensation	6,843	5,524
Excess tax deficiency (benefit) from share-based compensation	2,795	(1,095)
Net gain on mortgage loans held for sale	(171,116)	(166,994)
Mortgage loans originated and purchased, net of fees	(4,240,116)	(4,209,078)
Repurchases of loans and foreclosures out of Ginnie Mae securitizations	(486,124)	(405,893)
Proceeds on sale of and payments of mortgage loans held for sale and held for investment	4,377,242	4,003,126
Gain on repurchase of unsecured senior notes	(77)	—
(Gain) loss on interest rate swaps and caps	(8)	767
Depreciation and amortization	23,144	18,119
Amortization (accretion) of premiums (discounts)	9,878	(7,062)
Fair value changes in excess spread financing	(23,699)	13,114
Fair value changes and amortization/accretion of mortgage servicing rights	286,378	204,200
Fair value change in mortgage servicing rights financing liability	13,033	(4,386)
Changes in assets and liabilities:		
Advances	152,484	95,436
Reverse mortgage interests	(14,998)	(180,793)
Other assets	26,111	18,677
Payables and accrued liabilities	(159,895)	2,873
Net cash attributable to operating activities	<u>(331,416)</u>	<u>(660,307)</u>
Investing Activities		
Property and equipment additions, net of disposals	(13,104)	(11,993)
Purchase of forward mortgage servicing rights, net of liabilities incurred	(1,530)	(196,081)
Proceeds from sale of forward mortgage servicing rights	18,361	—
Purchase of reverse mortgage interests	(55,215)	—
Proceeds on sale of reverse mortgage interest	450	—
Acquisitions, net	—	(31,276)
Net cash attributable to investing activities	<u>(51,038)</u>	<u>(239,350)</u>

Continued on following page.

See accompanying notes to the consolidated financial statements.

NATIONSTAR MORTGAGE HOLDINGS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
(amounts in thousands)

	Three months ended March 31,	
	2016	2015
Financing Activities		
Transfers (to) from restricted cash, net	24,541	(73,012)
Issuance of common stock, net of issuance costs	—	497,758
Debt financing costs	(2,497)	(1,549)
Increase in warehouse facilities	522,893	904,850
Decrease in advance facilities	(79,048)	(18,471)
Proceeds from HECM securitizations	281,680	73,082
Repayment of HECM securitizations	(285,985)	(26,829)
Issuance of excess spread financing	—	52,957
Repayment of excess spread financing	(47,117)	(49,516)
Increase (decrease) in participating interest financing in reverse mortgage interests	(120,362)	64,781
Repayment of nonrecourse debt – legacy assets	(3,056)	(3,273)
Repurchase of unsecured senior notes	(1,475)	—
Excess tax (deficiency) benefit from share-based compensation	(2,795)	1,095
Surrender of shares relating to stock vesting	(1,564)	(5,442)
Repurchase of common stock	(55,051)	—
Net cash attributable to financing activities	<u>230,164</u>	<u>1,416,431</u>
Net increase (decrease) in cash and cash equivalents	(152,290)	516,774
Cash and cash equivalents at beginning of period	613,241	299,002
Cash and cash equivalents at end of period	<u>\$ 460,951</u>	<u>\$ 815,776</u>
Supplemental disclosures of cash activities		
Cash paid for interest expense	\$ 166,898	\$ 110,144
Net cash (received from) paid for income taxes	\$ 15,365	\$ (609)
Supplemental disclosures of non-cash activities		
Claims made to third parties	\$ 13,910	\$ 22,116

See accompanying notes to the consolidated financial statements.

NATIONSTAR MORTGAGE HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(amounts in thousands, unless otherwise stated)

1. Nature of Business and Basis of Presentation

Nature of Business

Nationstar Mortgage Holdings Inc., a Delaware corporation, including its consolidated subsidiaries (collectively, Nationstar or the Company), earns fees through the delivery of servicing, origination and transaction based services related principally to single-family residences throughout the United States.

Basis of Presentation

The consolidated interim financial statements of Nationstar have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission (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 Nationstar's Annual Report on Form 10-K for the year ended December 31, 2015. The Company describes its significant accounting policies in Note 2 of the notes to consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2015. During the three month period ended March 31, 2016, there were no significant changes to those accounting policies.

The interim consolidated financial statements are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results of the interim periods have been included. The results of operations for the interim periods disclosed are not necessarily indicative of the results that may be expected for the full year or any future period. Certain prior period amounts have been reclassified to conform to the current period presentation. Nationstar evaluated subsequent events through the date these interim consolidated financial statements were issued.

Basis of Consolidation

The consolidated financial statements include the accounts of Nationstar, its wholly-owned subsidiaries, and other entities in which the Company has a controlling financial interest, and those variable interest entities (VIEs) where Nationstar's wholly-owned subsidiaries are the primary beneficiaries. Nationstar applies the equity method of accounting to investments when the entity is a VIE and Nationstar is able to exercise significant influence, but not control, over the policies and procedures of the entity but owns less than 50% of the voting interests. 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. Results of operations, assets and liabilities of VIEs are included from the date that Nationstar became the primary beneficiary through the date Nationstar ceases to be the primary beneficiary.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current-period presentation. As shown in the table below, pursuant to the adoption of ASU 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, the Company has reclassified unamortized debt issuance costs associated with its unsecured senior notes, advance facilities, warehouse facilities and other nonrecourse debt in its previously reported Consolidated Balance Sheet as of December 31, 2015 as follows:

	As presented December 31, 2015	Reclassification	As adjusted December 31, 2015
Other assets	\$ 758,969	\$ (37,137)	\$ 721,832
Unsecured senior notes	2,048,694	(22,940)	2,025,754
Advance facilities	1,646,123	(6,433)	1,639,690
Warehouse facilities	1,893,526	(3,206)	1,890,320
Other nonrecourse debt	6,670,598	(4,558)	6,666,040

Recent Accounting Guidance Adopted

Effective January 1, 2016, the Company adopted Accounting Standards Update No. 2014-12, *Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12), which requires that a performance target that affects vesting that could be achieved after the requisite service period be treated as a performance condition. The adoption of ASU 2014-12 did not have a material impact on our financial condition, liquidity or results of operations.

Effective January 1, 2016, the Company retrospectively adopted Accounting Standards Update 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which requires that debt issuance costs be included in the carrying value of the related debt liability, when recognized, on the face of the balance sheet. The adoption of ASU 2015-03 was limited to balance sheet reclassification of unamortized debt issuance costs, and did not impact the Company's financial condition, liquidity or results of operations. See Reclassifications section in Note 1 for further details. Also, ASU 2015-15 *Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* further expands ASU 2015-03 for presentation and disclosure in the financial statements. ASU 2015-15 amends Subtopic 835-30 to include that the SEC would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of the deferred costs over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of ASU 2015-15 did not have a material impact on our financial condition, liquidity or results of operations.

Effective January 1, 2016, the Company prospectively adopted Accounting Standards Update 2015-05, *Intangibles — Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05), which was created to eliminate diversity in the reporting of fees paid by a customer in a cloud computing arrangement caused by lack of guidance. This update provides that if a cloud computing arrangement includes a software license, the license element should be accounted for as other acquired software licenses. If the cloud computing arrangement does not include a software license, then the fees should be accounted for as a service contract. The adoption of ASU 2015-05 did not have a material impact on our financial condition, liquidity or results of operations.

Recent Accounting Guidance Not Yet Adopted

Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which provides guidance for revenue recognition. This ASU's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the company expects to be entitled in exchange for those goods or services. The ASU 2014-09 was postponed resulting in effective commencement with Nationstar's quarter ending March 31, 2018. The Company is currently assessing the potential impact of ASU 2014-09 on the consolidated financial statements.

Accounting Standards Update No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15), creates consistency in the disclosures made by an entity when there is doubt that the entity will continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016. The adoption of ASU 2014-15 is not expected to have a material impact on our financial condition, liquidity or results of operations.

Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), primarily impacts accounting for equity investments and financial liabilities under the fair value option, as well as the presentation and disclosure requirements for financial instruments. Under the new guidance, equity investments will generally be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on the Company's financial position or results of operations.

Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02), primarily impacts 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. The lease liability will be equal to the present value of all reasonably certain lease payments. The right-of-use asset will be based on the liability, subject to adjustment for initial direct costs. Lease agreements that are 12 months or less are permitted to be excluded from the balance sheet. In general, leases will be amortized on a straight-line basis with the exception of finance lease agreements. ASU 2016-02 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, with early adoption permitted. The Company is currently assessing the impact the adoption of this guidance will have on the Company's financial position or results of operations.

Accounting Standards Update No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (ASU 2016-08), clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. ASU 2016-08 also provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date of the standard for the Company will coincide with ASU 2014-09 during the first quarter 2018. The Company is currently assessing the impact the adoption of this guidance will have on the Company's financial position or results of operations.

Accounting Standards Update No. 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09). The new guidance simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, calculation of earnings per share, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently assessing the impact the adoption of this guidance will have on the Company's financial position or results of operations.

Accounting Standards Update No. 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10) amends the revenue guidance in ASU 2014-09 on identifying performance obligations and accounting for licenses of intellectual property. ASU 2016-10 changed the Financial Accounting Standards Board's previous proposals on renewals of right-to-use licenses and contractual restrictions. The effective date of the standard for the Company will coincide with ASU 2014-09 during the first quarter 2018. The Company is currently assessing the impact the adoption of this guidance will have on the Company's financial position or results of operations.

2. Mortgage Servicing Rights (MSR) and Related Liabilities

MSRs and Related Liabilities	March 31, 2016	December 31, 2015
MSRs - fair value	\$ 3,088,123	\$ 3,358,327
MSRs - LOCOM	7,961	8,646
Mortgage servicing rights	<u>\$ 3,096,084</u>	<u>\$ 3,366,973</u>
Mortgage servicing liabilities - LOCOM	\$ 18,065	\$ 25,260
Excess spread financing - fair value	\$ 1,161,270	\$ 1,232,086
Mortgage servicing rights financing liability - fair value	81,729	68,696
MSR related liabilities (nonrecourse)	<u>\$ 1,242,999</u>	<u>\$ 1,300,782</u>

Mortgage Servicing Rights - Fair Value

MSRs - fair value consists of rights the Company owns and records as assets to service traditional residential mortgage loans for others either as a result of a purchase transaction or from the sale and securitization of loans originated. MSRs - fair value comprise rights related to both agency and non-agency loans. The Company segregates MSRs - fair value between credit sensitive and interest sensitive pools. Interest sensitive pools are primarily impacted by changes in forecasted interest rates, which in turn impact voluntary prepayment speeds. Credit sensitive pools are primarily impacted by borrower performance under specified repayment terms, which most directly impacts involuntary prepayments and delinquency rates.

The Company assesses whether acquired portfolios are more credit sensitive or interest sensitive in nature on the date of acquisition. The Company considers numerous factors in making this assessment, including loan-to-value ratios, FICO scores, percentage of portfolio previously modified, portfolio seasoning and similar criteria. Once the determination for a pool is made, it is not changed over time.

Interest sensitive portfolios generally consist of lower delinquency single-family conforming residential forward mortgage agency loans. Credit sensitive portfolios generally consist of higher delinquency single-family non-conforming residential forward mortgage loans serviced for agency and non-agency investors.

The following table provides a breakdown of the total credit and interest sensitive unpaid principal balances (UPBs) for Nationstar's forward owned MSRs that are carried at fair value.

	March 31, 2016		December 31, 2015	
	UPB	Fair Value	UPB	Fair Value
Credit sensitive	\$ 214,623,983	\$ 1,918,310	\$ 224,334,415	\$ 2,016,617
Interest sensitive	118,036,249	1,169,813	121,341,842	1,341,710
Total	\$ 332,660,232	\$ 3,088,123	\$ 345,676,257	\$ 3,358,327

The activity of MSRs carried at fair value is as follows for the dates indicated:

MSRs - Fair Value	Three months ended March 31,	
	2016	2015
Fair value at the beginning of the period	\$ 3,358,327	\$ 2,949,739
Additions:		
Servicing resulting from transfers of financial assets	39,663	44,232
Purchases of servicing assets	1,643	238,413
Dispositions:		
Dispositions	(18,621)	—
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model	(235,581)	(109,684)
Other changes in fair value	(57,308)	(100,502)
Fair value at the end of the period	\$ 3,088,123	\$ 3,022,198

Servicing resulting from transfers of financial assets comprises the fair value of the newly originated MSRs at the time the loan is funded and securitized.

During the first quarter of 2016, Nationstar sold MSRs with an unpaid principal balance of \$1.9 billion and was retained as the subservicer for the sold assets. The Company evaluated the sale accounting requirements related to this transaction given the continued involvement as the subservicer and concluded that the transaction qualifies for sales accounting.

Nationstar used the following weighted average assumptions in estimating the fair value of MSRs for the dates indicated:

Credit Sensitive	March 31, 2016	December 31, 2015
Discount rate	11.6%	11.6%
Total prepayment speeds	16.4%	16.5%
Expected weighted-average life	5.8 years	5.9 years
Interest Sensitive	March 31, 2016	December 31, 2015
Discount rate	9.2%	9.1%
Total prepayment speeds	14.1%	12.4%
Expected weighted-average life	5.6 years	6.1 years

The following table shows the hypothetical effect on the fair value of the MSR's using certain unfavorable variations of the expected levels of key assumptions used in valuing these assets at March 31, 2016 and December 31, 2015:

	Discount Rate		Total Prepayment Speeds	
	100 bps Adverse Change	200 bps Adverse Change	10% Adverse Change	20% Adverse Change
March 31, 2016				
Mortgage servicing rights	\$ (105,221)	\$ (206,145)	\$ (132,489)	\$ (253,694)
December 31, 2015				
Mortgage servicing rights	\$ (123,115)	\$ (237,779)	\$ (132,277)	\$ (253,028)

These sensitivities are hypothetical and 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, the changes in the fair value of Nationstar's excess spread financing liability partially offsets the change in the fair value of Nationstar's mortgage servicing rights.

MSRs - Lower of Cost or Market (LOCOM)

Nationstar owns the right to service certain reverse mortgages with an unpaid principal balance of \$29.0 billion and \$29.9 billion as of March 31, 2016 and December 31, 2015, respectively. Nationstar carries these mortgage servicing rights at the lower of cost or market and performs an impairment analysis at the end of each reporting period. In determining fair value for the purpose of impairment, Nationstar utilizes a variety of assumptions, with the primary assumptions being discount rates, prepayment speeds, home price index, collateral values and the expected weighted average life. At March 31, 2016 and December 31, 2015, no impairment was identified.

The activity of MSR's carried at amortized cost is as follows for the dates indicated:

	Three months ended March 31,			
	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Activity of MSR's - LOCOM				
Balance at the beginning of the period	\$ 8,646	\$ 25,260	\$ 11,582	\$ 65,382
Additions:				
Purchase/assumptions of servicing rights/obligations	—	—	—	—
Deductions:				
Amortization/accretion	(685)	(7,195)	(798)	(6,783)
Balance at end of the period	\$ 7,961	\$ 18,065	\$ 10,784	\$ 58,599
Fair value at end of period	\$ 28,129	\$ 2,416	\$ 32,618	\$ 55,579

For the three months ended March 31, 2016 and 2015, the Company accreted \$7.2 million and \$6.8 million, respectively, of the mortgage servicing liability. Issuers of HECMs are responsible for repurchasing any loans out of the HMBS pool when the outstanding principal balance of the related HECM loan is equal to or greater than 98% of the lesser of the appraised value of the underlying property at origination or \$625 thousand.

Excess Spread Financing at Fair Value

In order to finance the acquisition of certain MSR's on various pools of residential mortgage loans (the Portfolios), Nationstar entered into multiple sale and assignment agreements with certain entities formed by New Residential Investment Corp. (New Residential) in which New Residential and/or certain funds managed by Fortress Investment Group LLC (Fortress) own an interest. Nationstar, in transactions accounted for as financing arrangements, sold to such entities the right to receive a specified percentage

of the excess cash flow generated from the Portfolios after receipt of a fixed basic servicing fee per loan. Nationstar has elected fair value accounting for these financing agreements.

Servicing fees associated with a traditional MSR can be segregated into a base servicing fee and an excess servicing fee. The base servicing fee, along with ancillary income, is meant to cover costs incurred to service the specified pool plus a reasonable profit margin. The remaining servicing fee is considered excess.

Nationstar retains all the base servicing fee and ancillary revenues associated with servicing the Portfolios and retains a portion of the excess servicing fee. Nationstar continues to be the servicer of the Portfolios and provides all servicing and advancing functions.

Contemporaneous with the above, Nationstar entered into refinanced loan agreements with New Residential. Should Nationstar refinance any loan in the Portfolios, subject to certain limitations, Nationstar 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 sale and assignment agreement described above, which is the primary driver of the recapture rate assumption.

The range of various assumptions used in Nationstar's valuation of Excess Spread financing were as follows:

Excess Spread Financing	Prepayment Speeds	Average Life (Years)	Discount Rate	Recapture Rate
<u>March 31, 2016</u>				
Low	8.5%	4.1	8.5%	6.7%
High	15.9%	7.2	14.1%	28.9%
Weighted-average	11.9%	5.8	11.0%	18.3%
<u>December 31, 2015</u>				
Low	7.4%	4.2	8.5%	6.8%
High	17.1%	7.8	14.1%	30.0%
Weighted-average	11.6%	5.9	11.2%	17.7%

The following table shows the hypothetical effect on the fair value of excess spread financing using certain unfavorable variations of the expected levels of key assumptions used in valuing these liabilities at the dates indicated:

	Discount Rate		Total Prepayment Speeds	
	100 bps Adverse Change	200 bps Adverse Change	10% Adverse Change	20% Adverse Change
<u>March 31, 2016</u>				
Excess spread financing	\$ 43,552	\$ 90,412	\$ 42,394	\$ 88,488
<u>December 31, 2015</u>				
Excess spread financing	\$ 41,806	\$ 86,791	\$ 36,530	\$ 76,373

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 MSR, any fair value changes recognized in the MSR would inherently have an inverse impact on the carrying amount in the related excess spread financing. For example, while an increase in discount rates would negatively impact the value of the Company's MSR, it would reduce the carrying value of the associated excess spread financing liability.

These sensitivities are hypothetical and 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

From December 2013 through June 2014, Nationstar entered into agreements to sell a contractually specified base fee component of certain MSR's and servicer advances under specified terms to New Residential and certain unaffiliated third-parties. Nationstar continues to be the named servicer and, for accounting purposes, ownership of the mortgage servicing rights continues to reside with Nationstar. Nationstar continues to account for the MSR's on its consolidated balance sheets. Consequently, Nationstar records a MSR financing liability associated with this financing transaction. See Note 18, Disclosures Related to Transactions with Affiliates of Fortress Investment Group LLC for additional information.

Nationstar elected to measure the mortgage servicing rights financings at fair value with all changes in fair value recorded as a charge or credit to servicing related revenue in the consolidated statements of operations. The weighted average assumptions used in the valuation of mortgage servicing rights financing liability were as follows:

	March 31, 2016	December 31, 2015
Advance financing rates	3.1%	3.0%
Annual advance recovery rates	20.5%	20.9%

The following table provides a breakout of revenue associated with servicing assets and liabilities.

Service Fee Income (Loss)	Three months ended March 31,	
	2016	2015
Contractually specified servicing fees	\$ 281,088	\$ 276,444
Incentive and modification income	23,801	22,865
Late fees	18,523	17,583
Other service-related income	30,294	33,120
Remittances to counterparties for contractual transfer of servicing assets	(74,387)	(74,657)
Mark-to-market	(255,008)	(112,443)
Amortization	(48,662)	(62,915)
Total service fee income (loss)	\$ (24,351)	\$ 99,997

3. Advances, Net

	March 31, 2016	December 31, 2015
Agency	\$ 1,280,744	\$ 1,396,176
Non-agency	789,855	826,907
Total advances, net	\$ 2,070,599	\$ 2,223,083

Servicing advances on agency securities represent a receivable from the respective agency and are recovered from cash collections in a securitization trust and/or a requested reimbursement from the agency.

Servicing advances on non-agency securities are typically recovered first at a loan-level from proceeds of the mortgage loans for which the advance was made, and then if loan-level funds are determined to be ultimately insufficient, from cash collected from all borrowers in a securitization trust.

As of March 31, 2016 and December 31, 2015, Nationstar carried an allowance for uncollectible servicer advances of \$37.7 million and \$29.9 million, respectively. Advance balances are reflected net of these reserves.

4. Reverse Mortgage Interests

	March 31, 2016	December 31, 2015
Participating Interests	\$ 5,752,917	\$ 5,864,329
Other interests securitized, net of reserves of \$ 27,626 and \$32,780, respectively	682,797	682,137
Unsecuritized interests, net of reserves of \$33,091 and \$20,133, respectively	1,093,157	967,857
Reverse mortgage loans held for sale	55,215	—
Total reverse mortgage interests	\$ 7,584,086	\$ 7,514,323

Participating interests

Participating interests consists of reverse mortgage interests which have been transferred to Ginnie Mae and subsequently securitized through the issuance of Home Equity Conversion Mortgage Backed Securities (HMBS).

Other interests securitized

Other interests securitized consists of reverse mortgage interests which have been transferred to private securitization trusts and are subject to nonrecourse debt. Nationstar evaluated these trusts and concluded that they meet the definition of a VIE and Nationstar is the primary beneficiary. Accordingly, these transactions are treated as secured borrowings and both the reverse mortgage interests and the related indebtedness are retained on Nationstar's balance sheet. See Note 8, Indebtedness and Note 10, Securitizations and Financing for additional information.

Unsecuritized interests

Unsecuritized interests consist primarily of the following: (1) \$747.5 million related to repurchased Ginnie Mae HECMs; (2) \$135.0 million related to HECM-related receivables; (3) \$99.9 million related to claims accounts receivable; (4) \$85.4 million related to funded borrower draws not yet securitized; (5) \$21.4 million related to participating interests and advance receivable on an acquired HECM portfolio; (6) \$27.3 million related to foreclosed assets; and (7) \$9.7 million related to the HECM service fees receivable.

Under the Ginnie Mae HMBS program, the Company is required to repurchase a HECM loan from the HMBS pool when the outstanding principal balance of the HECM loan is equal to or greater than 98% of the maximum claim amount. Nationstar routinely securitizes eligible reverse mortgage interests. These transactions are treated as secured borrowings with both the reverse mortgage interests and related indebtedness retained on Nationstar's balance sheet. See Note 8, Indebtedness for additional information.

Reverse mortgage loans held for sale

During March 2016, Nationstar executed an option to purchase HECM loans related to a reverse mortgage loan trust, of which Nationstar was the master servicer and holder of clean-up call rights. The Company acquired reverse mortgage loans for \$55.2 million with outstanding unpaid principal balance totaling \$96.5 million, recorded at lower of cost or fair value. Nationstar plans to sell the loans acquired from the transaction and accordingly has classified as held for sale.

Reserves for servicing losses

Reserves for servicing losses are reflected through the Company's provision for losses and consist of (1) financial and (2) operational losses related to the servicing of HECM loans. Financial exposure is comprised of the cost of doing business related to servicing the HECM product and statutory items specific to investor types. Whereas operational losses are defined as un-reimbursable debenture interest curtailments imposed for missed servicing timelines. The Company assesses the reserve based on expected net realizable value of outstanding claims.

5. Mortgage Loans Held for Sale and Investment

Mortgage Loans Held for Sale

Nationstar maintains a strategy of originating mortgage loan products primarily for the purpose of selling to government-sponsored enterprises (GSEs) or other third-party investors in the secondary market. Nationstar focuses on assisting customers currently in the Company's servicing portfolio with refinances of loans or new home purchases (referred to as recapture). 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.

NATIONSTAR MORTGAGE HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(All amounts in thousands, unless otherwise stated)

Mortgage loans held for sale consist of the following for the dates indicated:

	March 31, 2016	December 31, 2015
Mortgage loans held for sale – unpaid principal balance	\$ 1,792,620	\$ 1,373,607
Mark-to-market adjustment ⁽¹⁾	88,034	56,084
Total mortgage loans held for sale	\$ 1,880,654	\$ 1,429,691

⁽¹⁾ The mark-to-market adjustment is reflected in net gain on mortgage loans held for sale on our consolidated statements of operations.

Nationstar 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. When a loan is placed on non-accrual status, Nationstar reverses the interest that had been accrued but not yet received.

The total UPB of mortgage loans held for sale on nonaccrual status was as follows for the dates indicated:

Mortgage Loans Held for Sale - Unpaid Principal Balance	March 31, 2016		December 31, 2015	
	UPB	Fair Value	UPB	Fair Value
Non-accrual	\$ 31,253	\$ 28,030	\$ 31,390	\$ 28,996

The total UPB of mortgage loans held for sale for which the Company has begun formal foreclosure proceedings was as follows for the dates indicated:

Mortgage Loans Held for Sale - Unpaid Principal Balance	March 31, 2016	December 31, 2015
Foreclosure	\$ 21,809	\$ 16,174

A reconciliation of the changes in mortgage loans held for sale for the dates indicated is presented in the following table:

	Three months ended March 31,	
	2016	2015
Mortgage loans held for sale – beginning balance	\$ 1,429,691	\$ 1,277,931
Mortgage loans originated and purchased, net of fees	4,240,116	4,209,078
Repurchase of loans out of Ginnie Mae securitizations	222,712	393,550
Claims made to third parties ⁽¹⁾	(13,910)	(22,116)
Proceeds on sale of and payments of mortgage loans held for sale	(4,134,959)	(3,976,647)
Gain on sale of mortgage loans ⁽²⁾	137,004	114,202
Mortgage loans held for sale – ending balance	\$ 1,880,654	\$ 1,995,998

⁽¹⁾ This is comprised of claims made on certain government guaranteed mortgage loans upon foreclosure.

⁽²⁾ The gain on sale of mortgage loans is reflected in net gain on mortgage loans held for sale on our consolidated statements of operations.

Nationstar 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 solely with the intent to re-pool into new Ginnie Mae securitizations or to otherwise sell to third-party investors. For the three months ended March 31, 2016 and 2015, the Company repurchased a total of \$222.7 million and \$393.6 million loans, respectively, out of Ginnie Mae pools primarily in connection with loan modifications and loan resolution activity as part of Nationstar's contractual obligations as the servicer of the loans.

NATIONSTAR MORTGAGE HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(All amounts in thousands, unless otherwise stated)

Mortgage Loans Held for Investment, Net

Mortgage loans held for investment, net as of the dates indicated include:

	March 31, 2016	December 31, 2015
Mortgage loans held for investment, net – unpaid principal balance	\$ 240,194	\$ 250,033
Transfer discount:		
Accretable	(14,398)	(14,631)
Non-accretable	(55,683)	(58,203)
Allowance for loan losses	(3,549)	(3,549)
Total mortgage loans held for investment, net	<u>\$ 166,564</u>	<u>\$ 173,650</u>

The changes in accretable yield on loans transferred to mortgage loans held for investment, net were as follows:

	Three months ended March 31, 2016	Twelve months ended December 31, 2015
Accretable Yield		
Balance at the beginning of the period	\$ 14,631	\$ 15,503
Accretion	(668)	(2,727)
Reclassifications from nonaccretable discount	435	1,855
Balance at the end of the period	<u>\$ 14,398</u>	<u>\$ 14,631</u>

Nationstar may periodically modify the terms of any outstanding mortgage loans held for investment, net for loans that are either in default or in imminent default. Modifications often involve reduced payments by borrowers, modification of the original terms of the mortgage loans, forgiveness of debt and/or modified servicing advances. As a result of the volume of modification agreements entered into, the estimated average outstanding life in this pool of mortgage loans has been extended. Nationstar records interest income on the transferred loans on a level-yield method. To maintain a level-yield on these transferred loans over the estimated extended life, Nationstar reclassified approximately \$0.4 million of transfer discount to non-accretable yield during the three months ended March 31, 2016 and \$1.9 million of transfer discount from non-accretable yield during the year ended December 31, 2015. Further, Nationstar considers the decrease in principal, interest, and other cash flows expected to be collected arising from the transferred loans as an impairment.

Loan delinquency and Loan-to-Value Ratio (LTV) are common credit quality indicators that Nationstar monitors and utilizes in its evaluation of the adequacy of the allowance for loan losses, of which the primary indicator of credit quality is loan delinquency status. LTV refers to the ratio of the loan's unpaid principal balance to the property's collateral value. Loan delinquencies and unpaid principal balances are updated monthly based upon collection activity. Collateral values are updated from third party providers on a periodic basis. The collateral values used to derive LTVs are obtained at various dates, but the majority were within the last twenty-four months. For an event requiring a decision based at least in part on the collateral value, the Company takes its last known value provided by a third party and then adjusts the value based on the applicable home price index. The total UPB of mortgage loans held for investment for which the Company has begun formal foreclosure proceedings was as follows for the dates indicated:

Mortgage Loans Held for Investment - Unpaid Principal Balance	March 31, 2016	December 31, 2015
Foreclosure	\$ 40,532	\$ 41,406

6. Other Assets

Other assets consist of the following:

	March 31, 2016	December 31, 2015
Receivables from trusts, agencies and prior servicers, net ⁽¹⁾	\$ 186,268	\$ 229,452
Accrued revenue	164,417	180,036
Loans subject to repurchase right from Ginnie Mae	179,881	117,163
Goodwill	71,141	71,141
Intangible assets	48,006	49,869
Deferred financing costs	5,915	5,713
Prepaid expenses	18,213	19,800
Receivables from affiliates, net	7,219	7,510
Real estate owned (REO), net	3,743	3,595
Other	48,896	37,553
Total other assets	\$ 733,699	\$ 721,832

⁽¹⁾ Net of reserves totaling of \$167.7 million and \$98.8 million as of March 31, 2016 and December 31, 2015, respectively. The increase in the reserves is primarily due to the movement of reserves from mortgage servicing rights attributable to liquidated loans that still have outstanding balances during the first quarter of 2016 in the amount of \$64.7 million.

Receivables from trusts, agencies and prior services, net is primarily comprised of prior servicer receivables and custodial receivables acquired in asset acquisitions.

Accrued revenue is primarily comprised of service fees earned but not received.

For certain loans that Nationstar sold to Ginnie Mae, Nationstar as the issuer has the unilateral right to repurchase, without Ginnie Mae's prior authorization, any individual loan in a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. Once Nationstar has the unilateral right to repurchase a delinquent loan, Nationstar has effectively regained control over the loan and under GAAP, must re-recognize the loan on its consolidated balance sheets and establish a corresponding repurchase liability regardless of Nationstar's intention to repurchase the loan. Nationstar's re-recognized loans included in other assets and the corresponding liability in payables and accrued liabilities was \$179.9 million at March 31, 2016 and \$117.2 million at December 31, 2015.

The increase in other is primarily due to \$10.3 million that is expected to be received from counter parties on unsettled trades of securities at March 31, 2016.

Acquisitions

In January 2015, Xome Holdings LLC (Xome), a wholly owned subsidiary of Nationstar, acquired Experience 1, Inc., the holding company for Title365, Xome Signing (previously known as Trusted Signing), and technology subsidiaries Xome Labs (previously known as X1 Labs) and Xome Analytics (previously known as X1 Analytics) (collectively, Title365), a title agency and technology services provider for title insurance and escrow services. The total consideration was \$35.9 million in cash. Related to the acquisition, the Company recorded \$20.3 million in goodwill and \$19.1 million in intangible assets as well as \$3.5 million of other net liabilities. The recognized intangible assets primarily relate to customer relationships, trade names and technology.

In May 2015, Xome acquired Quantarium, LLC, a real estate analytics company that has developed industry-leading automated home valuation models utilizing advanced statistical methods and complex proprietary algorithms. Total consideration paid was \$12.0 million. In June 2015, Xome acquired substantially all of the assets of GoPaperless Solutions, a leader in digital signature and document management Software-as-a-Service solutions. Total consideration paid was \$2.0 million. Related to the acquisitions, the Company tentatively recorded an additional \$3.4 million in goodwill and \$10.4 million in intangible assets as well as \$0.2 million of other net assets.

7. Derivative Financial Instruments

Derivatives instruments utilized by Nationstar primarily include interest rate lock commitments (IRLCs), Loan Purchase Commitments (LPCs), Forward MBS trades, Eurodollar futures, interest rate swap agreements and interest rate caps. Nationstar enters into IRLCs with prospective borrowers. These commitments are carried at fair value, with any changes in fair value recorded in earnings as a component of net gain on mortgage loans held for sale. The estimated fair values of IRLCs are based on the fair value of the related mortgage loans which is based on observable market data and is recorded in derivative financial instruments within the consolidated balance sheets. Nationstar adjusts the outstanding IRLCs with prospective borrowers based on an expectation that it will be exercised and the loan will be funded.

Nationstar actively manages the risk profiles of its IRLCs and mortgage loans held for sale on a daily basis. To manage the price risk associated with IRLCs, Nationstar enters into forward sales of MBS in an amount equal to the portion of the IRLC expected to close, assuming no change in mortgage interest rates. In addition, to manage the interest rate risk associated with mortgage loans held for sale, Nationstar enters into forward sale commitments to deliver mortgage loan inventory to investors. The estimated fair values of forward sales of MBS and forward sale commitments are based on exchange prices or the dealer market price and are recorded as a component of derivative financial instruments in the consolidated balance sheets. The changes in value on forward sales of MBS and forward sale commitments are recorded as a charge or credit to net gain on mortgage loans held for sale.

Associated with the Company's derivatives are \$10.3 million and \$3.9 million in collateral deposits on derivative instruments recorded in other assets and payables and accrued liabilities on the Company's balance sheets as of March 31, 2016 and December 31, 2015, respectively. The Company does not offset fair value amounts recognized for derivative instruments and the amounts collected and/or deposited on derivative instruments in its consolidated balance sheets.

Nationstar enters into contracts with other mortgage lenders to purchase residential mortgage loans at a future date, which are referred to as LPCs. LPCs are accounted for as derivatives and recorded at fair value in derivative financial instruments on Nationstar's consolidated balance sheet. Changes in LPCs are recorded as a charge or credit to net gain on mortgage loans held for sale.

In addition, Nationstar enters into Eurodollar futures contracts to replicate the economic hedging results achieved with interest rate swaps or offset the changes in value of its forward sales of certain agency securities. The Company has not designated its futures contracts as hedges for accounting purposes. Eurodollar futures are accounted for as derivatives and recorded at fair value in derivative financial instruments. Realized and unrealized changes in fair value are recorded as a charge or credit to net gain on mortgage loans held for sale.

Periodically, Nationstar has entered into interest rate swap agreements to hedge the interest payment on the warehouse debt and securitization of its mortgage loans held for sale. These interest rate swap agreements generally require Nationstar to pay a fixed interest rate and receive a variable interest rate based on LIBOR. Interest rate swaps are accounted for as derivative financial instruments. Unless designated as an accounting hedge, Nationstar records gains and losses on interest rate swaps as a component of gain/(loss) on interest rate swaps and caps in Nationstar's consolidated statements of operations. Unrealized losses on designated interest rate derivatives are separately disclosed under operating activities in the consolidated statements of cash flows.

During the second quarter of 2015, Nationstar entered into two interest rate caps with notional values of \$800 million and \$400 million, respectively, to mitigate interest rate risk associated with servicing advance facilities. Expenses associated with interest rate caps are recorded as a gain/(loss) on interest rate swaps and caps in Nationstar's consolidated statements of operations. During the fourth quarter of 2015, the Company entered into a \$100 million interest rate cap. The Company did not elect hedge accounting related to these agreements and they expired during the first quarter of 2016.

The following tables provide the outstanding notional balances and fair values of outstanding positions for the dates indicated, and recorded gains/(losses) during the periods indicated:

	Expiration Dates	Outstanding Notional	Fair Value	Recorded Gains / (Losses)
Three months ended March 31, 2016				
Assets				
Mortgage loans held for sale				
Loan sale commitments	2016	\$ 123,810	\$ (562)	\$ (814)
Derivative financial instruments				
IRLCs	2016	3,272,423	99,462	10,324
Forward MBS trades	2016	350,830	346	(5,777)
LPCs	2016	615,172	8,944	5,072
Eurodollar futures	2016-2021	6,000	11	(49)
Interest rate swaps	2017	11,481	405	(102)
Liabilities				
Derivative financial instruments				
IRLCs	2016	4,289	37	(32)
Forward MBS trades	2016	3,313,327	19,540	(15,794)
LPCs	2016	68,933	233	1,221
Eurodollar futures	2016-2021	381,000	594	(518)
Interest rate swaps	2017	11,481	431	110

Twelve months ended December 31, 2015

Assets				
Mortgage loans held for sale				
Loan sale commitments	2016	\$ 175,570	\$ 252	\$ 256
Derivative financial instruments				
IRLCs	2016	2,767,927	89,138	1,236
Forward MBS trades	2016	1,665,894	6,123	5,839
LPCs	2016	387,891	3,872	1,873
Eurodollar futures	2016-2021	176,000	60	59
Interest rate swaps and caps	2016-2017	845,876	506	(359)
Liabilities				
Derivative financial instruments				
IRLCs	2016	2,304	5	2
Forward MBS trades	2016	1,807,418	3,746	14,614
LPCs	2016	314,047	1,454	(1,406)
Eurodollar futures	2016-2021	95,000	76	(69)
Interest rate swaps and caps	2016-2017	12,543	542	(439)

8. Indebtedness

Notes Payable

	Interest Rate	Maturity Date	Collateral	Capacity Amount	March 31, 2016		December 31, 2015	
					Outstanding	Collateral Pledged	Outstanding	Collateral pledged
Advance Facilities								
MBS advance financing facility	LIBOR+2.50%	March 2017	Servicing advance receivables	\$ 130,000	\$ 71,661	\$ 65,022	\$ 82,208	\$ 89,221
Nationstar agency advance financing facility	LIBOR+2.00%	January 2017	Servicing advance receivables	400,000	302,386	319,398	310,316	364,352
MBS advance financing facility (2012)	LIBOR+5.00%	May 31, 2016	Servicing advance receivables	50,000	44,594	53,380	50,000	69,942
Nationstar mortgage advance receivable trust	LIBOR+ 2.00%	June 2016	Servicing advance receivables	500,000	330,865	389,681	335,408	394,110
MBS servicer advance facility (2014)	LIBOR+3.50%	August 2016	Servicing advance receivables	125,000	121,893	191,473	105,657	185,392
Nationstar agency advance receivables trust	LIBOR+2.00%	October 2017	Servicing advance receivables	1,400,000	695,760	752,588	762,534	822,504
Advance facilities principal amount					1,567,159	1,771,542	1,646,123	1,925,521
Debt issuance costs					(3,409)	—	(6,433)	—
Advance facilities, net of unamortized debt issuance costs					\$ 1,563,750	\$ 1,771,542	\$ 1,639,690	\$ 1,925,521
Warehouse Facilities								
					March 31, 2016		December 31, 2015	
	Interest Rate	Maturity Date	Collateral	Capacity Amount	Outstanding	Collateral Pledged	Outstanding	Collateral pledged
\$1.3 billion warehouse facility	LIBOR+2.0% to 2.875%	October 2016	Mortgage loans or MBS	\$ 1,300,000	\$ 887,423	\$ 941,098	\$ 633,694	\$ 677,775
\$1.0 billion warehouse facility	LIBOR+1.75% to 3.25%	June 2016	Mortgage loans or MBS	1,000,000	725,773	755,697	544,951	621,526
\$500 million warehouse facility	LIBOR+1.75% to 2.75%	September 2016	Mortgage loans or MBS	500,000	271,662	277,933	174,702	178,923
\$500 million warehouse facility	LIBOR+ 2.00% to 2.50%	November 2016	Mortgage loans or MBS	500,000	204,082	224,325	257,479	274,497
\$350 million warehouse facility	LIBOR+2.20% to 4.50%	April 2017	Mortgage loans or MBS	350,000	21,485	29,359	97,790	111,541
\$200 million warehouse facility	LIBOR+1.50%	April 2017	Mortgage loans or MBS	200,000	67,381	69,202	8,531	9,052
\$300 million warehouse facility	LIBOR + 2.25%	December 2016	Mortgage loans or MBS	300,000	32,723	38,536	23,014	27,769
\$200 million warehouse facility	LIBOR + 2.75% to 3.875%	November 2016	Mortgage loans or MBS	200,000	152,832	191,839	45,106	50,083
\$75 million warehouse facility (HCM) ⁽¹⁾	LIBOR+ 2.25% to 2.875%	October 2016	Mortgage loans or MBS	75,000	24,913	29,547	53,102	59,563
\$100 million warehouse facility (HCM)	LIBOR + 2.50% to 2.75%	November 2016	Mortgage loans or MBS	100,000	28,392	29,613	55,157	60,581
Warehouse facilities principal amount					2,416,666	2,587,149	1,893,526	2,071,310
Debt issuance costs					(2,171)	—	(3,206)	—
Warehouse facilities, net of unamortized debt issuance costs					\$ 2,414,495	\$ 2,587,149	\$ 1,890,320	\$ 2,071,310

Mortgage loans, net	\$ 1,782,803	\$ 1,867,637	\$ 1,539,457	\$ 1,681,352
Reverse mortgage interests, net	\$ 631,692	\$ 719,512	\$ 350,863	\$ 389,958

⁽¹⁾ This facility is a sublimit of the \$1.3 billion facility specific to Home Community Mortgage (HCM).

Unsecured Senior Notes

A summary of the balances of unsecured senior notes is presented below:

	March 31, 2016	December 31, 2015
\$475 million face value, 6.500% interest rate payable semi-annually, due August 2018	\$ 475,000	\$ 475,000
\$375 million face value, 9.625% interest rate payable semi-annually, due May 2019	362,074	362,750
\$400 million face value, 7.875% interest rate payable semi-annually, due October 2020	400,425	400,448
\$600 million face value, 6.500% interest rate payable semi-annually, due July 2021	595,760	596,955
\$300 million face value, 6.500% interest rate payable semi-annually, due June 2022	213,541	213,541
Unsecured senior notes principal amount, subtotal	2,046,800	2,048,694
Debt issuance costs	(21,535)	(22,940)
Unsecured senior notes, net of unamortized debt issuance costs	\$ 2,025,265	\$ 2,025,754

Nationstar repurchased \$1,475 thousand in principal amount of outstanding notes during the first quarter of 2016 at a discount resulting in a gain of \$77 thousand. The repurchase price included the principal amount of the note, plus accrued and unpaid interest.

The indentures for the unsecured senior notes contain various covenants and restrictions that limit the 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 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 Nationstar 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 and additional interest, if any, to the redemption dates. In addition, Nationstar 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 and additional interest, if any, to the redemption dates.

Additionally, the indentures provide that on or before certain fixed dates, Nationstar may redeem 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 and additional interest, if any, to the redemption dates, subject to compliance with certain conditions.

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.

As of March 31, 2016, the expected maturities of Nationstar's unsecured senior notes based on contractual maturities are as follows:

Year	Amount
2016	\$ —
2017	—
2018	475,000
2019	362,074
2020	400,425
Thereafter	809,301
Unsecured senior notes principal amount	2,046,800
Unamortized debt issuance costs	(21,535)
Unsecured senior notes, net of unamortized debt issuance costs	<u>\$ 2,025,265</u>

Other Nonrecourse Debt

A summary of the balances of other nonrecourse debt is presented below:

	March 31, 2016	December 31, 2015
Participating interest financing	\$ 5,833,773	\$ 5,947,407
2014-1 HECM securitization	—	226,851
2015-1 HECM securitization	199,309	222,495
2015-2 HECM securitization	183,569	209,030
2016-1 HECM securitization	272,115	—
Nonrecourse debt - legacy assets	62,188	64,815
Other nonrecourse debt principal amount	6,550,954	6,670,598
Unamortized debt issuance costs	(5,758)	(4,558)
Other nonrecourse debt, net of unamortized debt issuance costs	<u>\$ 6,545,196</u>	<u>\$ 6,666,040</u>

Participating Interest Financing

Participating interest financing represents the obligation to Ginnie Mae related to the transfer of reverse mortgage interests and subsequent securitization through issuance of HMBS. Nationstar has accounted for these securitizations as secured borrowings, retaining the initial reverse mortgage interests on its consolidated balance sheet, and recording the pooled HMBS as participating interest financing liabilities on the Company's consolidated balance sheet. Monthly cash flows generated from the HECM loans are used to service the HMBS through securitization of advances on the HECM loans. The interest rate is based on the underlying HMBS rate with a range of 0.7% to 7.0%.

HECM Securitizations

From time to time, Nationstar securitizes its interests in reverse mortgages. These transactions provide investors with the ability to invest in a pool of non-performing Federal Housing Administration (FHA) insured HECM loans secured by one to four-family residential properties and a pool of REO properties acquired through foreclosure in connection with HECM loans. The transactions provide Nationstar 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.

During December 2014, Nationstar Mortgage LLC completed the securitization of approximately \$343.6 million in Nationstar HECM Loan Trust 2014-1 Mortgage Backed Securities. The notes were issued under two separate classes, comprised of Class A Notes and Class M Notes. As part of the securitization, Nationstar retained a portion of the offered Class A notes of approximately \$70.4 million as well as the Class M Notes with an outstanding note balance of \$36.2 million. A portion of the notes retained by Nationstar represent subordinated beneficial interests. During the first quarter 2015, the Company sold the remaining retained portions of the Class A and the Class M notes for total proceeds of \$73.1 million. During January 2016, Nationstar executed an optional redemption of the notes within HECM Loan Trust 2014-1. The Company re-securitized the collateral from the transaction and achieved a lower cost of funds within HECM Loan Trust 2016-1.

During June 2015, Nationstar Mortgage LLC completed the securitization of approximately \$269.4 million in Nationstar HECM Loan Trust 2015-1 Mortgage Backed Securities. The notes were issued under two separate classes, comprised of Class A Notes and Class M Notes. This transaction was accounted for as a secured borrowing. The notes have a final maturity date of May 2018. No portion of the notes were retained by the Company as of March 31, 2016.

During November 2015, Nationstar Mortgage LLC completed the securitization of approximately \$217.3 million in Nationstar HECM Loan Trust 2015-2 Mortgage Backed Securities. The notes were issued under three separate classes, comprised of Class A Notes, Class M1 Notes and Class M2 Notes. This transaction was accounted for as a secured borrowing. The notes have a final maturity date of November 2025. No portion of the notes were retained by the Company as of March 31, 2016.

During March 2016, Nationstar Mortgage LLC completed the securitization of approximately \$281.7 million in Nationstar HECM Loan Trust 2016-1 Mortgage Backed Securities. The notes were issued as three separate classes, comprised of Class A Notes, Class M1 Notes and Class M2 Notes. This transaction was accounted for as a secured borrowing. The notes have a final maturity date of February 2026. No portion of the notes were retained by the Company as of March 31, 2016.

Nonrecourse Debt—Legacy Assets

During November 2009, Nationstar completed the securitization of approximately \$222.0 million of Asset Backed Securities (ABS), which was accounted for as a secured borrowing. This structure resulted in Nationstar carrying the securitized mortgage loans on its consolidated balance sheet and recognizing the asset-backed certificates acquired by third parties as nonrecourse debt of \$62.2 million at March 31, 2016 and \$64.8 million at December 31, 2015. 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 7.50%, 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 \$236.0 million and \$242.4 million at March 31, 2016 and December 31, 2015, respectively. The timing of the principal payments on this nonrecourse debt is dependent on the payments received on the underlying mortgage loans. The unpaid principal balance on the outstanding notes was \$72.3 million and \$75.4 million at March 31, 2016 and December 31, 2015, respectively.

Financial Covenants

The Company's borrowing arrangements and credit facilities contain various financial covenants which primarily relate to required tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements. As a result of the decrease in interest rates during the three month period ended March 31, 2016, Nationstar recorded a charge to service related revenue for changes in fair value associated with the Company's MSR's recorded at fair value. As a result of the change, Nationstar was unable to meet the profitability requirement in one outstanding warehouse facility and one MBS facility. Nationstar received a waiver from these financial institutions on these profitability requirements for the period ended March 31, 2016. After giving effect to these waivers, the Company was in compliance with all required financial covenants as of March 31, 2016.

Nationstar is required to maintain a minimum tangible net worth of at least \$681.7 million as of each quarter-end related to its outstanding Master Repurchase Agreements on its outstanding repurchase facilities. At March 31, 2016, Nationstar was in compliance with these minimum tangible net worth requirements.

9. Payables and Accrued Liabilities

Payables and accrued liabilities consist of the following:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Payables to servicing and subservicing investors	\$ 447,996	\$ 483,535
Loans subject to repurchase from Ginnie Mae	179,881	117,163
Accrued bonus and payroll	68,700	96,381
Payables to GSEs	81,132	87,748
Payable to insurance carriers and insurance cancellation reserves	71,174	69,936
Accrued interest	63,675	61,071
Repurchase reserves	26,015	26,404
Payables to securitization trusts	20,450	24,910
MSR purchases payable including advances	9,702	21,851
Other	170,675	307,388
Total payables and accrued liabilities	<u>\$ 1,139,400</u>	<u>\$ 1,296,387</u>

Payables to Servicing and Subserving Investors, Payables to GSEs, and Payables to Securitization Trusts

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

Loans Subject to Repurchase from Ginnie Mae

See Note 6, Other Assets for a description of assets and liabilities related to Loans subject to repurchase from Ginnie Mae.

Payable to Insurance Carriers and Insurance Cancellation Reserves

Payable 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.

10. Securitizations and Financings

Variable Interest Entities (VIEs)

In the normal course of business, Nationstar enters into various types of on- and off-balance sheet transactions with special purpose entities (SPEs) determined to be a VIE, which primarily consists of securitization trusts established for a limited purpose. Generally, these SPEs are formed for the purpose of securitization transactions in which Nationstar transfers assets to an SPE, which then issues to investors various forms of debt obligations supported by those assets. In these securitization transactions, Nationstar typically receives cash and/or other interests in the SPE as proceeds for the transferred assets. Nationstar will typically retain the right to service the transferred receivables and to repurchase the transferred receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing the transferred receivables. All debt obligations issued from the VIEs is non-recourse to Nationstar.

Nationstar evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Company is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that require a reconsideration.

Nationstar 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), (iv) Nationstar Advance Agency Receivables Trust (NAART) should be consolidated as Nationstar is the primary beneficiary. Also, Nationstar consolidated three reverse mortgage SPEs which are (v) Nationstar HECM Loan Trust 2015-1, (vi) Nationstar HECM Loan Trust 2015-2, (vii) Nationstar HECM Loan Trust 2016-1 and it is the primary beneficiary.

A summary of the assets and liabilities of Nationstar's transactions with VIEs included in the Company's consolidated financial statements is presented below for the periods indicated:

	March 31, 2016		December 31, 2015	
	Transfers Accounted for as Secured Borrowings	Reverse Secured Borrowings	Transfers Accounted for as Secured Borrowings	Reverse Secured Borrowings
Assets				
Restricted cash	\$ 107,176	\$ 24,962	\$ 94,361	\$ 36,089
Reverse mortgage interests, net	—	6,435,794	—	6,546,466
Advances	1,461,733	—	1,580,966	—
Mortgage loans held for investment, net	167,222	—	172,810	—
Derivative financial instruments	—	—	7	—
Other assets	4,639	—	4,538	—
Total assets	\$ 1,740,770	\$ 6,460,756	\$ 1,852,682	\$ 6,582,555
Liabilities				
Advance facilities	\$ 1,329,011	\$ —	\$ 1,408,258	\$ —
Payables and accrued liabilities	2,173	498	2,116	665
Nonrecourse debt—legacy assets	62,188	—	64,815	—
2014-1 HECM securitization	—	—	—	226,851
2015-1 HECM securitization	—	199,309	—	222,495
2015-2 HECM securitization	—	183,569	—	209,030
2016-1 HECM securitization	—	272,116	—	—
Participating interest financing	—	5,833,773	—	5,947,407
Total liabilities	\$ 1,393,372	\$ 6,489,265	\$ 1,475,189	\$ 6,606,448

Securizations Treated as Sales

When Nationstar sells mortgage loans in securitization transactions that are structured as sales, it may retain one or more bond classes and servicing rights in the securitization. Gains and losses on the assets transferred are recognized based on the carrying amount of the financial assets involved in the transfer, allocated between the assets transferred and the retained interests based on their relative fair value at the date of transfer, other than MSRs. Retained MSRs are recorded at their fair value on the transfer date.

A summary of the outstanding collateral and certificate balances for securitization trusts for which Nationstar was the transferor, including any retained beneficial interests and MSRs, that were not consolidated by Nationstar for the periods indicated are as follows:

	March 31, 2016	December 31, 2015
Total collateral balances	\$ 3,020,839	\$ 3,113,784
Total certificate balances	2,726,618	2,810,903

Nationstar has not retained any variable interests in the unconsolidated securitization trusts that were outstanding as of March 31, 2016 or December 31, 2015, and therefore does not have a significant maximum exposure to loss related to these unconsolidated VIEs.

A summary of mortgage loans transferred by Nationstar to unconsolidated securitization trusts that are 60 days or more past due and the credit losses incurred in the unconsolidated securitization trusts are presented below:

Principal Amount of Loans 60 Days or More Past Due	March 31, 2016	December 31, 2015
Unconsolidated securitization trusts	\$ 677,879	\$ 727,879

Credit Losses	Three months ended March 31,	
	2016	2015
Unconsolidated securitization trusts	\$ 32,100	\$ 57,461

Certain cash flows received from securitization trusts related to the transfer of mortgage loans accounted for as sales for the dates indicated were as follows:

	Three months ended March 31,			
	2016		2015	
	Servicing Fees Received	Loan Repurchases	Servicing Fees Received	Loan Repurchases
Unconsolidated securitization trusts	\$ 6,009	\$ —	\$ 6,373	\$ —

11. Stockholders' Equity

On December 17, 2015, Nationstar announced that its Board of Director's authorized the repurchase of up to \$150.0 million of the registrant's outstanding common stock through December 16, 2016. On February 9, 2016, Nationstar's Board of Directors authorized a \$100.0 million increase to the original repurchase authorization for an aggregate repurchase authorization of \$250.0 million under the Company's share repurchase program. As of March 31, 2016, a total of 6,026 thousand shares have been repurchased since the inception of the plan.

On February 11, 2016, Nationstar announced a Board-authorized tender offer via a modified Dutch auction to repurchase up to \$100.0 million of common stock. On March 15, 2016, Nationstar repurchased approximately 7 thousand shares at purchase price of \$9.40 per share.

During the first quarter of 2016, certain employees of Nationstar were granted 1,470 thousand restricted stock units (RSUs). The RSUs 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 us during that time or (ii) the participant's employment has terminated by reason of retirement. In addition, upon death, disability or a change in control of the Company, the unvested shares of an award will vest. The ultimate value of the award, however, depends on the market value of Nationstar common stock on the vesting date. The Company recognized \$6.8 million of expense related to the share-based awards during the three months ended March 31, 2016.

12. Income Taxes

The components of income tax benefit on continuing operations were as follows:

	Three months ended March 31,	
	2016	2015
Income tax benefit	\$ (82,265)	\$ (27,525)
Effective tax rate	38.2%	36.6%

For the three months ended March 31, 2016 and March 31, 2015, the effective tax rates differed from the statutory federal rate of 35.0% primarily due to the elimination of the book income of a less-than-wholly-owned subsidiary, state taxes and certain other permanent differences. The relative impact of these permanent differences on the effective tax rate is based upon forecasted pre-tax income or loss for the year.

The elimination of the book income attributable to a less-than-wholly-owned subsidiary is treated as a permanent difference and reduces taxable income. When the Company is in a net income position, this adjustment reduces the effective tax rate and the corresponding income tax expense. When the Company is in a net loss position, this adjustment increases the effective tax rate and the corresponding income tax benefit. Because the Company is in a net loss position for the three months ended March 31,

2016, the book income attributable to a less-than-wholly-owned subsidiary increases the effective tax rate and the income tax benefit.

13. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement 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 Nationstar 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) – Nationstar originates mortgage loans in the U.S. that it intends to sell to Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the Agencies). Additionally, Nationstar holds mortgage loans that it intends to sell into the secondary markets via whole loan sales or securitizations. Nationstar 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, Nationstar 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. Nationstar classifies these valuations as Level 2 in the fair value disclosures.

Nationstar may also purchase loans out of a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. Nationstar has elected to carry these loans at fair value, which is a Level 2 fair value measurement. See Note 5, Mortgage Loan Held for Sale and Investment for more information.

Mortgage Loans Held for Investment, net (Level 3) – Nationstar determines the fair value of loans held for investment, net, using internally developed valuation models. These valuation models estimate the exit price Nationstar expects to receive in the loan's principal market. Although Nationstar utilizes and gives priority to observable market inputs such as interest rates and market spreads within these models, Nationstar typically is required to utilize internal inputs, such as prepayment speeds and discount rates. These internal inputs require the use of judgment by Nationstar and can have a significant impact on the determination of the loan's fair value. As these prices are derived from internally developed valuation models, Nationstar classifies these valuations as Level 3 in the fair value disclosures. See Note 5, Mortgage Loan Held for Sale and Investment for more information.

Mortgage Servicing Rights – Fair Value (Level 3) – Nationstar estimates the fair value of its forward MSR's 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 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 Nationstar and can have a significant impact on the fair value of the MSR's. 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, Nationstar classifies these valuations as Level 3 in the fair value disclosures. See Note 2, Mortgage Servicing Rights and Related Liabilities for more information.

Advances, net (Level 3) - We value advances at their net realizable value, which generally approximates fair value, because advances have no stated maturity, are generally realized within a relatively short period of time and do not bear interest. See Note 3, Advances, Net for more information.

Reverse Mortgage Interests (Level 3) – Nationstar’s reverse mortgage interests consist of fees paid to taxing authorities for borrowers' unpaid taxes and insurance, and payments made to borrowers for line of credit draws on reverse mortgages. These interests are carried at lower of cost or market in the financial statements. Nationstar estimates the fair value using a market approach by utilizing the fair value of securities backed by similar reverse mortgage loans, adjusted for certain factors. As the adjustments to factors require the use of judgment, Nationstar classifies these valuations as Level 3 in the fair value disclosures. See Note 4, Reverse Mortgage Interests for more information.

Derivative Financial Instruments (Level 2) – Nationstar 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 balance sheet. 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, Nationstar utilizes the exchange price or dealer market price for the particular derivative contract; therefore, these contracts are classified as Level 2. In addition, Nationstar 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. Nationstar 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. Nationstar has entered into Eurodollar futures contracts as part of its hedging strategy. The future 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 7, 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 8, 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 8, Indebtedness for more information.

Nonrecourse Debt – Legacy Assets (Level 3) – Nationstar 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 8, Indebtedness for more information.

Excess Spread Financing (Level 3) – Nationstar 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 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, Nationstar classifies these valuations as Level 3 in the fair value disclosures. See Note 2, Mortgage Servicing Rights and Related Liabilities for more information.

Mortgage Servicing Rights Financing Liability (Level 3) - Nationstar estimates fair value on a recurring basis based on the present value of future expected discounted cash flows. The cash flow assumptions used in the model are based on various factors, with the key assumptions being advance financing rates, annual advance recovery rates and working capital. As these prices are derived from a combination of internally developed valuation models based on the value of the underlying MSRs, Nationstar classifies these valuations as Level 3 in the fair value disclosures. See Note 2, Mortgage Servicing Rights and Related Liabilities for more information.

Participating Interest Financing (Level 2) – Nationstar estimates the fair value using a market approach by utilizing the fair value of securities backed by similar participating interests in reverse mortgage loans. Nationstar classifies these valuations as Level 2 in the fair value disclosures. See Note 2, Mortgage Servicing Rights and Related Liabilities, and Note 8, Indebtedness for more information.

HECM Securitizations (Level 3) – Nationstar estimates 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, Nationstar classifies this as Level 3 in the fair value disclosures. See Note 8, Indebtedness for more information.

The estimated carrying amount and fair value of Nationstar's financial instruments and other assets and liabilities measured at fair value on a recurring basis is as follows for the dates indicated:

	March 31, 2016			
	Total Fair Value	Recurring Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Mortgage loans held for sale ⁽¹⁾	\$ 1,880,654	\$ —	\$ 1,880,654	\$ —
Mortgage servicing rights ⁽¹⁾	3,088,123	—	—	3,088,123
Derivative financial instruments:				
IRLCs	99,462	—	99,462	—
Forward MBS trades	346	—	346	—
LPCs	8,944	—	8,944	—
Interest rate swaps and caps	405	—	405	—
Eurodollar futures	11	—	11	—
Total assets	\$ 5,077,945	\$ —	\$ 1,989,822	\$ 3,088,123
Liabilities				
Derivative financial instruments				
IRLCs	\$ 37	\$ —	\$ 37	\$ —
Forward MBS trades	19,540	—	19,540	—
LPCs	233	—	233	—
Interest rate swaps and caps	431	—	431	—
Eurodollar futures	594	—	594	—
Mortgage servicing rights financing	81,729	—	—	81,729
Excess spread financing	1,161,270	—	—	1,161,270
Total liabilities	\$ 1,263,834	\$ —	\$ 20,835	\$ 1,242,999

	December 31, 2015			
	Total Fair Value	Recurring Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Mortgage loans held for sale ⁽¹⁾	\$ 1,429,691	\$ —	\$ 1,429,691	\$ —
Mortgage servicing rights ⁽¹⁾	3,358,327	—	—	3,358,327
Derivative financial instruments:				
IRLCs	89,138	—	89,138	—
Forward MBS trades	6,123	—	6,123	—
LPCs	3,872	—	3,872	—
Interest rate swaps and caps	506	—	506	—
Eurodollar futures	60	—	60	—
Total assets	\$ 4,887,717	\$ —	\$ 1,529,390	\$ 3,358,327
Liabilities				
Derivative financial instruments				
IRLCs	\$ 5	\$ —	\$ 5	\$ —
Forward MBS trades	3,746	—	3,746	—
LPCs	1,454	—	1,454	—
Interest rate swaps and caps	542	—	542	—
Eurodollar futures	76	—	76	—
Mortgage servicing rights financing	68,696	—	—	68,696
Excess spread financing	1,232,086	—	—	1,232,086
Total liabilities	\$ 1,306,605	\$ —	\$ 5,823	\$ 1,300,782

⁽¹⁾ Based on the nature and risks of these assets and liabilities, the Company has determined that presenting them as a single class is appropriate.

The table below presents a reconciliation for all of Nationstar's Level 3 assets and liabilities measured at fair value on a recurring basis for the dates indicated:

	Assets		Liabilities	
	Mortgage servicing rights	Excess spread financing	Mortgage servicing rights financing	
Three months ended March 31, 2016				
Beginning balance	\$ 3,358,327	\$ 1,232,086	\$ 68,696	
Transfers into Level 3	—	—	—	
Transfers out of Level 3	—	—	—	
Total gains or losses				
Included in earnings	(292,889)	(23,699)	13,033	
Purchases, issuances, sales and settlements				
Purchases	1,643	—	—	
Issuances	39,663	—	—	
Sales	—	—	—	
Settlements	—	(47,117)	—	
Dispositions	(18,621)	—	—	
Ending balance	\$ 3,088,123	\$ 1,161,270	\$ 81,729	

	Assets		Liabilities	
	Mortgage servicing rights	Excess spread financing	Mortgage servicing rights financing	
Twelve months ended December 31, 2015				
Beginning balance	\$ 2,949,739	\$ 1,031,035	\$ 49,430	
Transfers into Level 3	—	—	—	
Transfers out of Level 3	—	—	—	
Total gains or losses				
Included in earnings	(496,990)	25,631	19,266	
Purchases, issuances, sales and settlements				
Purchases	729,984	—	—	
Issuances	221,762	385,637	—	
Sales	—	—	—	
Settlements	—	(210,217)	—	
Dispositions	(46,168)	—	—	
Ending balance	\$ 3,358,327	\$ 1,232,086	\$ 68,696	

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

	March 31, 2016			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 460,951	\$ 460,951	\$ —	\$ —
Restricted cash	307,564	307,564	—	—
Advances, net	2,070,599	—	—	2,070,599
Reverse mortgage interests, net	7,584,086	—	—	7,624,696
Mortgage loans held for sale	1,880,654	—	1,880,654	—
Mortgage loans held for investment, net	166,564	—	—	170,584
Derivative financial instruments	109,168	—	109,168	—
Financial liabilities				
Unsecured senior notes	2,025,265	1,918,283	—	—
Advance facilities	1,563,750	—	1,563,750	—
Warehouse facilities	2,414,495	—	2,414,495	—
Mortgage servicing rights financing liability	81,729	—	—	81,729
Derivative financial instruments	20,835	—	20,835	—
Excess spread financing	1,161,270	—	—	1,161,270
Nonrecourse debt - legacy assets	62,188	—	—	61,466
Participating interest financing	5,833,773	—	5,809,749	—
2015-1 HECM securitization	199,309	—	—	208,201
2015-2 HECM securitization	183,569	—	—	208,619
2016-1 HECM securitization	272,115	—	—	290,125
December 31, 2015				
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 613,241	\$ 613,241	\$ —	\$ —
Restricted cash	332,105	332,105	—	—
Mortgage loans held for sale	1,429,691	—	1,429,691	—
Mortgage loans held for investment, net	173,650	—	—	174,147
Advances, net	2,223,083	—	—	2,223,083
Reverse mortgage interests	7,514,323	—	—	7,705,475
Derivative financial instruments	99,699	—	99,699	—
Financial liabilities:				
Unsecured senior notes	2,048,694	1,911,777	—	—
Advance facilities	1,646,123	—	1,646,123	—
Warehouse facilities	1,893,526	—	1,893,526	—
Derivative financial instruments	5,823	—	5,823	—
Excess spread financing	1,232,086	—	—	1,232,086
Mortgage servicing rights financing liability	68,696	—	—	68,696
Nonrecourse debt - legacy assets	64,815	—	—	74,264
Participating interest financing	5,947,407	—	6,091,285	—
2014-1 HECM securitization	226,851	—	—	298,048
2015-1 HECM securitization	222,495	—	—	275,223
2015-2 HECM securitization	209,030	—	—	249,507

14. Capital Requirements

Certain of Nationstar'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, Nationstar's secondary market investors may utilize a range of remedies ranging from sanctions, suspension or ultimately termination of Nationstar's selling and servicing agreements, which would prohibit Nationstar from further originating or securitizing these specific types of mortgage loans or being an approved servicer.

Among Nationstar's various capital requirements related to its outstanding selling and servicing agreements, the most restrictive of these requires Nationstar to maintain a minimum adjusted net worth balance of \$1.2 billion. As of March 31, 2016, Nationstar was in compliance with its selling and servicing capital requirements.

15. Commitments and Contingencies

Litigation and Regulatory Matters

Nationstar and its affiliates are routinely and currently involved in a significant number of legal proceedings concerning matters that arise in the ordinary course of business, including punitive class actions and other litigation. These actions and proceedings 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, Servicemember's Civil Relief Act, Telephone Consumer Protection Act, Truth in Lending Act, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), unfair, deceptive or abusive acts or practices in violation of the Dodd-Frank Act, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Home Mortgage Disclosure Act and the Bankruptcy Code, False Claims Act and Making Home Affordable (MHA) loan modification programs. Additionally, along with others in our industry, the Company is subject to repurchase and indemnification claims and may continue to receive claims in the future, including from its Legacy Portfolio regarding alleged breaches of representation and warranties relating to the sale of mortgage loans or 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 our various acquisitions. Certain of the actual legal actions and proceedings include claims for substantial compensatory, punitive and/or, statutory damages or claims for an indeterminate amount of damages. The outcome of such proceedings is difficult to predict or estimate until late in the proceedings, which may last several years. In particular, ongoing and other legal proceedings brought under federal or state consumer protection laws may result in a separate fine for each violation of the laws, which, particularly in the case of class action lawsuits, could result in damages substantially in excess of the amount earned from the underlying activities and that could have a material adverse effect on the Company's liquidity and financial position. The certification of any putative class action could substantially increase the Company's exposure to damages.

Nationstar's business is subject to extensive regulation, investigations and reviews by various federal, state and local regulatory and enforcement agencies, including without limitation, the CFPB, the Securities and Exchange Commission, the Department of Justice, the US Trustee Program, the multistate coalition of mortgage banking regulators and the State Attorneys General. As a result, Nationstar is subject to various legal proceedings, regulatory examinations, inquiries and requests for documentation in the ordinary course of our business. Nationstar has historically had a number of open investigations with various State Attorneys General and other regulators. Nationstar expects this trend will continue due to interest in mortgage banking generally and non-bank mortgage lenders and servicers specifically. Nationstar has seen a significant increase in these activities in recent periods and believes that violations of law will more frequently be met with enforcement actions, including the imposition of significant monetary and other sanctions. Like many other companies in the mortgage industry, Nationstar is currently the subject of various 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. Several large mortgage originators or servicers have been subject to similar matters, which have resulted in the payment of fines and penalties, changes to business practices and which have resulted in the entry of consent decrees or settlements. Nationstar continues to manage its response to each matter, but it is not possible to confidently or reliably predict the outcome of any of them, including predicting any possible losses resulting from any judgments or fines. Responding to these matters requires Nationstar to devote substantial legal and regulatory resources, resulting in higher costs and lower net cash flows.

The Company seeks to resolve all litigation and regulatory 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. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal and regulatory 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 litigation or regulatory 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 litigation 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. Litigation related expense, which includes legal settlements and the fees paid to external legal service providers, of \$13.1 million and \$7.3 million for the three months ended March 31, 2016 and 2015, 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 litigation and regulatory 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 \$17 million to \$50 million in excess of the accrued liability (if any) related to those matters as of March 31, 2016. 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.

Based on current knowledge, and after consultation with counsel, management believes that the current legal accrued liability 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.

During the course of a routine regulatory examination during 2015, the Company agreed with a regulator to make refunds of approximately \$16.2 million to certain borrowers related to delays in consummating their loan modifications that were transferred from prior servicers from 2012 through February 2015. The Company will be seeking recourse for some portion of these charges from various counterparties. While the Company has made changes to certain practices regarding the transfer of loan modifications, there can be no assurance that additional amounts will not be assessed as restitution to the borrowers or as a penalty.

Loan and Other Commitments

Nationstar 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. Nationstar also enters into LPCs with prospective sellers. These loan commitments are treated as derivatives and are carried at fair value. See Note 7, Derivative Financial Instruments.

Nationstar has certain MSRs related to approximately \$29.0 billion of UPB in reverse mortgage loans. As servicer for these reverse mortgage loans, among other things, the Company is obligated to make advances to the loan customers as required. At March 31, 2016, the Company's maximum unfunded advance obligation related to these MSRs was approximately \$3.0 billion. Upon funding any portion of these advances, the Company expects to securitize and sell the advances in transactions that will be accounted for as a financing arrangement.

16. Business Segment Reporting

Nationstar's segments are based upon Nationstar's organizational structure, which focuses primarily on the services offered. The accounting policies of each reportable segment are the same as those of Nationstar except for 1) expenses for consolidated back-office operations and general overhead-type expenses such as executive administration and accounting, and 2) revenues generated on inter-segment services performed. Expenses are allocated to individual segments based on the estimated value of services performed, including estimated utilization of square footage and corporate personnel as well as the equity invested in each segment. Revenues generated or inter-segment services performed are valued based on similar services provided to external parties.

To reconcile to Nationstar's consolidated results, certain inter-segment revenues and expenses are eliminated in the "Eliminations" column in the following tables.

The following tables are a presentation of financial information by segment for the periods indicated:

Three months ended March 31, 2016							
	Servicing	Originations	Xome	Total Operating Segments	Corporate and Other	Eliminations	Consolidated
Revenues:							
Service related	\$ (24,351)	\$ 15,267	\$ 101,433	\$ 92,349	\$ 304	\$ —	\$ 92,653
Net gain on mortgage loans held for sale	23,161	147,943	—	171,104	12	—	171,116
Total revenues	(1,190)	163,210	101,433	263,453	316	—	263,769
Total expenses	184,356	124,838	89,994	399,188	22,289	—	421,477
Other income (expense):							
Interest income	84,633	14,561	3	99,197	3,646	—	102,843
Interest expense	(106,841)	(13,142)	(25)	(120,008)	(40,768)	—	(160,776)
Gain on repurchase of unsecured senior notes	—	—	—	—	77	—	77
Gain (loss) on interest rate swaps and caps	(7)	—	—	(7)	15	—	8
Total other income (expense)	(22,215)	1,419	(22)	(20,818)	(37,030)	—	(57,848)
Income (loss) before taxes	\$ (207,761)	\$ 39,791	\$ 11,417	\$ (156,553)	\$ (59,003)	\$ —	\$ (215,556)
Depreciation and amortization	\$ 6,189	\$ 2,632	\$ 5,934	\$ 14,755	\$ 8,389	\$ —	\$ 23,144
Total assets	12,760,129	4,303,766	306,647	17,370,542	(819,018)	—	16,551,524

Three months ended March 31, 2015

	Servicing	Originations	Xome	Total Operating Segments	Corporate and Other	Eliminations	Consolidated
Revenues:							
Service related	\$ 99,997	\$ 7,065	\$ 107,786	\$ 214,848	\$ 497	\$ (222)	\$ 215,123
Net gain on mortgage loans held for sale	14,013	151,281	—	\$ 165,294	1,700	—	\$ 166,994
Total revenues	114,010	158,346	107,786	380,142	2,197	(222)	382,117
Total expenses	182,397	100,249	79,388	362,034	21,809	—	383,843
Other income (expense):							
Interest income	24,639	15,267	—	39,906	3,646	222	43,774
Interest expense	(57,974)	(14,386)	(35)	(72,395)	(43,253)	—	(115,648)
Gain (loss) on interest rate swaps and caps	(801)	—	—	(801)	34	—	(767)
Total other income (expense)	(34,136)	881	(35)	(33,290)	(39,573)	222	(72,641)
Income (loss) before taxes	\$ (102,523)	\$ 58,978	\$ 28,363	\$ (15,182)	\$ (59,185)	\$ —	\$ (74,367)
Depreciation and amortization	\$ 5,870	\$ 3,700	\$ 3,364	\$ 12,934	\$ 5,185	\$ —	\$ 18,119
Total assets	9,420,014	1,965,961	236,013	\$ 11,621,988	1,020,380	—	\$ 12,642,368

17. Guarantor Financial Statement Information

As of March 31, 2016, Nationstar Mortgage LLC and Nationstar Capital Corporation⁽¹⁾ (collectively, the Issuer), both wholly-owned subsidiaries of Nationstar, have issued \$2.0 billion aggregate principal amount of unsecured senior notes which mature on various dates through June 1, 2022. 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 are 100% owned by Nationstar Mortgage LLC. Nationstar and its two direct wholly-owned subsidiaries are guarantors of the unsecured senior notes as well. Presented below are the condensed consolidating financial statements of Nationstar, Nationstar Mortgage LLC and the guarantor subsidiaries for the periods indicated.

In the condensed consolidating financial statements presented below, Nationstar 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.

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATING BALANCE SHEET
MARCH 31, 2016

	Nationstar	Issuer	Guarantor (Subsidiaries)	Non-Guarantor (Subsidiaries)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	\$ —	\$ 426,150	\$ 758	\$ 34,043	\$ —	\$ 460,951
Restricted cash	—	172,453	3	135,108	—	307,564
Mortgage servicing rights	—	3,096,084	—	—	—	3,096,084
Advances	—	2,070,537	—	62	—	2,070,599
Reverse mortgage interests, net	—	6,901,208	—	682,878	—	7,584,086
Mortgage loans held for sale	—	1,816,028	—	64,626	—	1,880,654
Mortgage loans held for investment, net	—	(658)	—	167,222	—	166,564
Property and equipment, net	—	113,745	865	27,545	—	142,155
Derivative financial instruments	—	105,527	—	3,641	—	109,168
Other assets	(57,595)	603,109	311,701	1,431,086	(1,554,602)	733,699
Investment in subsidiaries	1,639,114	572,217	—	—	(2,211,331)	—
Total assets	\$ 1,581,519	\$ 15,876,400	\$ 313,327	\$ 2,546,211	\$ (3,765,933)	\$ 16,551,524
Liabilities and stockholders' equity						
Unsecured senior notes	\$ —	\$ 2,025,265	\$ —	\$ —	\$ —	\$ 2,025,265
Advance facilities	—	234,739	—	1,329,011	—	1,563,750
Warehouse facilities	—	2,361,190	—	53,305	—	2,414,495
Payables and accrued liabilities	—	1,077,109	2,878	59,413	—	1,139,400
MSR related liabilities - nonrecourse	—	1,242,999	—	—	—	1,242,999
Mortgage servicing liabilities	—	18,065	—	—	—	18,065
Derivative financial instruments	—	20,835	—	—	—	20,835
Other nonrecourse debt	—	5,828,015	—	717,181	—	6,545,196
Payables to affiliates	—	1,429,069	4,731	120,802	(1,554,602)	—
Total liabilities	—	14,237,286	7,609	2,279,712	(1,554,602)	14,970,005
Total equity	1,581,519	1,639,114	305,718	266,499	(2,211,331)	1,581,519
Total liabilities and equity	\$ 1,581,519	\$ 15,876,400	\$ 313,327	\$ 2,546,211	\$ (3,765,933)	\$ 16,551,524

NATIONSTAR MORTGAGE HOLDINGS INC. CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2016

	Nationstar	Issuer	Guarantor (Subsidiaries)	Non- Guarantor (Subsidiaries)	Eliminations	Consolidated
Revenues						
Service related	\$ —	\$ (16,999)	\$ 7,072	\$ 102,580	\$ —	\$ 92,653
Net gain on mortgage loans held for sale	—	162,566	—	8,550	—	171,116
Total revenues	—	145,567	7,072	111,130	—	263,769
Expenses						
Salaries wages benefits	—	144,238	1,162	51,962	—	197,362
General and administrative	—	169,535	3,115	51,465	—	224,115
Total expenses	—	313,773	4,277	103,427	—	421,477
Other income (expense)						
Interest income	—	91,080	—	11,763	—	102,843
Interest expense	—	(141,576)	—	(19,200)	—	(160,776)
Gain on repurchase of unsecured senior notes	—	77	—	—	—	77
Gain (loss) on interest rate swaps and caps	—	15	—	(7)	—	8
Gain (loss) from subsidiaries	(132,389)	2,956	—	—	129,433	—
Total other income (expense)	(132,389)	(47,448)	—	(7,444)	129,433	(57,848)
Income (loss) before taxes	(132,389)	(215,654)	2,795	259	129,433	(215,556)
Income tax expense	—	(82,265)	—	—	—	(82,265)
Net income (loss)	(132,389)	(133,389)	2,795	259	129,433	(133,291)
Less: Net gain (loss) attributable to noncontrolling interests	—	(1,000)	—	98	—	(902)
Net income (loss) excluding noncontrolling interests	\$ (132,389)	\$ (132,389)	\$ 2,795	\$ 161	\$ 129,433	\$ (132,389)

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2016

	Nationstar	Issuer (Parent)	Guarantor (Subsidiaries)	Non-Guarantor (Subsidiaries)	Eliminations	Consolidated
Operating Activities						
Net income (loss)	\$ (132,389)	\$ (132,389)	\$ 2,795	\$ 161	\$ 129,433	\$ (132,389)
Reconciliation of net income to net cash attributable to operating activities, net of effect of acquisitions:						
Noncontrolling interest	—	(1,000)	—	98	—	(902)
(Gain) loss from subsidiaries	132,389	(2,956)	—	—	(129,433)	—
Share-based compensation	—	4,857	20	1,966	—	6,843
Gain on repurchase of unsecured senior notes	—	(77)	—	—	—	(77)
Excess tax deficiency from share-based compensation	—	2,795	—	—	—	2,795
Gain on mortgage loans held for sale	—	(162,566)	—	(8,550)	—	(171,116)
Mortgage loans originated and purchased, net of fees	—	(4,006,685)	—	(233,431)	—	(4,240,116)
Repurchases of loans and foreclosures out of Ginnie Mae securitizations	—	(486,124)	—	—	—	(486,124)
Proceeds on sale of and payments of mortgage loans held for sale	—	4,071,502	—	305,740	—	4,377,242
(Gain) loss on derivatives including ineffectiveness	—	(15)	—	7	—	(8)
Depreciation and amortization	—	17,210	—	5,934	—	23,144
Amortization (accretion) of premiums (discounts)	—	5,982	—	3,896	—	9,878
Fair value changes in excess spread financing	—	(23,699)	—	—	—	(23,699)
Fair value changes and amortization/accretion of mortgage servicing rights	—	286,378	—	—	—	286,378
Fair value change in mortgage servicing rights financing liability	—	13,033	—	—	—	13,033
Changes in assets and liabilities:						
Advances	—	152,502	—	(18)	—	152,484
Reverse mortgage interests	—	(14,257)	—	(741)	—	(14,998)
Other assets	56,615	(125,563)	(4,569)	99,628	—	26,111
Payables and accrued liabilities	—	(152,453)	1,951	(9,393)	—	(159,895)
Net cash attributable to operating activities	<u>56,615</u>	<u>(553,525)</u>	<u>197</u>	<u>165,297</u>	<u>—</u>	<u>(331,416)</u>

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2016
(Continued)

	Nationstar	Issuer (Parent)	Guarantor (Subsidiaries)	Non-Guarantor (Subsidiaries)	Eliminations	Consolidated
Investing activities						
Property and equipment additions, net of disposals	—	(9,768)	3	(3,339)	—	(13,104)
Purchase of forward mortgage servicing rights, net of liabilities incurred	—	(1,530)	—	—	—	(1,530)
Purchases of reverse mortgage servicing rights and interests	—	(55,215)	—	—	—	(55,215)
Proceeds on sale of forward service rights	—	18,361	—	—	—	18,361
Proceeds on sale of reverse mortgage interest	—	450	—	—	—	450
Net cash attributable to investing activities	—	(47,702)	3	(3,339)	—	(51,038)
Financing activities						
Transfers (to) from restricted cash, net	—	26,273	—	(1,732)	—	24,541
Debt financing costs	—	(2,497)	—	—	—	(2,497)
Increase (decrease) warehouse facilities	—	577,848	—	(54,955)	—	522,893
Increase (decrease) advance facilities	—	199	—	(79,247)	—	(79,048)
Proceeds from HECM securitizations	—	—	—	281,680	—	281,680
Repayment of HECM securitizations	—	—	—	(285,985)	—	(285,985)
Repayment of excess spread financing	—	(47,117)	—	—	—	(47,117)
Increase in participating interest financing in reverse mortgage interests	—	(120,362)	—	—	—	(120,362)
Repayment of nonrecourse debt—legacy assets	—	—	—	(3,056)	—	(3,056)
Repurchase of unsecured senior notes	—	(1,475)	—	—	—	(1,475)
Excess tax deficiency from share-based compensation	—	(2,795)	—	—	—	(2,795)
Redemption of shares for stock vesting	(1,564)	—	—	—	—	(1,564)
Repurchase of treasury shares	(55,051)	—	—	—	—	(55,051)
Net cash attributable to financing activities	(56,615)	430,074	—	(143,295)	—	230,164
Net increase (decrease) in cash	—	(171,153)	200	18,663	—	(152,290)
Cash and cash equivalents at beginning of period	—	597,303	558	15,380	—	613,241
Cash and cash equivalents at end of period	\$ —	\$ 426,150	\$ 758	\$ 34,043	\$ —	\$ 460,951

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

	Nationstar	Issuer	Guarantor (Subsidiaries)	Non-Guarantor (Subsidiaries)	Eliminations	Consolidated
Assets						
Cash and cash equivalents	\$ —	\$ 597,303	\$ 558	\$ 15,380	\$ —	\$ 613,241
Restricted cash	—	198,726	3	133,376	—	332,105
Mortgage servicing rights	—	3,366,973	—	—	—	3,366,973
Advances	—	2,223,039	—	44	—	2,223,083
Reverse mortgage interests, net	—	6,832,186	—	682,137	—	7,514,323
Mortgage loans held for sale	—	1,304,219	—	125,472	—	1,429,691
Mortgage loans held for investment, net	—	840	—	172,810	—	173,650
Property and equipment, net	—	113,228	868	28,740	—	142,836
Derivative financial instruments	—	96,181	—	3,518	—	99,699
Other assets	3,444	799,567	303,452	1,496,640	(1,881,271)	721,832
Investment in subsidiaries	1,768,319	509,475	—	—	(2,277,794)	—
Total assets	\$ 1,771,763	\$ 16,041,737	\$ 304,881	\$ 2,658,117	\$ (4,159,065)	\$ 16,617,433
Liabilities and stockholders' equity						
Unsecured senior notes	\$ —	\$ 2,025,754	\$ —	\$ —	\$ —	\$ 2,025,754
Advance facilities	—	231,432	—	1,408,258	—	1,639,690
Warehouse facilities	—	1,782,060	—	108,260	—	1,890,320
Payables and accrued liabilities	4,386	1,222,268	927	68,806	—	1,296,387
MSR related liabilities - nonrecourse	—	1,300,782	—	—	—	1,300,782
Mortgage servicing liabilities	—	25,260	—	—	—	25,260
Derivative financial instruments	—	5,823	—	—	—	5,823
Other nonrecourse debt	—	5,942,849	—	723,191	—	6,666,040
Payables to affiliates	—	1,737,190	1,031	143,050	(1,881,271)	—
Total liabilities	4,386	14,273,418	1,958	2,451,565	(1,881,271)	14,850,056
Total equity	1,767,377	1,768,319	302,923	206,552	(2,277,794)	1,767,377
Total liabilities and equity	\$ 1,771,763	\$ 16,041,737	\$ 304,881	\$ 2,658,117	\$ (4,159,065)	\$ 16,617,433

NATIONSTAR MORTGAGE HOLDINGS INC. CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2015

	<u>Nationstar</u>	<u>Issuer</u>	<u>Guarantor (Subsidiaries)</u>	<u>Non-Guarantor (Subsidiaries)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues						
Service related	\$ —	\$ 102,179	\$ (345)	\$ 113,511	\$ (222)	\$ 215,123
Net gain on mortgage loans held for sale	—	156,847	—	10,147	—	166,994
Total revenues	—	259,026	(345)	123,658	(222)	382,117
Expenses						
Salaries wages benefits	—	128,433	354	49,968	—	178,755
General and administrative	—	164,532	50	40,506	—	205,088
Total expenses	—	292,965	404	90,474	—	383,843
Other income (expense)						
Interest income	—	36,120	—	7,432	222	43,774
Interest expense	—	(99,867)	—	(15,781)	—	(115,648)
Gain (loss) on interest rate swaps and caps	—	34	—	(801)	—	(767)
Gain (loss) from subsidiaries	(48,315)	23,209	—	—	25,106	—
Total other income (expense)	(48,315)	(40,504)	—	(9,150)	25,328	(72,641)
Income (loss) before taxes	(48,315)	(74,443)	(749)	24,034	25,106	(74,367)
Income tax benefit	—	(27,525)	—	—	—	(27,525)
Net income (loss)	(48,315)	(46,918)	(749)	24,034	25,106	(46,842)
Less: Net gain attributable to noncontrolling interests	—	1,397	—	76	—	1,473
Net income (loss) excluding noncontrolling interests	<u>\$ (48,315)</u>	<u>\$ (48,315)</u>	<u>\$ (749)</u>	<u>\$ 23,958</u>	<u>\$ 25,106</u>	<u>\$ (48,315)</u>

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2015

	<u>Nationstar</u>	<u>Issuer (Parent)</u>	<u>Guarantor (Subsidiaries)</u>	<u>Non-Guarantor (Subsidiaries)</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating activities						
Net income (loss)	\$ (48,315)	\$ (48,315)	\$ (749)	\$ 23,958	\$ 25,106	\$ (48,315)
Reconciliation of net income to net cash attributable to operating activities, net of effect of acquisitions:						
Noncontrolling interest	—	1,473	—	—	—	1,473
(Gain) loss from subsidiaries	48,315	(23,209)	—	—	(25,106)	—
Share-based compensation	—	5,524	—	—	—	5,524
Excess tax benefit from share based compensation	—	(1,095)	—	—	—	(1,095)
Net gain on mortgage loans held for sale	—	(156,847)	—	(10,147)	—	(166,994)
Mortgage loans originated and purchased, net of fees	—	(4,209,078)	—	—	—	(4,209,078)
Repurchases of loans and foreclosures out of Ginnie Mae securitizations	—	(405,893)	—	—	—	(405,893)
Proceeds on sale of and payments of mortgage loans held for sale and held for investment	—	3,998,101	—	5,025	—	4,003,126
Gain (loss) on interest rate swaps and caps	—	(34)	—	801	—	767
Depreciation and amortization	—	14,758	—	3,361	—	18,119
Amortization (accretion) of premiums (discounts)	—	(6,759)	—	(303)	—	(7,062)
Fair value changes in excess spread financing	—	13,114	—	—	—	13,114
Fair value changes and amortization of mortgage servicing rights	—	204,200	—	—	—	204,200
Fair value change in mortgage servicing rights financing liability	—	(4,386)	—	—	—	(4,386)
Changes in assets and liabilities:						
Advances	—	93,149	—	2,287	—	95,436
Reverse mortgage interests	—	(258,916)	—	78,123	—	(180,793)
Other assets	5,442	379,162	1,199	(367,126)	—	18,677
Payables and accrued liabilities	—	7,233	14	(4,374)	—	2,873
Net cash attributable to operating activities	<u>5,442</u>	<u>(397,818)</u>	<u>464</u>	<u>(268,395)</u>	<u>—</u>	<u>(660,307)</u>

NATIONSTAR MORTGAGE HOLDINGS INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2015
(Continued)

	Nationstar	Issuer (Parent)	Guarantor (Subsidiaries)	Non-Guarantor (Subsidiaries)	Eliminations	Consolidated
Investing activities						
Property and equipment additions, net of disposals	—	(7,243)	—	(4,750)	—	(11,993)
Purchase of forward mortgage servicing rights, net of liabilities incurred	—	(196,081)	—	—	—	(196,081)
Acquisitions, net of cash acquired	—	—	—	(31,276)	—	(31,276)
Net cash attributable to investing activities	—	(203,324)	—	(36,026)	—	(239,350)
Financing activities						
Transfers to restricted cash, net	—	(24,925)	—	(48,087)	—	(73,012)
Issuance of common stock, net of issuance cost	—	497,758	—	—	—	497,758
Debt financing costs	—	(1,549)	—	—	—	(1,549)
Increase (decrease) in advance facilities	—	(332,696)	—	314,225	—	(18,471)
Increase in warehouse facilities	—	899,756	—	5,094	—	904,850
Proceeds from HECM Securitization	—	—	—	73,082	—	73,082
Repayment of HECM Securitization	—	—	—	(26,829)	—	(26,829)
Issuance of excess spread financing	—	52,957	—	—	—	52,957
Repayment of excess spread financing	—	(49,516)	—	—	—	(49,516)
Increase in participating interest financing in reverse mortgage interests	—	64,781	—	—	—	64,781
Repayment of nonrecourse debt – legacy assets	—	(135)	—	(3,138)	—	(3,273)
Excess tax benefit from share-based compensation	—	1,095	—	—	—	1,095
Redemption of shares for stock vesting	(5,442)	—	—	—	—	(5,442)
Net cash attributable to financing activities	(5,442)	1,107,526	—	314,347	—	1,416,431
Net increase in cash and cash equivalents	—	506,384	464	9,926	—	516,774
Cash and cash equivalents at beginning of period	—	279,770	288	18,944	—	299,002
Cash and cash equivalents at end of period	\$ —	\$ 786,154	\$ 752	\$ 28,870	\$ —	\$ 815,776

18. Disclosures Related to Transactions with Affiliates of Fortress Investment Group LLC

Newcastle Investment Corp. (Newcastle)

Nationstar is the loan servicer for several securitized loan portfolios managed by Newcastle, which is managed by an affiliate of Fortress, for which Nationstar receives a monthly net servicing fee equal to 0.50% per annum on the unpaid principal balance of the portfolios, which was \$0.6 billion and \$0.7 billion, at March 31, 2016 and December 31, 2015, respectively. For the three months ended March 31, 2016 and 2015, Nationstar received servicing fees and other performance incentive fees of \$0.8 million and \$0.9 million, respectively. The change is primarily due to a decrease in volume for the base service fees.

New Residential Investment Corp. (New Residential)

Excess Spread Financing

Nationstar has entered into several agreements with certain entities formed by New Residential, in which New Residential and/or certain funds managed by Fortress own an interest (each a "New Residential Entity"), where Nationstar sold to the related New Residential Entity the right to receive a portion of the excess cash flow generated from certain acquired MSR's after receipt of a fixed base servicing fee per loan. Nationstar retains all ancillary revenues associated with servicing such MSR's and the remaining portion of the excess cash flow after receipt of the fixed base servicing fee. Nationstar is the servicer of the loans and provides all servicing and advancing functions for the portfolio. The related New Residential Entity does not have prior or ongoing obligations associated with these MSR portfolios. Further, should Nationstar refinance any loan in such portfolios, subject to certain limitations, Nationstar 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.

As of March 31, 2016 and December 31, 2015, Nationstar had recorded \$24.7 million and \$30.7 million of delinquent service fees that were paid to New Residential in advance of the contractual due date, respectively. This amount will be ultimately recuperated from borrowers or netted against future remittances as related to service fee amounts. This amount is recorded as a reduction to outstanding excess spread financing in our financial statements.

The fair value of the outstanding liability related to these agreements was \$1.2 billion and \$1.2 billion at March 31, 2016 and December 31, 2015, respectively.

Mortgage Servicing Rights Financing Liability

From December 2013 through June 2014, Nationstar entered into agreements to sell a contractually specified base fee component of certain MSR's and servicer advances under specified terms to New Residential and certain unaffiliated third-parties. Nationstar continues to be the named servicer and, for accounting purposes, ownership of the mortgage servicing rights continues to reside with Nationstar. Nationstar continues to account for the MSR's on its consolidated balance sheets. Consequently, Nationstar records a MSR's financing liability associated with this transaction.

Special purpose subsidiaries of Nationstar previously issued approximately \$2.1 billion of nonrecourse variable funding notes (the Notes) to finance the advances funded or acquired by Nationstar. The Notes were issued through two wholly-owned special purpose entities (the Issuers) pursuant to two servicer advance facilities. Pursuant to the Sale Agreement, New Residential purchased the outstanding equity of the wholly-owned special purpose entities of Nationstar that own the Issuers (the Depositors). On the sale date, New Residential and Nationstar amended and restated the transaction documents for each facility. Under these amended and restated transaction documents for each facility, Nationstar will continue to sell future service advances to New Residential, and New Residential will sell the new servicer advances to the Depositors.

In December 2013, Nationstar received approximately \$307.3 million in cash proceeds from the Sale Agreement. The fair value of the outstanding liability related to the Sale Agreement was \$81.7 million and \$68.7 million at March 31, 2016 and December 31, 2015, respectively.

Nationstar did not enter into any additional supplemental agreements with the Purchaser in 2016 and 2015.

Other

In May 2014, Nationstar entered into a servicing arrangement with New Residential whereby Nationstar will service residential mortgage loans that New Residential and/or its various affiliates and trust entities acquire. For the three months ended March 31, 2016 and 2015, Nationstar recognized revenue of \$1.0 million and \$1.7 million related to these servicing arrangements, respectively. Nationstar also performed services as servicer or master servicer for New Residential for the termination of securitization trusts that New Residential collapsed pursuant to clean up call rights owned by New Residential. For the three months ended March 31, 2016 and 2015, Nationstar earned revenue of \$0.2 million and \$0 for these services, respectively.

In February 2013, Nationstar acquired certain fixed and adjustable rate reverse mortgage loans with an unpaid principal balance totaling \$83.1 million for a purchase price of \$50.2 million. In conjunction with this acquisition, Nationstar entered into an agreement with NIC Reverse Loan LLC, a subsidiary of New Residential, to sell a participating interest amounting to 70% of the acquired reverse mortgage loans. Both Nationstar and NIC Reverse Loan LLC are entitled to the related percentage interest of all amounts received with respect to the reverse mortgage loans, net of payments of servicing fees and the reimbursement to Nationstar of servicing advances. Nationstar receives a fixed payment per loan for servicing these reverse mortgage loans, which totaled \$0.07 million and \$0.08 million for the three months ended March 31, 2016 and 2015, respectively. Nationstar records these reverse mortgage loans as reverse mortgage interests on the Company's consolidated balance sheets.

Springleaf Home Equity, Inc.

In prior years, Nationstar entered into several agreements to act as the loan subservicer for Springleaf Home Equity, Inc., formerly known as American General Home Equity, Inc., Springleaf General Financial Services of Arkansas, Inc., formerly known as American General Financial Services of Arkansas, Inc. and MorEquity, Inc. (collectively, Springleaf) totaling \$2.0 billion for which Nationstar received a monthly per loan subservicing fee and other performance incentive fees subject to the agreements with Springleaf. Springleaf Home Equity, Inc. was a subsidiary of Springleaf Holdings, Inc., which was primarily owned by certain private equity funds managed by an affiliate of Fortress. On November 15, 2015, Springleaf Holdings, Inc. completed its acquisition of OneMain Financial Holdings, LLC, and has changed its corporate name from Springleaf Holdings, Inc. to OneMain Holdings, Inc. For the three months ended March 31, 2016 and 2015, Nationstar recognized revenue of \$3.1 million and \$0.2 million respectively, in additional servicing and other performance incentive fees related to these portfolios.

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) is a supplement to and should be read in conjunction with the accompanying unaudited consolidated financial statements.

OVERVIEW

We are an integrated servicer, originator and provider of transaction based services for residential mortgages in the United States. Our success depends on working with customers, investors and GSEs to deliver quality services and solutions that foster and preserve home ownership.

First Quarter 2016 Highlights

Some of the major highlights for the first quarter of 2016 include:

- Achieved 5.0 adjusted basis points ⁽¹⁾ of Servicing profitability as compared to 0.7 adjusted basis points during the first quarter of 2015 primarily due to favorable amortization, the expansion of our reverse platform and improved operating efficiencies.
- Earned \$40.0 million in originations funding including more than 22,637 loans during the quarter.
- Improved recapture rate to 31.0% from 24.0% for the first quarter of 2016.
- Our delinquency rate, measured as loans that are 60 or more days behind in payments, declined to 6.5% from 6.9% at the start of the year.
- Provided over 14,716 solutions to our mortgage servicing customers, reflecting our continued commitment to foster and preserve homeownership.
- Funded \$4.2 billion mortgage loans including \$2.8 billion related to retaining customers from our servicing portfolio.
- Refinanced \$1.2 billion in Home Affordable Refinance Program ("HARP") loans, providing relief to 7,543 customers.

(1) Below is a reconciliation of non-GAAP financial measure:

(\$ in million, unless noted otherwise)

	Three months ended March 31, 2016	
	Amounts	Bps
Servicing:		
Loss before taxes (GAAP)	\$ (208)	(21.2)
Other mark-to-market	253	25.8
Non-recurring expenses	4	0.4
Adjusted pretax income	\$ 49	5.0

Capital and Liquidity

We had cash on hand of \$461.0 million as of March 31, 2016 and \$613.2 million as of December 31, 2015. In addition, we had total equity of \$1.6 billion as of March 31, 2016 and \$1.8 billion as of December 31, 2015. We believe we have sufficient capital and liquidity to conduct our operations, including the acquisition of new portfolios that meet our return requirements.

Purchase / Sale of MSRs

During the first quarter, we completed the sale of MSRs associated with \$1.9 billion in unpaid principal balance (UPB) and retained subservicing rights. This sale of MSRs is consistent with our capital light strategy.

We purchased MSRs associated with \$0.1 billion in unpaid principal balance (UPB) with cash on hand during the first quarter of 2016. For additional information see Note 2, Mortgage Servicing Rights and Related Liabilities and Note 18, Transactions with Affiliates of Fortress.

Warehouse Facilities

We finance mortgage originations through secured warehouse credit facilities with various well capitalized financial institutions. The short term financing is in place until the mortgage loans are sold to secondary market participants however in the vast majority of cases the servicing of the loans is retained by us. Certain warehouse facilities provide further liquidity for reverse mortgages and mortgage servicing rights. As of March 31, 2016, total warehouse capacity was \$4.5 billion, of which \$2.4 billion was utilized with \$2.1 billion of excess capacity to support further growth across the platform and minimize funding risk. We constantly assess facilities to ensure sufficient capacity for growth and adequate diversification of lenders. We currently plan to renew or replace these facilities at their respective maturity dates.

As a result of the increased activity in our Originations segment, our Mortgage Loans Held for Sale increased to \$1.9 billion as of March 31, 2016 compared to \$1.4 billion as of December 31, 2015. We have sufficient warehouse capacity to support our Originations segment including anticipated growth.

Additional focus areas are provided below as we discuss the results of each of our segments.

RESULTS OF OPERATIONS

Consolidated Results

Table 1. Consolidated Operations

(in millions)	Three months ended March 31,	
	2016	2015
Revenues - operational	\$ 517	\$ 492
Revenues - MTM	(253)	(110)
Total revenues	264	382
Expenses	(421)	(384)
Other expense, net	(58)	(72)
Loss before income tax benefit	(215)	(74)
Less: income tax benefit	(82)	(27)
Less: income (loss) attributable to noncontrolling interests	(1)	1
Net loss attributable to Nationstar	\$ (132)	\$ (48)

During the three months ended March 31, 2016, as compared to the same period in 2015, the decrease in net income was predominantly due to fair value marks as a result of reductions in interest rates. Operationally, Servicing revenues increased compared to the same period of prior year. Originations earnings were down compared to the same period in 2015 due to higher expenses associated with compliance and regulatory industry changes along with increased headcount aligned with higher funded units. Xome's net income declined principally attributable to a decline in property sales related to lower inventory and an increase in technology related investments.

Table 2. Revenues

(in millions)	Three months ended March 31,	
	2016	2015
Servicing:		
Operational	\$ 317	\$ 300
Amortization	(65)	(76)
Mark-to-market	(253)	(110)
Total Servicing	(1)	114
Originations	163	158
Xome	101	108
Corporate and other, including eliminations	1	2
Total revenues	\$ 264	\$ 382

Operational revenues for the three months ended March 31, 2016, as compared to the same period in 2015, increased for all segments except Xome. Servicing operational revenues are principally driven by higher base servicing fees as a result of improved portfolio performance. Origination revenues increased due to improved secondary margins and continued focus on portfolio recapture rate, which has increased from 24% to 30%. Xome revenues decreased year-over-year as a result of lower property sales and default valuation orders, partially offset by an increase in title revenue.

	Three months ended March 31,	
	2016	2015
Servicing	\$ 184	\$ 182
Originations	125	100
Xome	90	80
Corporate and other, including eliminations	22	22
Total expenses	\$ 421	\$ 384

Total expense during the three months ended March 31, 2016 increased across all three segments primarily due to increased expenses in Originations and Xome. Servicing expenses are slightly higher primarily attributable to the addition of staff ahead of boarding a significant new subservicing portfolio and higher average UPB serviced during the period. Expenses increased in our Originations segment principally due to a higher funded volume and TRID implementation. Expenses increased in our Xome segment principally related to growth in our title operations and higher technology related investments.

	Three months ended March 31,	
	2016	2015
Reverse interest income	\$ 85	\$ 25
Other interest income	18	19
Interest income	103	44
Reverse interest expense	(67)	(14)
Advance interest expense	(16)	(12)
Corporate debt interest expense	(38)	(40)
Other interest expense	(40)	(49)
Interest expense	(161)	(115)
Gain (loss) on interest rate swaps and caps	—	(1)
Total other expense, net	\$ (58)	\$ (72)

Total other (expense) income declined during the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to higher reverse interest income related to the Generation Mortgage asset acquisition during the second quarter of 2015 triggering additional reverse interest income. This was partially offset by higher reverse interest expense, also related to the Generation Mortgage asset acquisition.

	Three months ended March 31,	
	2016	2015
Servicing:		
Operational	\$ 111	\$ 83
Amortization	(65)	(76)
Mark-to-market	(253)	(110)
Total Servicing	(207)	(103)
Originations	40	59
Xome	11	28
Corporate and other, including eliminations	(59)	(58)
Total loss before income tax benefit	\$ (215)	\$ (74)

The decrease in income before taxes for the three months ended March 31, 2016 versus the three months ended March 31, 2015 is driven primarily by the decrease in pre-tax income in our Servicing segment as a result of unfavorable mark-to-market adjustments

on MSRs. Income before taxes for Xome declined in the current period principally due to additional investments in technology and corporate infrastructure.

Table 6. Income Tax Benefit

(in millions)	Three months ended March 31,	
	2016	2015
Income tax benefit	\$ (82)	\$ (27)

The increase in income tax benefit for the three months ended March 31, 2016 in comparison to the same period of 2015 is primarily driven by significantly lower pre-tax book income. The effective tax rate was 38.2% and 36.6% for the three months ended March 31, 2016 and March 31, 2015, respectively.

Segment Results

Revenues generated on inter-segment services performed are valued based on estimated market value. Expenses are allocated to individual segments based on the estimated value of services performed, total revenue contributions, personnel headcount or the equity invested in each segment based on the type of expense allocated. Expenses for consolidated back-office operations and general overhead expenses such as executive administration and accounting are not allocated to the business segments.

Servicing Segment

Table 7. Servicing - Operations

(in millions)	Three months ended March 31,	
	2016	2015
Revenues		
Operational	\$ 317	\$ 300
Amortization	(65)	(76)
Other mark-to-market	(253)	(110)
Total revenues	(1)	114
Expenses	(184)	(182)
Total other expense, net	(22)	(35)
Loss before income tax benefit	\$ (207)	\$ (103)

Base servicing fees increased primarily due to slightly higher average UPB and improved portfolio performance as evidenced by lower delinquency rates. Other mark-to-market revenue primarily reflects the effect on our servicing portfolio of the change in interest rates from the previous calendar quarter. For the three months ended March 31, 2016, this change in rates was significantly greater than for the same period of 2015. Total other expense, net improved principally due to the expansion of our reverse platform during the year as a result of the Generation Mortgage acquisition which was completed during the second quarter of 2015.

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

(in millions)	Three months ended March 31,	
	2016	2015
Balance at the beginning of the period	\$ 367,800	\$ 353,094
Additions:		
Originations	4,311	4,209
Acquisitions	448	23,871
Deductions:		
Dispositions	—	—
Principal reductions and other	(2,703)	(2,559)
Voluntary reductions ⁽¹⁾	(10,626)	(9,887)
Involuntary reductions ⁽²⁾	(2,357)	(2,855)
Net changes in loans serviced by others	(101)	(3,031)
Balance at the end of period	<u>\$ 356,772</u>	<u>\$ 362,842</u>

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

⁽²⁾ Involuntary reductions refer to chargeoff of loans.

During the three months ended March 31, 2016, our forward servicing portfolio's unpaid principal balance decreased primarily as a result of liquidations and principal payments. We boarded \$4.3 billion of servicing rights through Originations during the three months ended March 31, 2016; however, due to market dynamics and our focus on preparing for the boarding of our newly acquired subservicing portfolio, we acquired only \$0.4 billion of servicing rights from third parties during the three months ended March 31, 2016 compared to \$23.9 billion during the same period in 2015. As of March 31, 2016, we had a commitment pipeline of approximately \$57 billion UPB including \$55 billion subservicing expected to board during the second half of the year.

The following table provides the composition of revenues for the Servicing segment for the periods presented as well as information useful in evaluating revenues:

Table 9. Servicing Revenues

(\$ in millions)

	Three months ended March 31,			
	2016		2015	
	Amounts	bps ⁽¹⁾	Amounts	bps ⁽¹⁾
MSR Operational Revenue				
Base servicing fees	\$ 259	27	\$ 254	26
Modification fees	15	2	12	1
Incentive fees	9	1	10	1
Late payment fees	19	2	18	2
Other ancillary revenues	55	6	48	5
Other revenues	9	1	7	1
Total MSR operational revenue	366	39	349	36
Subservicing ⁽²⁾	7	1	6	1
MSRs - LOCOM	18	2	19	2
Total servicing fee revenue	391	42	374	39
Amortization				
MSR scheduled and prepayment amortization	(112)	(11)	(107)	(11)
Excess spread accretion	47	5	32	3
LOCOM amortization	—	—	(1)	—
Total amortization	(65)	(6)	(76)	(8)
MSR financing liability payments	(27)	(3)	(34)	(4)
Excess spread payments - principal	(47)	(5)	(40)	(4)
Total operational revenue	252	28	224	23
Mark-to-Market Revenue				
MSR MTM ⁽³⁾	(256)	(26)	(110)	(11)
Excess spread / financing MTM	3	—	—	—
Total MTM revenue	(253)	(26)	(110)	(11)
Total revenues - Servicing	\$ (1)	2	\$ 114	12

⁽¹⁾ Calculated bps are as follows: Annualized \$ amount/Average UPB X 10000.

⁽²⁾ Subservicing amounts includes amounts serviced for other MSR owners, whole loans serviced for other investors and our owned whole loans.

⁽³⁾ MSR mark-to-market includes value changes related to MSR and whole loan assets.

During the three months ended March 31, 2016, servicing fee revenue increased compared to the same period in 2015, as the average UPB increased slightly and the portfolio delinquency rate improved. The 60 day delinquency rate declined to 6.5% as of March 31, 2016 from 8.8% as of March 31, 2015. Net amortization of MSR assets and mark-to-market revenue both decreased for the three months ended March 31, 2016 compared to the same period of 2015, as the net reduction in interest rates was greater in the current year.

For information regarding fair value adjustments, see the Mortgage Servicing Rights and Related Liabilities section provided below.

Table 10. Servicing Portfolio - Unpaid Principal Balances

(\$ in millions)	Three months ended March 31,	
	2016	2015
Average UPB:		
MSRs - fair value	\$ 339,168	\$ 338,366
Subservicing and other ⁽¹⁾	23,118	19,602
MSRs - LOCOM	29,348	27,684
Total average UPB	391,634	385,652
Ending UPB:		
MSRs - fair value		
Agency	237,067	229,213
Non-agency	95,593	113,906
Total MSRs - fair value	332,660	343,119
Subservicing and other ⁽¹⁾		
Agency	18,729	14,833
Non-agency	5,383	4,890
Total subservicing and other	24,112	19,723
MSRs - LOCOM	29,041	27,386
Total ending UPB	\$ 385,813	\$ 390,228

⁽¹⁾ Subservicing and Other amounts include (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.

Information about modifications and workout units is presented in the table below.

Table 11. Modifications and Workout Units

	Three months ended March 31,	
	2016	2015
Modifications and workout units:		
Home Affordable Modification Program ("HAMP") modifications	3,907	3,980
Non-HAMP modifications	6,169	6,191
Workouts	4,640	6,361
Total modification and workout units	14,716	16,532

Total modifications and workouts decreased during the three months ended March 31, 2016 compared to the prior year comparable period primarily due to the overall performance of borrowers within the servicing portfolio continuing to improve as reflected in the table below.

Table 12. Key Performance Metrics - Forward Servicing Portfolio ⁽¹⁾

	Three months ended March 31,	
	2016	2015
Loan count-servicing	2,185,414	2,080,338
Average loan amount	\$ 161,556	\$ 165,762
Average coupon - credit sensitive ⁽²⁾	4.7%	4.7%
Average coupon - interest sensitive ⁽²⁾	4.1%	4.0%
60+ delinquent (% of loans) ⁽³⁾	6.5%	8.8%
90+ delinquent (% of loans) ⁽³⁾	6.1%	8.3%
120+ delinquent (% of loans) ⁽³⁾	5.7%	8.0%
Total prepayment speed (12 month constant pre-payment rate)	13.5%	13.8%

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

⁽²⁾ 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.

⁽³⁾ 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.

The table below provides the expense break out between salaries, wages and benefits and general and administrative expenses in the Servicing segment. For the three months ended March 31, 2016 versus the comparable period in 2015, expenses were up slightly due to growth in forward and reverse loans serviced.

Table 13. Servicing - Expenses

(in millions)

	Three months ended March 31,			
	2016		2015	
	Amounts	bps	Amounts	bps
Salaries, wages and benefits	\$ 71	7	\$ 64	7
General and administrative	113	11	118	12
Total expenses - Servicing	\$ 184	18	\$ 182	19

The table below provides additional detail on our total general and administrative expenses recorded in our Servicing segment.

Table 14. General and Administrative Expenses

(in millions)

	Three months ended March 31,			
	2016		2015	
	Amounts	bps	Amounts	bps
Operational losses ⁽¹⁾	\$ 37	4	\$ 40	4
Direct operating costs ⁽²⁾	34	3	36	4
Offshoring costs	14	1	11	1
Corporate allocation charges	23	2	23	2
Subservicing	5	1	8	1
Total general and administrative expenses - Servicing	\$ 113	11	\$ 118	12

⁽¹⁾ Operational losses include compensatory fees, claims losses and similar expenses.

⁽²⁾ Direct Operating Costs are normal costs of servicing, including filing fees, postage, delivery and similar expenses.

During the three months ended March 31, 2016 versus the three months ended March 31, 2015, general and administrative costs decreased due to lower direct operating costs resulting from lower UPB and improved delinquency rates. Included in the operational losses for the three months ended March 31, 2016 is a \$16 million release of mortgage servicing liabilities which has an offset to revenue compared to a \$13 million release for the same period of 2015.

Table 15. Servicing - Other Income (Expense), Net

(\$ in millions)

	Three months ended March 31,			
	2016		2015	
	Amounts	bps	Amounts	bps
Reverse interest income	\$ 85	9	\$ 25	3
Other interest income	—	—	—	—
Interest income	85	9	25	3
Reverse interest expense	(67)	(7)	(14)	(1)
Advance interest expense	(16)	(2)	(12)	(2)
Other interest expense	(24)	(2)	(32)	(3)
Interest expense	(107)	(11)	(58)	(6)
Loss on interest rate swaps and cap	—	—	(2)	—
Total other expense - Servicing	\$ (22)	(2)	\$ (35)	(3)
WAC - advance facilities	3.0%		2.0%	
WAC - excess spread financing	9.0%		9.1%	

Total other income (expense) - Servicing improved principally due to the expansion of our reverse platform during the year as a result of the Generation Mortgage acquisition during the second quarter of 2015. Advance interest expense increased as a result of improved funding efficiency on advance financing facilities and an increase in the weighted average interest rate for advance financing from 2.0% for the three months ended March 31, 2015 to 3.0% for the three months ended March 31, 2016.

Originations Segment

Our Originations segment comprises both the Greenlight Loans and Nationstar brands. We originate primarily conventional agency (GSE) and government-insured residential mortgage loans and, to mitigate credit risk, typically sell these loans within approximately 30 to 60 days while retaining the associated servicing rights. Our primary focus is assisting customers currently in our servicing portfolio with refinances or loans for new home purchases (or recapture). This increases our origination margins by reducing marketing and other costs to acquire customers as well as replenishment of our servicing portfolio.

Table 16. Originations - Operations

(in millions)

	Three months ended March 31,	
	2016	2015
Revenues	\$ 163	\$ 158
Expenses	(125)	(100)
Other income, net	2	1
Income before income tax expense	\$ 40	\$ 59
Income before taxes margin	24.5%	37.3%

Origination revenues increased due to improved secondary margins and continued focus on portfolio recapture up from 24% to 31%. Our overall revenue increased \$5 million compared to the same period in 2015 driven by higher margins across all channels. Expenses were higher, primarily driven by additional costs for disclosure rules associated with the TILA-RESPA Integrated Disclosures, commonly referred to as TRID, costs related to compliance and regulatory industry changes, and higher headcount in the Direct to Consumer business.

Table 17. Originations - Revenues

(in millions)	Three months ended March 31,	
	2016	2015
Service related	\$ 15	\$ 7
Gain on loans originated and sold	210	183
Fair value adjustment on loans held for sale	(53)	(51)
Mark-to-market on locks and commitments ⁽¹⁾	(42)	(21)
Provision for repurchases	(3)	(4)
Capitalized servicing rights	36	44
Net gain on mortgage loans held for sale	148	151
Total revenues - Originations	\$ 163	\$ 158

Key Metrics

Consumer direct lock pull through adjusted volume (\$) ⁽²⁾	\$ 2,897	\$ 2,984
Other locked pull through adjusted volume (\$)	1,616	1,558
Funded volume, total (\$)	4,240	4,209
Funded HARP volume, total (\$)	1,227	1,181
Recapture percentage (\$)	31.0%	24.0%
Purchase percentage of funded volume (\$)	25.0%	24.0%
Value of capitalized servicing	96 bps	118 bps

⁽¹⁾ Mark-to-market on locks and commitments includes our fair value mark-to-market adjustments on our IRLCs, forward loan commitments, and any associated pair-off amounts.

⁽²⁾ Actual versus expected funding from locks taken during the period.

In evaluating performance, we combine net gain on mortgage loans held for sale and service related revenue. The increase in revenues from \$158 million in Q1 2015 to \$163 million in Q1 2016 was primarily driven by higher locked loan revenue margins. Our volumes in 2016 have benefited from a low interest rate environment and a continued focus on the recapture of our portfolio customers. Our direct to consumer business remained at approximately 60% of total volume year over year and we continued to improve revenue and profitability margins in our other business lines.

Table 18. Originations - Expenses

(in millions)	Three months ended March 31,	
	2016	2015
Salaries, wages and benefits	\$ 75	\$ 69
General and administrative	50	31
Total expenses - Originations	\$ 125	\$ 100

Salaries, wages and benefits increased during the three months ended March 31, 2016 as compared to the comparative period in 2015 primarily due to headcount associated with higher funded units. Although funded volume dollars were up marginally, average loan size decreased resulting in higher funded units. Although salary costs were higher, productivity levels per full time equivalent employee increased during current quarter as compared to prior year. General and administrative expense was higher due to higher operating costs associated with headcount growth, higher loan related costs as a result of TRID implementation, higher marketing spending to take advantage of the low interest rate environment and higher regulatory and compliance costs.

Table 19. Originations - Other Income, net

(in millions)	Three months ended March 31,	
	2016	2015
Interest income	\$ 15	\$ 15
Interest expense	(13)	(14)
Other income, net - Originations	\$ 2	\$ 1
WA coupon - mortgage loans held for sale	4.1%	4.1%
WA cost of funds (excluding facility fees)	2.9%	2.4%

Interest income primarily relates to mortgage loans held for sale. Interest expense is associated with the warehouse facilities utilized to originate new loans. Interest income declined principally as a result of lower coupon rates on originated loans. Interest expense declined principally as a result of lower costs of borrowing.

Indemnification Reserves

The activity of the outstanding repurchase reserves were as follows:

Table 20. Repurchase Reserves

(in millions)	Three months ended March 31,	
	2016	2015
Repurchase reserves, beginning of period	\$ 26	\$ 29
Provisions	2	4
Charge-offs and releases	(2)	(3)
Repurchase reserves, end of period	\$ 26	\$ 30

The provision for repurchases represents estimate of losses to be incurred on the repurchase or indemnification of purchasers of loans. Certain sale contracts and GSE standards require us 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, such as the manner of origination, the nature and extent of underwriting standards.

In the event of a breach of the representations and warranties, we 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 we 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. We record a provision for estimated repurchases, loss indemnification and premium recapture on loans sold, which is charged to gain on mortgage loans held for sale.

Xome Segment

Table 21. Xome - Operations

(in millions)	Three months ended March 31,	
	2016	2015
Revenues	\$ 101	\$ 108
Expenses	(90)	(80)
Income before income tax expense	\$ 11	\$ 28
Income before taxes margin	10.9%	25.9%

Our Xome segment is a provider of refinance and default related residential mortgage services and a provider of technology and data enhanced solutions to home buyers, home sellers, real estate professionals and companies engaged in the origination and/or servicing of mortgage loans. The segment is comprised of three units: Xome Exchange, Xome Services and Xome Technology and Support.

Xome Exchange is comprised of real estate disposition services for distressed properties. A majority of the property sales are facilitated through our Residential Real Estate exchange, Homesearch.com. Homesearch.com was designed to increase transparency, reduce fraud risk and provide better execution for property sales as evidenced generally by higher sales price and lower average days to sell compared to traditional sales.

With respect to our Xome Services, we are focused on the creation and delivery of high quality services (e.g., title and escrow, collateral valuation, property inspection and preservation) for purchase, refinance and default transactions. We continue to serve existing third-party customers and capture refinance and default transactions generated by our servicing and originations platform.

Today, significant opportunity still exists with respect to penetration of our own operations and current customers. Our acquisition of Experience 1, holding company of Title 365 and related entities, in 2015 was a significant investment in purchase and refinance title related services with a major footprint in the California market. The acquisition added a significant amount of third-party revenue from new customers.

Xome Technology and Support includes our software as a service (“SaaS”) business providing integrated technology, media and data solutions to real estate franchisors, brokerages, agents and MLS organizations and associations. Through our Xome platform and related mobile applications, we intend to enhance the home buying and selling experience via smart investments in innovative technology and a sharp focus on customer service to make the home transaction experience simpler, more transparent and more accessible for all market participants. The Xome platform is a combination of a web platform and easy to use mobile application, giving customers instant access to over 90% of all active MLS listings in the United States. Activities associated with our technology and product development and corporate support functions are also included in this reporting unit.

Table 22. Xome - Revenues

(\$ in millions, except metrics data)

	Three months ended March 31,	
	2016	2015
Xome Exchange	\$ 36	\$ 44
Xome Services	57	56
Xome Technology and Support	8	8
Total revenues - Xome	\$ 101	\$ 108

Key Metrics

Properties sold	4,165	5,509
REO inventory at period end	7,892	9,114
Xome services completed orders	161,339	182,988
Percentage of revenue earned from third party customers	36.0%	31.0%

Revenues decreased in first quarter of 2016 compared with the same period in 2015 driven principally by lower Xome Exchange revenues. Service revenue earned from third-party clients in 2016 increased by 5% from the comparable period to 36% as we continue to focus on the diversification of our revenue base. Xome Exchange revenue decreased due to a 24% decline in the number of properties sold partially offset by a 10% increase in the average selling price of the sold properties. Xome Services revenue was flat compared to prior year. An increase in title and escrow service revenues driven by our acquisition of Title365 in January 2015 was offset by a decline in valuation services revenue due to a change in product mix.

Table 23. Xome - Expenses

(in millions)

	Three months ended March 31,	
	2016	2015
Salaries, wages and benefits	\$ 43	\$ 38
General and administrative	47	42
Total expenses - Xome	\$ 90	\$ 80

During the three months ended March 31, 2016, the increase in expenses compared to the comparable period is due largely to an increase in personnel related costs driven by the acquisition and continued growth of Title365, as well as expansion of our service offerings. Our personnel costs also increased due to head count additions to support our technology initiatives since Q1 2015.

General and administrative costs increased primarily due to an increase in depreciation and amortization associated with our technology investments and an increase in Title 365 title production costs driven by a growth in order volume. A growth in our facility and infrastructure to support the increase in headcount also contributed to the overall increase in expenses.

	Three months ended March 31,	
	2016	2015
Xome Exchange	\$ 26	\$ 36
Xome Services	5	9
Xome Technology and Support	(20)	(17)
Total income before income tax expense - Xome	\$ 11	\$ 28

The decrease in Income before Taxes was principally driven by the decline in revenues earned in Xome Exchange, coupled with an increase in investments in technology initiatives as compared to prior year.

Xome Exchange earnings decline was due principally to the decrease in revenue compared to the comparable period coupled with an increased depreciation associated with technology investments to support this business. Xome Services earnings decline was primarily impacted by a decrease in revenues associated with our valuation and property inspection and preservation services.

The increased loss in Technology and Support was driven by our investment in technology initiatives and increased depreciation and amortization associated with those technology investments

	Three months ended March 31,	
	2016	2015
Technology	\$ (4)	\$ —
SaaS ⁽¹⁾	1	—
Marketing	(1)	(1)
Corporate Support and Other	(16)	(16)
Total Xome technology and support - loss before taxes	\$ (20)	\$ (17)

⁽¹⁾ Our software as a service is a provider of integrated technology, media and data solutions to real estate franchisers, brokerages, real estate agents, MLS organizations and mortgage servicers.

The increased loss in Technology and Support was driven by our investment in technology initiatives. In 2015, we expanded our technology capabilities through investments in personnel, tools and facilities in Seattle and Chennai, India. The focus of our investments continues to be Xome.com, the related mobile applications and development of proprietary order management and workflow systems in an effort to reduce the transactional costs in both Xome Exchange and Xome Services.

Corporate and Other

	Three months ended March 31,	
	2016	2015
Revenues	\$ 1	\$ 2
Expenses	(22)	(22)
Other expense, net	(38)	(38)
Total loss before income tax benefit - Corporate and Other	\$ (59)	\$ (58)

Table 27. Income Before Income Tax Expense Components

(in millions)	Three months ended March 31,	
	2016	2015
Interest expense on unsecured senior notes	\$ (38)	\$ (40)
Legacy	(2)	(3)
Other corporate	(19)	(15)
Total loss before income tax benefit - Corporate and Other	\$ (59)	\$ (58)

Our Corporate and Other reporting unit consists of (1) interest expense on our unsecured senior notes; (2) net income from our legacy portfolio consisting of non-prime and nonconforming residential mortgage loans transferred to a securitization trust in 2009 that was structured as a secured borrowing resulting in our carrying the securitized loans as mortgage loans on our consolidated balance sheets and recognizing the asset backed certificates acquired by third parties as nonrecourse debt and (3) corporate expenses that are not directly attributable to our operating segments.

Our interest expense on unsecured senior notes declined during the quarter ended March 31, 2016 compared to the same period in 2015 primarily due to the repurchase of \$108.9 million in unsecured senior notes during the fourth quarter of 2015. Legacy income for the quarter ended March 31, 2016 improved over the comparable period in 2015 due primarily to lower losses on REO sales from the legacy portfolio. Other corporate income for the quarter ended March 31, 2016 was lower than the comparable period in 2015 primarily due to an increase in marketing expenses related to the Company's branding efforts.

Table 28. Legacy Portfolio

(in millions)	March 31, 2016	December 31, 2015
Performing - UPB	\$ 177	\$ 194
Nonperforming (90+ delinquency) - UPB	64	75
REO - estimated fair value	4	2
Total legacy portfolio	\$ 245	\$ 271

Table 29. Corporate and Other - Expenses

(in millions)	Three months ended March 31,	
	2016	2015
Salaries, wages and benefits	\$ 8	\$ 9
General and administrative	14	13
Total expenses - Corporate and Other	\$ 22	\$ 22

Expenses remained flat for the quarter ended March 31, 2016 versus the comparable period in 2015 due to lower REO losses in the legacy portfolio offset by an increase in marketing expenses related to the Company's branding efforts.

Table 30. Corporate and Other - Other Income (Expense), Net

(in millions)	Three months ended March 31,	
	2016	2015
Interest income, legacy portfolio	\$ 3	\$ 4
Interest expense, legacy portfolio	(2)	(2)
Interest expense on unsecured senior notes	(39)	(40)
Other expense, net - Corporate and Other	\$ (38)	\$ (38)
WAC - unsecured senior notes	7.3%	7.3%

Other expense, net includes interest expense associated with our unsecured senior notes and the interest income and expense from our Legacy portfolio. The favorable decline in other expense for the quarter ended March 31, 2016 versus the comparable period in 2015 is primarily due to the repurchase of \$108.9 million of unsecured senior notes during the fourth quarter of 2015.

MORTGAGE SERVICING RIGHTS AND RELATED LIABILITIES

Table 31. MSR and Related Liabilities

(in millions)	March 31, 2016			December 31, 2015		
	UPB	Carrying Amount	Weighted Avg. Coupon	UPB	Carrying Amount	Weighted Avg. Coupon
Agency	\$ 237,067	\$ 2,238	4.41%	\$ 246,016	\$ 2,462	4.40%
Non-agency	95,593	850	4.52%	99,660	896	4.50%
Total MSR - fair value	332,660	3,088	4.44%	345,676	3,358	4.50%
Subservicing and other ⁽¹⁾						
Agency	18,729	N/A	N/A	18,059	N/A	N/A
Non-agency	5,383	N/A	N/A	4,065	N/A	N/A
Total subservicing and other	24,112	N/A	N/A	22,124	N/A	N/A
MSRs - LOCOM ⁽²⁾	29,041	8	N/A	29,855	9	N/A
Total servicing portfolio unpaid principal balance	\$ 385,813	\$ 3,096	N/A	\$ 397,655	\$ 3,367	N/A

⁽¹⁾ Subservicing and other amounts include (1) loans we service for other, (2) residential mortgage loans originated but have yet to be sold, and (3) agency REO balances for which we own the mortgage servicing rights.

⁽²⁾ MSRs - LOCOM carrying amount is reported net of \$18.1 million and \$25.3 million mortgage servicing liabilities as of March 31, 2016 and December 31, 2015, respectively.

Our servicing portfolio consists of credit sensitive MSRs, primarily acquired through bulk acquisitions, and interest rate sensitive MSRs, principally consisting of MSRs acquired via flow transactions or transferred from our origination activities. For MSRs marked at fair value that are interest rate sensitive, servicing values are typically correlated to interest rates such that when interest rates rise, the value of the servicing portfolio also increases principally as a result of lower prepayments. Credit sensitive MSRs are less influenced by movement in interest rates and more influenced by changes in loan performance factors which impact involuntary prepayment speeds.

We assess whether acquired portfolios are more credit sensitive or interest sensitive in nature on the date of acquisition. As part of the assessment, 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 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 32. Fair Value MSR Valuation

(in millions)	March 31, 2016			December 31, 2015		
	UPB	Carrying Amount	Bps	UPB	Carrying Amount	Bps
MSRs - Fair Value						
Credit sensitive	\$ 214,624	\$ 1,918	89	\$ 224,334	\$ 2,017	90
Interest sensitive - agency	118,036	1,170	99	121,342	1,342	111
Total MSR - fair value	\$ 332,660	\$ 3,088	93	\$ 345,676	\$ 3,359	97

The fair value of our credit sensitive portfolio declined in dollars principally due to amortization. On a bps basis, our credit sensitive pool increased in value due to improved performance as evidenced by lower delinquency. The fair value of our interest sensitive portfolio was flat year over year on a bps basis, but increased in dollar base due to acquisitions and origination activities, net of amortization.

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

(in millions)	Three months ended March 31,	
	2016	2015
Fair value at the beginning of the period	\$ 3,358	\$ 2,950
Additions:		
Servicing resulting from transfers of financial assets	40	44
Purchases of servicing assets	2	238
Sale of servicing assets	(19)	—
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model:		
Credit sensitive	(65)	28
Interest sensitive	(171)	(137)
Other changes in fair value:		
Scheduled principal payments	(21)	(23)
Prepayments		
Voluntary prepayments		
Credit sensitive	(43)	(34)
Interest sensitive	(31)	(30)
Involuntary prepayments		
Credit sensitive	(8)	(13)
Interest sensitive	—	(1)
Other liquidated loans	46	—
Fair Value at the end of the period	\$ 3,088	\$ 3,022

We used the following weighted average assumptions in estimating the fair value of MSRs for the dates indicated:

	March 31,	
	2016	2015
Credit Sensitive MSRs		
Discount rate	11.6%	11.8%
Total prepayment speeds	16.4%	18.1%
Expected weighted-average life (years)	5.8 years	5.7 years
Interest Sensitive MSRs		
Discount rate	9.2%	9.1%
Total prepayment speeds	14.1%	14.1%
Expected weighted average life (years)	5.6 years	5.6 years

Discount rate reductions for credit sensitive MSRs are attributable primarily to lower yields on new acquisitions driving down the weighted average rate. Prepayment speed reduction and weighted-average life improvement for credit sensitive MSR is attributable to collateral improvement.

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

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 expected years in which we expect to service the MSR.

Excess Spread Financing

As further disclosed in Note 2, Mortgage Servicing Rights and Related Liabilities and Note 18, Disclosures Related to Transactions with Affiliates of Fortress Investment Group LLC, we 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 for both book and tax purposes 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 meant to cover costs incurred to service the specified pool plus a reasonable margin. The remaining servicing fee is considered excess. We will then '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; however, they can be entered into at any time for both acquired and originated MSRs. To date, the acquirer has been New Residential and certain funds managed by Fortress Investment Group, all of which are affiliated companies. The impact on future revenues and capital resources from executed Excess Spread Agreements varies principally due to (i) prepayment speeds and (ii) our ability to recapture prepayments through the origination platform. In Note 2, Mortgage Servicing Rights and Related Liabilities, we disclose the range of assumptions for prepayment speeds, average life, discount rate and recapture rate. In addition, we provide sensitivities for discount rate and prepayment speeds.

Table 35. Excess Spread Financing

(in millions)

	Three months ended March 31,	
	2016	2015
Fair value at the beginning of the period	\$ 1,232	\$ 1,031
Additions:		
New financings	—	53
Deductions:		
Settlements	(47)	(50)
Fair value changes:		
Credit Sensitive	(9)	26
Interest Sensitive	(15)	(13)
Fair value at the end of the period	<u>\$ 1,161</u>	<u>\$ 1,047</u>
Weighted-Average Assumptions:		
Mortgage prepayment speeds	11.9%	11.9%
Average life of mortgage loans	5.8 years	5.8 years
Discount rate	11.0%	11.4%
Credit Sensitive:		
Mortgage prepayment speeds	11.7%	12.0%
Average life of mortgage loans	5.9 years	5.8 years
Discount rate	11.4%	11.6%
Interest Sensitive:		
Mortgage prepayment speeds	13.0%	11.0%
Average life of mortgage loans	5.6 years	5.6 years
Discount rate	8.9%	8.6%

Another component of our service related revenues is the fair value changes in our excess spread financings. In conjunction with various MSR acquisitions, we have entered into sale and assignment agreements, which we account for as financings, whereby we sell the right to receive a portion of the excess cash flow generated from certain underlying MSR portfolios, including taking into consideration recapture for loans modified or otherwise disposed, after receipt of a fixed base servicing fee per loan. We measure these financing arrangements at fair value. The fair value on excess spread financing is based on the present value of future expected discounted cash flows with the discount rate approximately current market value for similar financial instruments.

Table 36. MSRs Financing Liability - Rollforward

(in millions)	Three months ended March 31,	
	2016	2015
Fair value at the beginning of the period	\$ 69	\$ 49
Additions:		
New financings	—	—
Deductions:		
Settlements:	—	—
Changes in fair value: ⁽¹⁾		
Due to changes in valuation inputs or assumptions used in the valuation model	15	(2)
Other changes in fair value	(2)	(2)
Fair value at the end of the period	\$ 82	\$ 45
Weighted-Average Assumptions:		
Advance financing rates	3.1%	2.7%
Annual advance recovery rates	20.5%	24.9%

⁽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 offset by fair value model assumption changes.

Fair value changes in our mortgage servicing rights financing liability also impact service related revenues. In conjunction with the excess spread financing servicing acquisition structure, we entered into several sale agreements on our outstanding advances whereby we sold the right to repayment on outstanding private label servicer advances. We also sold the right to receive the base fee component on the related MSRs. We continue to service the loans in exchange for a portion of the base fee. We measure these financings at fair value.

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

Table 37. Leveraged Portfolio Characteristics

(in millions)	March 31, 2016	December 31, 2015
Owned forward servicing portfolio - unencumbered	\$ 86,123	\$ 89,435
Owned forward servicing portfolio - transferred to New Residential	246,537	256,241
Subserviced forward servicing portfolio and other	24,112	22,124
Total unpaid principal balance	\$ 356,772	\$ 367,800

Our encumbered forward servicing portfolio consists of residential mortgage loans included within our excess spread financing transactions and our MSR financing liability. Subserviced and other amounts include (1) loans we service for others, (2) residential mortgage loans originated but have yet to be sold, and (3) agency REO balances for which we own the mortgage servicing rights.

MSRs - LOCOM

The table below provides detail of the characteristics and key performance metrics of our reverse servicing portfolio, which is included in MSRs - LOCOM, at the periods indicated:

	March 31, 2016	December 31, 2015
<i>(\$ in millions, except for average loan amount)</i>		
Loan count	173,231	176,272
Ending unpaid principal balance	\$ 29,041	\$ 30
Average loan amount	\$ 167,643	\$ 169,371
Average coupon	3.3%	3.2%
Average borrower age	78	77

We acquire reverse MSRs and funded unsecuritized advances from third parties. Reverse mortgages (known as Home Equity Conversion Mortgages or HECMs) provide seniors (62 and older) with a loan secured by their home. We record the assets acquired and obligations assumed initially at fair value on the acquisition date, which include the funded advances and a servicing asset or liability, net of cash paid or received. Any premium or discount associated with the recording of the funded advances is accreted into interest income as the underlying HECMs are liquidated. The year over year increase in UPB and ending principal amount are a result of the \$4.9 billion Generation Mortgage transaction which was completed in second quarter of 2015.

Subsequent to the acquisition date, we use the lower of cost or market to report reverse MSRs with the capitalized cost of the MSRs amortized in proportion and over the period of the estimated net future servicing income and recognized as an adjustment to servicing fee income for our reverse MSRs. This class of MSRs is periodically evaluated for impairment. For purposes of measuring impairment, MSRs 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 a valuation allowance. Based on our assessment, there was no impairment on this asset as of March 31, 2016 or December 31, 2015.

Changes In Financial Position

	March 31, 2016	December 31, 2015	% Change
<i>(in millions)</i>			
Cash and cash equivalents	\$ 461	\$ 613	(25)%
Mortgage servicing rights	3,096	3,367	(8)%
Advances, net	2,071	2,223	(7)%
Reverse mortgage interests	7,584	7,514	1 %
Mortgage loans held for sale	1,881	1,430	32 %
Other	1,458	1,470	(1)%
Total assets	\$ 16,551	\$ 16,617	— %

Our total assets as of March 31, 2016 were comparable with the period ended December 31, 2015. We had an increase in our mortgage loans held for sale as we originated approximately \$4.2 billion in mortgage loans during the three month period ended March 31, 2016 as a result of the continued low interest rate environment. The increase was partially offset by a decrease in cash and cash equivalents. Our advance balances declined as delinquency rates in the portfolio continued to decline.

Table 40. Liabilities and Stockholders' Equity	March 31, 2016	December 31, 2015	% Change
<i>(in millions)</i>			
Unsecured senior notes, net of unamortized debt issuance cost	\$ 2,025	\$ 2,026	— %
Advance facilities, net of unamortized debt issuance cost	1,564	1,640	(5)%
Warehouse facilities, net of unamortized debt issuance cost	2,414	1,890	28 %
MSR related liabilities - nonrecourse	1,243	1,301	(4)%
Other nonrecourse debt, net of unamortized debt issuance cost	6,545	6,666	(2)%
Other liabilities	1,179	1,327	(11)%
Total liabilities	14,970	14,850	1 %
Total stockholder's equity attributable to Nationstar	1,573	1,758	(11)%
Noncontrolling interest	8	9	(11)%
Total liabilities and equity	\$ 16,551	\$ 16,617	— %

Total liabilities and stockholder's equity were comparable with the period ended December 31, 2015. The warehouse facilities went up to \$2.4 billion at March 31, 2016 from \$1.9 billion at December 31, 2015 mainly due to borrowings to fund the increased origination activities. In addition, the Company borrowed under the warehouse facility to acquire reverse mortgage loans for \$55.2 million as stated in Note 4. Reverse Mortgage Interest.

CAPITAL AND LIQUIDITY

Effective December 31, 2015, the Federal Housing Finance Agency (FHFA) finalized minimum financial requirements for Fannie Mae and Freddie Mac Seller/Servicers as set forth below.

Minimum Net Worth

- Base of \$2.5 million plus 25 basis points of UPB for total loans serviced.

Minimum Capital Ratio

- Tangible Net Worth/Total Asset greater than 6%. Tangible Net Worth comprises total equity less goodwill, intangible assets, affiliate receivables and certain pledged assets.

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 including: 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.

Liquidity

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) proceeds received from the sale of mortgage loans held for sale; (iv) payments from the liquidation or securitization of our outstanding participating interests in reverse mortgage loans; (v) lines of credit, other secured borrowings and the unsecured senior notes; and (vi) 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; (vi) payments for acquisitions of MSRs; and (vii) scheduled and unscheduled draws on our serviced reverse residential mortgage loans.

We believe that our cash flows from operating activities, as well as capacity with existing facilities, provide us with adequate resources to fund our anticipated ongoing cash requirements. We anticipate that 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 intend to continue to seek opportunities to acquire loan servicing portfolios. Any future acquisitions could require substantial additional capital in excess of cash from operations. We are also subject to capital requirements from GSE's and secondary market investors that are subject to change and may be subject to additional capital requirements in connection with future acquisitions. See Note 14, Capital Requirements. If needed, we would expect to finance the necessary capital through a combination of additional issuances of equity, corporate indebtedness, asset backed acquisition financing and/or cash from operations.

We may continue to access external financing from time to time depending on our cash requirements, assessments of current and anticipated market conditions and after-tax cost of capital. Our access to capital markets can be impacted by factors outside our control, including economic conditions, however, we believe that our cash flows, balance sheet and existing facilities provide us adequate access to funding given our expected cash needs.

Cash Flows

Table 41. Operating Cash Flow

(in millions)	Three months ended March 31,	
	2016	2015
Net loss attributable to Nationstar	\$ (132)	\$ (48)
Other non-cash adjustments to net loss	(169)	(175)
Origination activity	(34)	(373)
Changes in working capital	4	(64)
Net cash attributable to operating activities	\$ (331)	\$ (660)

The \$329 million reduction outflow of operating cash was primarily due to:

- The increase in cash proceeds of \$339 million from origination activity primarily due to the timing of cash outflows from originating loans, cash inflows from securitization and selling loans.
- The increase in cash proceeds of \$69 million from changes in working capital is primarily due to net reduction in advance balances during the period.

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.

Table 42. Investing Cash Flows

(in millions)	Three months ended March 31,	
	2016	2015
Purchase of reverse mortgage loans	\$ (55)	\$ —
Purchase of forward mortgage servicing rights, net of liabilities incurred	(2)	(196)
Proceeds on sale of servicer advances	—	—
All other	6	(43)
Net cash attributable to investing activities	\$ (51)	\$ (239)

Our investing activities used \$51 million and \$239 million during the three months ended March 31, 2016 and 2015, respectively. The primary decrease in cash used for investing activities is due to significant purchases of forward mortgage servicing rights during the three months ended March 31, 2015 which did not recur during the three months ended March 31, 2016. The timing of transactions to purchase forward mortgage servicing rights can vary depending upon the volume and type of offerings, availability

of investments meeting our return requirements and timing of regulatory approvals. Purchases of mortgage servicing rights declined for the three months ended March 31, 2016 versus the three months ended March 31, 2015 because of these factors and our focus on boarding a large new subservicing portfolio. This was partially offset by a \$55 million acquisition of reverse mortgage loans in March 2016 in connection with execution of an option to purchase HECM loans related to a reverse mortgage loan trust, of which Nationstar was the master servicer and holder of clean-up call rights.

Table 43. Financing Cash Flow

(in millions)	Three months ended March 31,	
	2016	2015
Increase (decrease) in participating interest financing in reverse mortgage interests	\$ (120)	\$ 65
Issuance of advance, warehouse and senior unsecured notes	437	882
HECM securitizations	(4)	46
Excess spread and MSR liability financing	(47)	3
2015 equity raise	—	498
Restricted cash activity	25	(73)
Repurchase of common shares	(55)	—
All other	(6)	(5)
Net cash attributable to financing activities	\$ 230	\$ 1,416

Our financing activities provided \$230 million and \$1,416 million of cash flow during the three months ended March 31, 2016 and 2015, respectively. The primary driver of the decrease in cash provided by financing activities compared to the same period in 2015 were:

- We received \$498 million from the issuance of 18 million common shares during the first quarter of 2015, which did not recur in 2016.
- We also received \$53 million from the issuance of excess spread financing during the first quarter of 2015, which did not recur in 2016.
- During the first quarter of 2016, we repurchased common shares of approximately \$55 million under previously authorized share repurchase programs of \$250 million.
- Issuance of advance, warehouse and senior unsecured notes used \$437 million during first quarter of 2016 compared to \$882 million during first quarter of 2015. This is because warehouse facilities increased more in first quarter of 2015 when compared with first quarter of 2016. This was consistent with the increased Mortgage Loans Held for Sale assets that increased more quarter over quarter, respectively. Mortgage Loans Held for Sale assets increased 36% in first quarter of 2015 where UPB increased only 24% in first quarter of 2016.

Capital Resources

Capital Structure and Debt

Table 44. Debt

(in millions)	March 31, 2016	December 31, 2015
Advance facilities, net of unamortized debt issuance costs	\$ 1,564	\$ 1,640
Warehouse facilities, net of unamortized debt issuance costs	2,414	1,890
Unsecured senior notes, net of unamortized debt issuance costs	2,025	2,026

Financial Covenants

Our advance and warehouse facilities contain various financial covenants which primarily relate to tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements. As a result of the decrease in interest rates during the three month period ended March 31, 2016, Nationstar recorded a charge to service related revenue for changes in fair value associated with the Company's MSRs recorded at fair value. As a result of the change, Nationstar was unable to meet the profitability requirement in one outstanding warehouse facility and one MBS facility. Nationstar received a waiver from these financial institutions on these profitability requirements for the period ended March 31, 2016. After giving effect to this waiver, the Company was in compliance with all other required financial covenants as of March 31, 2016.

Advance Facilities

Our servicing agreements impose on us various rights and obligations that affect our liquidity. Among the most significant of these obligations is the requirement 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 stop advance policies. As part of our normal course of business, we borrow money to fund servicing advances. 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 with New Residential, for these pools of loans, New Residential now has the obligation to fund future advances on the related loans. We also sold the related notes payable facilities associated with financing these advances.

As servicer for reverse mortgage loans, among other things, we are required to make advances to borrowers. We typically hold the participation interests, which are made up of the related advances for approximately 30 days while we pool the participation interests into a government securitization. At March 31, 2016 our maximum unfunded advance obligation related to these reverse mortgage loans was approximately \$3.0 billion.

Warehouse Facilities

Loan origination activities generally require short-term liquidity in excess of that 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 the loans or place them in government securitizations and 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.

Unsecured Senior Notes

From 2010 through 2013, we completed offerings of unsecured senior notes, with maturity dates ranging from August 2015 to June 2022. We pay interest semi-annually to the holders of these notes at interest rates ranging from 6.5% to 9.6%. During the first quarter of 2016, we repurchased \$1,475 thousand of unsecured senior notes which resulted in a gain of \$77 thousand.

As of March 31, 2016, the expected maturities of Nationstar's Unsecured Senior Notes based on contractual maturities are as follows (in millions):

Table 45. Contractual Maturities - Unsecured Senior Notes

Year	Amount
2016	\$ —
2017	—
2018	475
2019	362
2020	400
Thereafter	809
	2,046
Unamortized debt issuance costs	(21)
Total	\$ 2,025

Contractual Obligations

There were no material changes to our outstanding contractual obligations as of March 31, 2016, from amounts previously disclosed in Nationstar's Annual Report on Form 10-K for the year ended December 31, 2016.

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 four 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 valued using significant unobservable inputs including (i) the valuation of MSRs, (ii) the valuation of excess spread financing, and (iii) the valuation of mortgage servicing rights financing liability, (iv) Reserves for Loan Origination and Servicing Activity and (v) valuation of 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 our consolidated financial statements to these critical accounting policies, the use of other judgments, estimates and assumptions could result in material differences in our results of operations or financial condition. For further information on our critical accounting policies, please refer to Nationstar's Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes to our critical accounting policies since December 31, 2015.

Recent Accounting Developments

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

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 inflations. 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 10, Securitizations and Financings, in Item 1 Financial Statements and Supplementary Data, which is incorporated herein, for a summary of Nationstar's transactions with VIEs and details of their impact on our consolidated financial statements.

Derivatives

See Note 7, Derivative Financial Instruments, of Item 1 Financial Statements and Supplementary Data, which is incorporated herein, for a summary of Nationstar's derivative transactions.

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, 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.

There are a number of important factors 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 refinance existing loans and maintain our loan originations volume;
- our ability to increase recapture of voluntary prepayments related to our existing servicing portfolio;
- our ability to maintain or grow the size of our servicing portfolio;
- our ability to successfully enhance the home buying experience;
- the success of our customer-for-life and customer service initiatives;
- delays in our ability to collect or be reimbursed for servicing advances;
- our ability to obtain sufficient capital to meet our financing requirements;
- changes in prevailing interest rates;
- changes in our business relationships or changes in guidelines with Fannie Mae, Freddie Mac and Ginnie Mae;
- our ability to effectively develop, market, sell and implement new technology;
- our ability to realize all of the anticipated benefits of previous and potential future acquisitions;
- increased legal and regulatory investigations and proceedings, compliance requirements and related costs; and
- loss of our licenses.

These factors should not be construed as exhaustive and should be read with the other cautionary statements that are included or incorporated by reference. All of the 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 therefore any of these statements included herein may prove to be inaccurate. In light of 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 included in Nationstar's Annual Report on Form 10-K for the year ended December 31, 2015 for further information on these and other risk factors affecting us.

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

Refer to the discussion of market risks included in Part II, Item 7A of Nationstar's Annual Report on Form 10-K for the year ended December 31, 2015, which is herein incorporated by reference. There has been no material change in the types of market risks faced by us since December 31, 2015.

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 discounted cash flows and 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, market discount rates and cost to service. 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, for IRLCs, the borrower's propensity to close their mortgage loans under the commitment is used as a primary assumption.

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 use 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. 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. We do not believe that on the whole that our estimated net changes to the fair value of our assets and liabilities at March 31, 2016 would be materially different than previously presented.

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 March 31, 2016.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2016, 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

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's 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

From time to time, we are party to various legal proceedings that have arisen in the normal course of conducting business. In addition, in the ordinary course of business Nationstar and its subsidiaries can be or are involved in governmental and regulatory examinations, information gathering requests, investigations and proceedings.

Shareholder Litigation

On June 2, 2015, a shareholder class action complaint captioned City of St Clair Shores Police and Fire Retirement System v. Nationstar Mortgage Holdings Inc., 15 Civ. 61170. (S.D. Fla.) was filed in the United States District Court for the Southern District of Florida against us and certain of our executive officers asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. On October 16, 2015, an amended class action complaint was filed that adds (i) claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, as amended and (ii) additional defendants, comprising our former Chief Financial Officer, certain directors and underwriters for our secondary public offering of our common stock on March 26, 2015. The amended complaint alleges that the offering materials contained materially false and misleading statements and material omissions regarding the negative impact of declining interest rates on our overall financial results and the contrasting impact of declining interest rates on our servicing business on the one hand and our originations business on the other. The amended complaint also alleges that between May 8, 2014 and May 4, 2015, the Company and certain of the individual defendants made materially false and misleading statements to investors designed to create the perception of growth in our originations business. The plaintiff seeks class certification for purchasers of our common stock and unspecified damages and other relief. We intend to vigorously defend the action.

Regulatory Matters

We are a state licensed, non-bank mortgage lender and servicer. Our business is subject to extensive regulation, investigations and reviews by various federal, state and local regulatory and enforcement agencies, including without limitation, the CFPB, the Securities and Exchange Commission, the Department of Justice, the US Trustee Program, the multistate coalition of mortgage banking regulators (the "MMC") and the State Attorneys General. As a result, we are subject to various legal proceedings, regulatory examinations, inquiries and requests for documentation in the ordinary course of our business. We have historically had a number of open investigations with various State Attorneys General and other federal and state regulatory and enforcement agencies, and we expect this trend will continue due to interest in mortgage banking generally and non-bank mortgage lenders and servicers specifically by these regulators.

We have seen a significant increase in these activities in recent periods. Like many other companies in the mortgage industry, we are currently the subject of various regulatory investigations, subpoenas, examinations and inquiries related to our residential loan servicing and origination practices, bankruptcy and collections practices and other aspects of our businesses. Several large mortgage originators or servicers have been subject to similar matters, which have resulted in the payment of fines and penalties and changes to business practices and which have resulted in the entry of consent decrees or settlements. We continue to manage our response to each matter, but it is not possible for us to confidently or reliably predict the outcome of any of them, including predicting any possible losses resulting from any judgments or fines. Responding to these matters requires us to devote substantial legal and regulatory 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 Nationstar's Annual Report on Form 10-K filed for the year ended December 31, 2015.

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

Through the end of the first quarter of 2016, we have repurchased shares of our common stock at a cost of approximately \$66 million under this program. The number and average price of shares purchased are set forth in the table below.

(in thousands except Average Price Paid per Share)

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	(d) Maximum Number (or Appropriate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Program
January 1, 2016- January 31, 2016	3,857 ⁽²⁾	\$ 11.01	3,849	\$ 96,588
February 1, 2016- February 29, 2016	1,342 ⁽³⁾	\$ 9.40	1,340	\$ 183,998
March 1, 2016- March 31, 2016	143 ⁽⁴⁾	\$ 12.10	7 ⁽⁵⁾	\$ 183,928
Total	<u>5,342</u>		<u>5,196</u>	

(1) On December 17, 2015, we announced that our Board of Directors authorized the repurchase of up to \$150 million of our outstanding common stock through December 16, 2016. On February 9, 2016, our Board of Directors authorized a \$100 million increase to the original repurchase authorization for an aggregate repurchase authorization of \$250 million under our share repurchase program.

(2) Of the 3,857,000 shares of common stock, 7,886 shares represent shares of common stock surrendered to us by certain employees in an amount equal to the amount of tax withheld to satisfy minimum statutory tax requirements in connection with the vesting of equity awards.

(3) Of the 1,342,000 shares of common stock, 1,969 shares represent shares of common stock surrendered to us by certain employees in an amount equal to the amount of tax withheld to satisfy minimum statutory tax requirements in connection with the vesting of equity awards.

(4) Of the 143,000 of common stock, 135,601 shares represent shares of common stock surrendered to us by certain employees in an amount equal to the amount of tax withheld to satisfy minimum statutory tax requirements in connection with the vesting of equity awards.

(5) On February 11, 2016, we commenced a modified “Dutch auction” tender offer to purchase up to \$100 million in cash of our common stock for a price between \$8.20 and \$9.40 per share. The auction expired on March 11, 2016. During this period, we purchased 7,450 shares at purchase price of \$9.40 per share.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Incorporated by Reference

<u>Exhibit Number</u>	<u>Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed or Furnished Herewith</u>
10.1	Second Amended and Restated Master Repurchase Agreement, dated January 29, 2016, among Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as purchaser, and Nationstar Mortgage LLC, as seller					X
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

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.

NATIONSTAR MORTGAGE HOLDINGS INC.

May 5, 2016

Date

/s/ Jay Bray

Jay Bray
Chief Executive Officer
(Principal Executive Officer)

May 5, 2016

Date

/s/ Robert D. Stiles

Robert D. Stiles
Chief Financial Officer
(Principal Finance and Accounting Officer)

Exhibit Index

Incorporated by Reference

<u>Exhibit Number</u>	<u>Description</u>	<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	<u>Filed or Furnished Herewith</u>
10.1	Second Amended and Restated Master Repurchase Agreement, dated January 29, 2016, among Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as purchaser, and Nationstar Mortgage LLC, as seller					X
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

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

SECOND AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

Among

BARCLAYS BANK PLC, as Purchaser and Agent,

SUTTON FUNDING LLC, as Purchaser,

and

NATIONSTAR MORTGAGE LLC, as Seller

Dated as of January 29, 2016

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SCHEDULES AND EXHIBITS

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EXHIBIT J	CORRESPONDENT SELLER RELEASE
EXHIBIT K	FORM OF GUARANTY

SECOND AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

Dated as of January 29, 2016

AMONG:

BARCLAYS BANK PLC, in its capacity as purchaser ("Barclays" or "Purchaser") and agent pursuant hereto ("Agent"),

and

SUTTON FUNDING LLC, in its capacity as purchaser ("Sutton" or "Purchaser," and together with Barclays, "Purchasers")

and

NATIONSTAR MORTGAGE LLC ("Seller").

1. APPLICABILITY

Barclays and Seller entered into that certain Amended and Restated Master Repurchase Agreement, dated as of May 17, 2013 (as amended, supplemented or otherwise modified prior to the date hereof, the "Original Agreement"), which prescribes the manner of sale of Eligible Mortgage Loans and the method and manner by which Seller will repurchase such Purchased Assets, and contemporaneously entered into the Program Documents (as such term is defined in such Original Agreement).

Purchasers and Seller desire to further amend and restate the Original Agreement in its entirety to add the REO Asset as an Eligible Asset and to make certain changes and contemporaneously enter into or reaffirm the Program Documents (as such term is defined in this Agreement), as applicable.

Barclays may from time to time, upon the terms and conditions set forth herein, agree to enter into transactions on a committed basis with respect to the Committed Amount and an uncommitted basis with respect to the Uncommitted Amount, in which Seller sells to a Purchaser Eligible Assets (and transfers to Sutton the REO Asset), on a servicing-released basis, against the transfer of funds by such Purchaser, with a simultaneous agreement by such Purchaser to transfer to Seller such Purchased Assets on a date certain not later than one year following such transfer, against the transfer of funds by Seller; provided, that the Aggregate MRA Purchase Price shall not exceed, as of any date of determination, the lesser of (a) the Maximum Aggregate Purchase Price (less the sum of the Aggregate EPF Purchase Price and the HCM Aggregate MRA Purchase Price) and (b) the Asset Base; and provided, further, that any FHA Buyout Loans or HECM Buyout Loans purchased hereunder shall be purchased by Sutton and any other Eligible Mortgage Loans purchased hereunder shall be purchased by Barclays. Each such transaction involving (x) the transfer of Eligible Mortgage Loans to a Purchaser or (y) the transfer of REO Property to REO Subsidiary resulting in an increase in the value of the REO Asset, shall each be referred to herein as a "Transaction," and shall be governed by this Agreement. This Agreement is not a commitment by Purchasers to enter into Transactions with Seller but rather sets forth the procedures to be used in connection with periodic requests for Purchasers to enter into Transactions with Seller. Seller hereby acknowledges that Purchasers are under no obligation to enter into, any Transaction pursuant to this Agreement with respect to the Uncommitted Amount.

After the initial Purchase Date, as part of separate Transactions, Seller may request and, as set forth in the previous paragraph and subject to the terms and conditions of this Agreement, a Purchaser may or shall fund an increase in the Aggregate MRA Purchase Price for (i) additional Eligible Mortgage Loans and (ii) the REO Asset based upon either the conveyance by Seller of additional REO Properties to REO Subsidiary or the acquisition of additional REO Properties by the REO Subsidiary.

2. DEFINITIONS AND INTERPRETATION

(a) Defined Terms.

“30+ Day Delinquent Mortgage Loan” means any Mortgage Loan at any time the Monthly Payment for which was not received within twenty-nine (29) days after its Due Date.

“Accepted Servicing Practices” means with respect to any Mortgage Loan, those accepted, customary and prudent mortgage servicing practices (including collection procedures) of prudent mortgage banking institutions that service mortgage loans of the same type as the Mortgage Loans in the jurisdiction where the related Mortgaged Property is located, and which are in accordance with the requirements of each Agency Program, applicable law, FHA regulations and VA regulations, if applicable, and the requirements of any private mortgage insurer so that the FHA insurance, VA guarantee or any other applicable insurance or guarantee in respect of any Mortgage Loan is not voided or reduced.

“Accrual Period” means, with respect to each Monthly Payment Date for any Transaction, the period from and including the immediately prior Monthly Payment Date to but excluding such Monthly Payment Date; provided that with respect to the first Monthly Payment Date of a Transaction following the related Purchase Date, the Accrual Period shall commence on the related Purchase Date.

“Acquisition of a Mortgage Originator” shall mean an acquisition, merger or other business combination of Seller resulting in either Seller or a Subsidiary of Seller (i) becoming affiliated with an originator or servicer of Mortgage Loans or (ii) acquiring a substantial portion of the assets of an originator or servicer of Mortgage Loans, in any case, that, with the passage of time or otherwise (including the incurrence of indebtedness in connection with such acquisition, merger or other business combination), in the reasonable determination of Seller (as supported by financial projections and other material information that the Agent may request in connection with such acquisition, merger or other business combination), would cause any of the following: (x) the Tangible Net Worth of Seller to be at any time less than or equal to \$400,000,000; or (y) the ratio of the Servicer’s Total Net Indebtedness to Tangible Net Worth at any time to exceed 9:1.

“Act of Insolvency” means, with respect to any Person,

(i) the filing of a voluntary petition (or the consent by such Person to the filing of any such petition against it), commencing, or authorizing the commencement of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law relating to the protection of creditors, or suffering any such petition or proceeding to be commenced by another; or such Person shall consent or seek to the appointment of or taking possession by a custodian, receiver, conservator, trustee, liquidator, sequestrator or similar official of such Person, or for any substantial part of its Property, or any general assignment for the benefit of creditors;

(ii) a proceeding shall have been instituted against such Person under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, moratorium, delinquency or liquidation law of any jurisdiction, whether now or subsequently in effect, or a custodian, receiver, conservator, liquidator, trustee, sequestrator or similar official for such Person or such Person’s Property (as a debtor or creditor protection procedure) is appointed by any Governmental Authority having the jurisdiction to do so or takes possession of such Property and any such proceeding is not dismissed within sixty (60) days of filing; provided, that if, under any other agreement for Indebtedness, Seller is subject to a shorter time period to dismiss any such proceeding, such shorter time period shall be automatically incorporated into this Agreement as if fully set forth herein without the need of any further action on the part of any party;

(iii) that such Person or any Affiliate shall become insolvent;

(iv) that such Person shall (a) admit in writing its inability to pay or discharge its debts or obligations generally as they become due or mature, (b) admit in writing its inability to, or intention not to, perform any of its material obligations, or (c) generally fail to pay any of its debts or obligations as they become due or mature;

(v) any Governmental Authority shall have seized or appropriated, or assumed custody or control of, all or any substantial part of the Property of such Person, or shall have taken any action to displace the executive management of such Person; or

(vi) the audited annual financial statements of Person or the notes thereto or other opinions or conclusions stated therein shall be qualified or limited by reference to the status of such Person as a “going concern” or a reference of similar import or shall indicate that such Person has a negative net worth or is insolvent; or

(vii) if such Person or any Affiliate is a corporation, such Person or any Affiliate or any of their Subsidiaries, shall take any corporate action in furtherance of, or the action of which would result in any of the foregoing actions. “Additional Eligible Loan Criteria” shall have the meaning assigned thereto in the Pricing Side Letter.

“Additional Purchased Mortgage Loans” shall have the meaning assigned thereto in Section 7(b) hereof.

“Adjustable Rate Mortgage Loan” means a Mortgage Loan which provides for the adjustment of the Mortgage Interest Rate payable in respect thereto.

“Affiliate” means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms “controlling,” “controlled by” and “under common control with” have meanings correlative to the meaning of “control.”

“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 and (iv) 180 days with respect to an FHA Buyout Loan or HECM Buyout Loan, if it is a Pre-Foreclosure Loan.

“Aged REO Property” means an REO Property for which the time between the date on which the Seller or the REO Subsidiary first obtained marketable title to such REO Property and the date of determination is more than six (6) months.

“Agency” means Freddie Mac, Fannie Mae or Ginnie Mae, as applicable.

“Agency Guide” means the Freddie Mac Guide, the Fannie Mae Guide, or the Ginnie Mae Guide, as applicable.

“Agency Program” means the Freddie Mac Program, the Fannie Mae Program, or the Ginnie Mae Program, as applicable.

“Agent” means Barclays Bank PLC and its successors in interest, as administrative agent for Purchasers and any additional purchasers that may become a party hereto.

“Aggregate EPF Purchase Price” means as of any date of determination, an amount equal to the aggregate Purchase Price (as defined in the Mortgage Loan Participation Purchase and Sale Agreement) for all Participation Certificates (as defined in the Mortgage Loan Participation Purchase and Sale Agreement) then owned by Barclays under the Mortgage Loan Participation Purchase and Sale Agreement.

“Aggregate MRA Purchase Price” means as of any date of determination, an amount equal to the aggregate Purchase Price for all Mortgage Loans then subject to Transactions under this Agreement.

“Agreement” means this Second Amended and Restated Master Repurchase Agreement (including all exhibits, schedules and other addenda thereto), as it may be amended, further supplemented or otherwise modified from time to time.

“Allowable Variance” shall have the meaning assigned thereto in Section 3(c) hereof.

“Applicable Agency” means Ginnie Mae, Fannie Mae, or Freddie Mac, as applicable.

“Applicable Margin” shall have the meaning assigned thereto in the Pricing Side Letter.

“Approvals” means with respect to Seller and Servicer the approvals obtained from the Applicable Agency or HUD in designation of Seller and/or Servicer as a Ginnie Mae-approved issuer, an FHA-approved mortgagee, a VA-approved lender, a Fannie Mae-approved lender or a Freddie Mac-approved Seller/Servicer, as applicable, in good standing.

“Asset Base” means, on any date of determination and with respect to all Purchased Assets then subject to Transactions and, to the extent applicable, all Eligible Assets proposed to be sold to the Purchasers as of such date of determination, the lesser of (i) 100% of the unpaid principal balance of such Purchased Assets and Eligible Assets as of such date of determination and (ii) the product of the applicable Purchase Price Percentage multiplied by the Market Value of such Purchased Assets and Eligible Assets.

“Assignment and Acceptance” shall have the meaning assigned thereto in Section 27(b).

“Assignment and Contribution Agreement” means that certain Assignment and Contribution Agreement, dated on or about January 31, 2016, between Seller, as assignor, and the REO Subsidiary, as assignee.

“Assignment of Mortgage” means (i) with respect to any Mortgage, an assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the assignment of the Mortgage to the related Purchaser or (ii) with respect to a Cooperative Loan, an assignment of such Cooperative Loan and the related recognition agreement, sufficient under the laws of the jurisdiction wherein the related apartment building is located to reflect the assignment of the Cooperative Loan and the related recognition agreement to the related Purchaser.

“Backup Servicer Agreement” means any backup servicing agreement among Purchaser, Seller and a backup servicer appointed pursuant to Section 16(d), as the same may be amended, modified or supplemented from time to time.

“Bank” means (i) Wells Fargo Bank, National Association and its successors and permitted assigns or (ii) such other bank as may be mutually acceptable to the Seller and the Purchaser.

“Bankruptcy Code” means 11 U.S.C. Section 101 *et seq.*, as amended from time to time.

“Barclays” means Barclays Bank PLC, as a Purchaser hereunder.

“Barclays Collection Account” means the following account established by the Seller in accordance with Section 16(e) for the benefit of Barclays, Account Number: 4122119035, ABA: # 121000248.

“Barclays Collection Account Control Agreement” means that certain Collection Account Control Agreement, dated as of March 25, 2011, by and among Barclays, the Seller and Bank, in form and substance acceptable to the Barclays to be entered into with respect to the Barclays Collection Account, as the same may be amended, modified or supplemented from time to time.

“Barclays Custodial Agreement” means the DB Custodial Agreement.

“Breakage Costs” shall have the meaning assigned thereto in Section 3(h).

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day upon which the New York Stock Exchange or the Federal Reserve Bank of New York is closed or (iii) with respect to any day on which the parties hereto have obligations to the Custodian or on which the Custodian has obligations to any party hereto, a day upon which the Custodian’s offices are closed.

“Capital Lease Obligations” shall mean, for any Person, all obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP, and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

“Cash Equivalents” shall mean (a) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and eurodollar time deposits with maturities of ninety (90) days or less from the date of acquisition and overnight bank deposits of any commercial bank having capital and surplus in excess of \$500,000,000 unless otherwise approved by Purchaser in writing in its sole discretion, (c) repurchase obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than seven (7) days with respect to securities issued or fully guaranteed or insured by the United States Government, (d) commercial paper of a domestic issuer rated at least A-1 or the equivalent thereof by Standard and Poor’s Ratings Group (“S&P”) or P-1 or the equivalent thereof by Moody’s Investors Service, Inc. (“Moody’s”) and in either case maturing within ninety (90) days after the day of acquisition, (e) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody’s, (f) securities with maturities of ninety (90) days or less from the date of acquisition backed by standby letters of credit issued by any commercial bank satisfying the requirements of clause (b) of this definition or, (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

“Certified Mortgage Loan Trust Receipt” shall have the meaning assigned thereto in the ReconTrust Custodial Agreement.

“Change in Control” means, at any time, (a) less than 100% of Seller’s equity securities are owned, directly or indirectly, by Nationstar Mortgage Holdings Inc. (“NMH”), (b) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of such person and its Subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), other than one or more Permitted Holders, becomes the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under such Act), of more than the greater of (x) 35% of the then-outstanding voting power of NMH’s voting equity interests and (y) the percentage of the then-outstanding voting power of NMH’s voting equity interests owned, in the aggregate, directly or indirectly, beneficially and of record, by the Permitted Holders, determined after such person’s or group’s most recent acquisition of outstanding voting power of NMH’s voting equity interests; unless the Permitted Holders have, at such time, the right or the ability by voting power, contract or otherwise to elect or designate for election at least a majority of NMH’s board of directors, or (c) a sale of all or substantially all of the assets of Seller.

For purposes of this definition, “Permitted Holders” means Fortress Investment Group LLC and any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, Fortress Investment Group LLC. For purposes of this definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative of the foregoing.

“Change in Law” means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by Purchasers (or any Affiliates thereof) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

“Closing Instruction Letter” shall mean, with respect to any Wet-Ink Mortgage Loan that becomes subject to a Transaction, the closing instruction letter delivered by Seller to the related Settlement Agent which sets forth the procedures to be followed by such Settlement Agent in connection with the origination of such Wet-Ink Mortgage Loan, which closing instruction letter shall include, without limitation, (i) instructions that govern the execution, retention and delivery of the underlying Mortgage Loan Documents by such Settlement Agent to Seller or its designee, (ii) instructions with respect to the disbursement of funds by such Settlement Agent, and (iii) any other conditions precedent required by the Seller in connection with the origination and/or closing of such Wet-Ink Mortgage Loan.

“Closing Protection Letter” shall mean, with respect to any Wet-Ink Mortgage Loan that becomes subject to a Transaction, a letter of indemnification (which may be in the form of a blanket letter) addressed to Seller in any jurisdiction where insured closing letters are permitted under applicable law and regulation, that (i) is issued by a title company approved by Barclays, in its sole discretion, (ii) is fully assignable to the related Purchaser, with coverage that is customarily acceptable to Persons engaged in the origination of mortgage loans, (iii) identifies the Settlement Agent covered thereby, and (iv) indemnifies Seller for losses incurred in connection with the such Settlement Agent’s (a) failure to follow the instructions of Seller with respect to obtaining the related Mortgage Loan Documents and/or disbursing any amounts in connection with the origination of the related Wet-Ink Mortgage Loan, and (b) fraud or dishonesty with respect to obtaining the related Mortgage Loan Documents and/or disbursing any amounts in connection with the origination of the related Wet-Ink Mortgage Loan.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collection Account” means each of the Barclays Collection Account and the Sutton Collection Account.

“Collection Account Control Agreement” means each of the Barclays Collection Account Control Agreement and the Sutton Collection Account Control Agreement.

“Confirmation” shall have the meaning assigned thereto in Section 4 hereof.

“Converted REO Property” means an REO Property that results from the foreclosure of any Mortgage Loan that was a Purchased Asset, or transfer of the related Mortgaged Property in lieu of foreclosure or other transfer of such real property, and (i) which is titled in the name of the REO Subsidiary and (ii) with respect to which such REO Property has satisfied the conditions of Section 3(j)(iv).

“Cooperative” means, with respect to a Cooperative Loan, the corporation that owns the related apartment building.

“Cooperative Loan” means a Mortgage Loan that is evidenced by a note secured by security interests in shares issued by a Cooperative and in the related proprietary lease or occupancy agreement granting exclusive rights to occupy a specific dwelling unit in the related building.

“Cooperative Loan Sublimit” shall have the meaning assigned thereto in the Pricing Side Letter.

“Correspondent Loan” means a Mortgage Loan that is (i) originated by a Correspondent Seller and underwritten in accordance with Seller’s underwriting guidelines and (ii) acquired by Seller from a Correspondent Seller in the ordinary course of business.

“Correspondent Seller” means a mortgage loan originator that sells Mortgage Loans originated by it to Seller as a “correspondent” or “private label” client.

“Correspondent Seller Release” means, with respect to any Correspondent Loan, a release by the related Correspondent Seller, substantially in the form of Exhibit J hereto (as the same may be modified, supplemented and in effect from time to time, subject to the approval of Purchaser), of all right, title and interest, including any security interest, in such Correspondent Loan.

“Custodial Agreement” means each of the Barclays Custodial Agreement and the Sutton Custodial Agreement.

“Custodian” means ReconTrust Company, N.A., U.S. Bank National Association or Deutsche Bank National Trust Company, as the case may be, and their successors and permitted assigns.

“DB Custodial Agreement” means that certain Amended and Restated Custodial and Disbursement Agreement, dated as of January 9, 2014, among Seller, Barclays and Deutsche Bank National Trust Company, as custodian and the Disbursement Agent, entered into in connection with this Agreement and the Mortgage Loan Participation Purchase and Sale Agreement, as the same may be amended, amended and restated, modified or supplemented from time to time.

“Default” means any event that, with the giving of notice or the passage of time or both, would constitute an Event of Default.

“Default Rate” shall have the meaning assigned thereto in the Pricing Side Letter.

“Diligence Sample Set” shall have the meaning assigned thereto in the Pricing Side Letter.

“Disbursement Agent” means Deutsche Bank National Trust Company, and its successors and permitted assigns.

“Dollars” or “\$” means, unless otherwise expressly stated, lawful money of the United States of America.

“Due Date” means the day of the month on which the Monthly Payment is due on a Mortgage Loan, exclusive of any days of grace.

“Due Diligence Review Percentage” shall have the meaning assigned thereto in the Pricing Side Letter.

“Effective Date” means January 29, 2016.

“Electronic Tracking Agreement” means the electronic tracking agreement in form and substance acceptable to Barclays and Seller, dated as of March 25, 2011, among Barclays, Seller, MERSCORP Holdings, Inc. and Mortgage Electronic Registration Systems, Inc., entered into in connection with this Agreement and the Mortgage Loan Participation Purchase and Sale Agreement, as the same may be amended, modified or supplemented from time to time.

“Electronic Transmission” means the delivery of information in an electronic format acceptable to the applicable recipient thereof. An Electronic Transmission shall be considered written notice for all purposes hereof (except when a request or notice by its terms requires execution).

“Eligible Asset” means any Eligible Mortgage Loan or the REO Asset.

“Eligible Mortgage Loan” means a Mortgage Loan that (i) satisfies each of the representations and warranties in Exhibit B to the Agreement 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 of Sutton as set forth in Exhibit I, (iii) contains all required documents in the Mortgage Loan File without exceptions unless otherwise waived by the related Purchaser or permitted below, and (iv) meets each of the applicable Additional Eligible Loan Criteria.

“EPF Custodial Account Control Agreement” means that certain Deposit Account Control Agreement (Custodial Account), dated as of March 25, 2011, among Seller, Barclays and Bank entered into in connection with the Mortgage Loan Participation Purchase and Sale Agreement, as the same shall be amended, supplemented or otherwise modified from time to time.

“EPF Pricing Side Letter” means that certain Pricing Side Letter, dated as of March 25, 2011, between Seller and Barclays entered into in connection with the Mortgage Loan Participation Purchase and Sale Agreement, as the same shall be amended, supplemented or otherwise modified from time to time.

“EPF Program Documents” means the Mortgage Loan Participation Purchase and Sale Agreement, the EPF Pricing Side Letter, the EPF Custodial Account Control Agreement and all other agreements, documents and instruments entered into by Seller on the one hand, and Barclays or one of its Affiliates (or Custodian on its behalf) and/or Agent or one of its Affiliates on the other, in connection herewith or therewith with respect to the transactions contemplated hereunder or thereunder and all amendments, restatements, modifications or supplements thereto.

“ERISA” means, with respect to any Person, the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor thereto, and the regulations promulgated and rulings issued thereunder.

“Error Rate” shall have the meaning assigned thereto in the Pricing Side Letter.

“Escrow Instruction Letter” means the Escrow Instruction Letter (if required) from Seller to the Settlement Agent, in form and substance acceptable to Agent in its sole discretion.

“Escrow Payments” means, with respect to a Mortgage Loan, the amounts constituting ground rents, taxes, assessments, water charges, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges and other payments as may be required to be escrowed by the Mortgagor with the Mortgagee pursuant to the terms of the Mortgage or any other document.

“Estimated Purchase Price” shall have the meaning assigned thereto in Section 3(c) hereof.

“Event of Default” shall have the meaning assigned thereto in Section 17 hereof.

“Fannie Mae” means Fannie Mae or any successor thereto.

“Fannie Mae Agreement” means that certain Wiring Instruction and Release of Interest Agreement, dated the date hereof, by and among Barclays, Seller, the Custodian and Fannie Mae.

“Fannie Mae Guide” means the Fannie Mae MBS Selling and Servicing Guide, as such Guide may hereafter from time to time be amended.

“Fannie Mae Mortgage Loan” means a mortgage loan that is in Strict Compliance on the related Purchase Date with the eligibility requirements specified for the applicable Fannie Mae Program described in the Fannie Mae Guide.

“Fannie Mae Program” means the Fannie Mae Guaranteed Mortgage-Backed Securities Programs, as described in the Fannie Mae Guide.

“Fannie Mae Security” means an ownership interest in a pool of Fannie Mae Mortgage Loans, evidenced by a book-entry account in a depository institution having book-entry accounts at the Federal Reserve Bank of New York, issued and guaranteed, with respect to timely payment of interest and ultimate payment of principal, by Fannie Mae and backed by a pool of Fannie Mae Mortgage Loans, in substantially the principal amount and with substantially the other terms as specified with respect to such Fannie Mae Security in the related Takeout Commitment, if any.

“FDIC” means the Federal Deposit Insurance Corporation or any successor thereto.

“FHA” means the Federal Housing Administration, an agency within HUD, or any successor thereto, and including the Federal Housing Commissioner and the Secretary of Housing and Urban Development where appropriate under the FHA regulations.

“FHA Buyout Loan” means an Eligible Mortgage Loan that (a) is insured by FHA, (b) is a Ginnie Mae Mortgage Loan, (c) has been purchased out of a Ginnie Mae Security, and (d) is not a Modified Loan or HECM Buyout Loan.

“FICO Score” means the credit score of the Mortgagor provided by Fair, Isaac & Company, Inc. or such other organization providing credit scores on the Origination Date of a Mortgage Loan.

“Foreclosure Date” has the meaning assigned thereto in Section 3(j)(iii) hereof.

“Foreign Purchaser” shall have the meaning assigned thereto in Section 8(d).

“Freddie Mac” means Freddie Mac, and its successors in interest.

“Freddie Mac Agreement” means that certain Repurchase Addendum to Freddie Mac Forms 996 and 996E, dated the date hereof, by and among Barclays, Seller, the Custodian and Freddie Mac.

“Freddie Mac Guide” means the Freddie Mac Sellers’ and Servicers’ Guide, as such Guide may hereafter from time to time be amended.

“Freddie Mac Mortgage Loan” means a mortgage loan that is in Strict Compliance on the related Purchase Date with the eligibility requirements specified for the applicable Freddie Mac Program described in the Freddie Mac Guide.

“Freddie Mac Program” means the Freddie Mac Home Mortgage Guarantor Program or the Freddie Mac FHA/VA Home Mortgage Guarantor Program, as described in the Freddie Mac Guide.

“Freddie Mac Security” means a modified pass-through mortgage-backed participation certificate, evidenced by a book-entry account in a depository institution having book-entry accounts at the Federal Reserve Bank of New York, issued and guaranteed, with respect to timely payment of interest and ultimate payment of principal, by Freddie Mac and backed by a pool of Freddie Mac Mortgage Loans, in substantially the principal amount and with substantially the other terms as specified with respect to such Freddie Mac Security in the related Takeout Commitment, if any.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America.

“Ginnie Mae” means the Government National Mortgage Association and its successors in interest, a wholly-owned corporate instrumentality of the government of the United States of America.

“Ginnie Mae Guide” means the Ginnie Mae Mortgage-Backed Securities Guide, as such Guide may hereafter from time to time be amended.

“Ginnie Mae Mortgage Loan” means a mortgage loan that is in Strict Compliance on the related Purchase Date with the eligibility requirements specified for the applicable Ginnie Mae Program in the applicable Ginnie Mae Guide.

“Ginnie Mae Program” means the Ginnie Mae Mortgage-Backed Securities Programs, as described in the Ginnie Mae Guide.

“Ginnie Mae Security” means a fully-modified pass-through mortgage-backed certificate guaranteed by Ginnie Mae, evidenced by a book-entry account in a depository institution having book-entry accounts at the Federal Reserve Bank of New York and backed by a pool of Ginnie Mae Mortgage Loans, in substantially the principal amount and with substantially the other terms as specified with respect to such Ginnie Mae Security in the related Takeout Commitment.

“Governmental Authority” means any nation or government, any state or other political subdivision, agency or instrumentality thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over Seller any of its Subsidiaries or any of their Property.

“HARP Mortgage Loan” means a Fannie Mae Mortgage Loan or a Freddie Mac Mortgage Loan that fully conforms to the Home Affordable Refinance Program (as such program is amended, supplemented or otherwise modified, from time to time), and is referred to by Fannie Mae as a “Refi Plus mortgage loan” or “DU Refi Plus mortgage loan,” and by Freddie Mac as a “Relief Refinance Mortgage,” respectively.

“HCM” means Home Community Mortgage LLC.

“HCM Aggregate MRA Purchase Price” means the Aggregate MRA Purchase Price as defined in the HCM MRA.

“HCM MRA” means the master repurchase agreement, dated as of August 20, 2013, between HCM and Purchaser (including all exhibits, schedules and other addenda thereto), as it may be amended, further supplemented or otherwise modified from time to time.

“HECM Buyout Loan” means an Eligible Mortgage Loan that (a) is insured by FHA, (b) is a Ginnie Mae Mortgage Loan, (c) has been purchased out of a Ginnie Mae Security, (d) is a home equity conversion Mortgage Loan secured by a first lien, (e) comprises all payments made to the related borrower(s) under the related Mortgage Note and (f) is not a Modified Loan.

“Hedge Instrument” means any interest rate cap agreement, interest rate floor agreement, interest rate swap agreement or other interest rate hedging agreement entered into by Seller with a counterparty reasonably acceptable to Agent, in each case with respect to the Mortgage Loans.

“High Cost Mortgage Loan” means a Mortgage Loan that is (a) subject to, covered by or in violation of the provisions of the Homeownership and Equity Protection Act of 1994, as amended, (b) a “high cost,” “covered,” “abusive,” “predatory” or “high risk” mortgage loan under any federal, state or local law, or any similarly classified loan using different terminology under any law imposing heightened regulation, scrutiny or additional legal liability for residential mortgage loans having high interest rates, points and/or fees, or any other state or other regulation providing assignee liability to holders of such mortgage loans, (c) subject to or in violation of any such or comparable federal, state or local statutes or regulations, or (d) a “High Cost Loan” or “Covered Loan,” as applicable, as such terms are defined in the current version of the Standard & Poor’s LEVELS® Glossary Revised, Appendix E.

“HUD” means the Department of Housing and Urban Development, or any federal agency or official thereof which may from time to time succeed to the functions thereof with regard to FHA mortgage insurance. The term “HUD,” for purposes of this Agreement, is also deemed to include subdivisions thereof such as the FHA and Government National Mortgage Association.

“Income” means, with respect to any Purchased Asset at any time, any principal and/or interest thereon and all dividends, sale proceeds and all other proceeds as defined in Section 9-102(a)(64) of the Uniform Commercial Code and all other collections and distributions thereon (including, without limitation, any proceeds received in respect of mortgage insurance).

“Indebtedness” means, for any Person: (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of Property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such Property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of Property or services, other than trade accounts payable (other than for borrowed money) arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable within ninety (90) days of the date the respective goods are delivered or the respective services are rendered; (c) indebtedness of others secured by a Lien on the Property of such Person, whether or not the respective indebtedness so secured has been assumed by such Person; (d) obligations (contingent or otherwise) of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for account of such Person; (e) obligations of such Person under Capital Lease Obligations; (f) obligations of such Person under repurchase agreements or like arrangements; (g) indebtedness of others guaranteed by such Person; (h) all obligations of such Person incurred in connection with the acquisition or carrying of fixed assets by such Person; (i) indebtedness of general partnerships of which such Person is a general partner; and (j) any other indebtedness of such Person by a note, bond, debenture or similar instrument.

“Indemnified Party” shall have the meaning assigned thereto in Section 21(a).

“Investment Company Act” means the Investment Company Act of 1940, as amended, including all rules and regulations promulgated thereunder.

“Jumbo Mortgage Loan” means a first lien mortgage loan that is underwritten as a jumbo mortgage loan in compliance with Seller’s underwriting guidelines. Any changes to Seller’s underwriting guidelines are subject to Agent’s approval, which shall not be unreasonably withheld.

“LIBOR” means for each day, the rate (adjusted for statutory reserve requirements for eurocurrency liabilities) for eurodollar deposits for a period equal to one month appearing on Bloomberg Screen US 0001M Page or if such rate

ceases to appear on Bloomberg Screen US 0001M Page, or any other service providing comparable rate quotations at approximately 11:00 a.m., London time, on the applicable date of determination, or such interpolated rate as determined by the Agent.

“Lien” means any mortgage, deed of trust, lien, claim, pledge, charge, security interest or similar encumbrance.

“Liquidity” means, as of any date, the sum of (a) Seller’s Unrestricted Cash and (b) the aggregate amount of unused committed capacity available to Seller (taking into account applicable haircuts) under mortgage loan warehouse and servicer advance facilities (other than the facilities provided under the Program Documents) for which Seller has unencumbered eligible collateral to pledge thereunder.

“LLC Agreement” means the limited liability company agreement of the REO Subsidiary entered into by the Seller, as sole member, as the same may be amended, supplemented, or otherwise modified from time to time in accordance with its terms.

“Margin Call” shall have the meaning assigned thereto in Section 7(b) hereof.

“Margin Deficit” shall have the meaning assigned thereto in Section 7(b) hereof.

“Market Value” means, with respect to any Transaction and as of any date of determination, (i) the value ascribed to a Purchased Asset (or, in the case of the REO Asset, the value ascribed to the related REO Properties) or a Mortgage Loan by Agent in its sole good faith discretion, using methodology and parameters customarily used by Agent to value similar assets, as may be as marked to market daily, and (ii) zero, with respect to any Mortgage Loan that is not an Eligible Mortgage Loan.

“Master Netting Agreement” means that certain Amended and Restated Global Netting and Security Agreement, dated as of May 17, 2013, among Purchasers, Seller and certain Affiliates and Subsidiaries of Purchasers and/or Seller, entered into in connection with this Agreement and the Mortgage Loan Participation Purchase and Sale Agreement, as the same shall be amended, supplemented or otherwise modified from time to time.

“Material Adverse Change” means, with respect to a Person, any material adverse change in the business, condition (financial or otherwise), operations, performance or Property of such Person including the insolvency of such Person or its Parent Company, if applicable.

“Material Adverse Effect” means (a) a Material Adverse Change with respect to Seller, Servicer or any of their respective Affiliates; (b) a material impairment of the ability of Seller, Servicer or any of their respective Affiliates that is a party to any Program Document to perform under any Program Document to which it is a party; (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Program Document against Seller, Servicer or any of their respective Affiliates that is a party to any Program Document; (d) a material adverse effect on the Market Value of the Purchased Assets; or (e) a material adverse effect on the Approvals of Seller or Servicer.

“Maturity Date” means October 17, 2016.

“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 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.

“Maximum Aggregate Purchase Price” means, with respect to this Agreement and the Mortgage Loan Participation Purchase and Sale Agreement in the aggregate, an amount equal to the sum of the Committed Amount and the Uncommitted Amount

“Maximum Error Rate” shall have the meaning assigned thereto in the Pricing Side Letter.

“Membership Certificate” means a physical certificate evidencing a 100% beneficial ownership interest in the REO Subsidiary and registered in the name of Sutton.

“MERS” means Mortgage Electronic Registration Systems, Inc., a Delaware corporation, or any successor in interest thereto.

“MERS Designated Mortgage Loan” means any Mortgage Loan as to which the related Mortgage or Assignment of Mortgage, has been recorded in the name of MERS, as agent for the holder from time to time of the Mortgage Note.

“MERS Identification Number” shall have the meaning assigned thereto in the Custodial Agreement.

“Modified Loan” means an Eligible Mortgage Loan that (a) is insured by FHA or VA, (b) (1) was purchased out of a Ginnie Mae Security solely as a result of modifications to such Eligible Mortgage Loan or (2) was purchased out of a Ginnie Mae Security as a result of delinquent mortgage payments, but, without any loan modifications, subsequently became reperforming, and (c) is a Ginnie Mae Mortgage Loan.

“Monthly Payment” shall mean the scheduled monthly payment of principal and interest on a Mortgage Loan as adjusted in accordance with changes in the mortgage interest rate pursuant to the provisions of the Mortgage Note for an Adjustable Rate Mortgage Loan.

“Monthly Payment Date” means the twentieth (20th) day of each calendar month beginning with February 20, 2016; provided that if such day is not a Business Day, the next succeeding Business Day.

“Mortgage” means a mortgage, deed of trust, or other security instrument, securing a Mortgage Note.

“Mortgage Interest Rate” means, with respect to each Mortgage Loan, the annual rate at which interest accrues on such Mortgage Loan from time to time in accordance with the provisions of the related Mortgage Note.

“Mortgage Loan” means a Jumbo Mortgage Loan, a Ginnie Mae Mortgage Loan, a Fannie Mae Mortgage Loan or a Freddie Mac Mortgage Loan.

“Mortgage Loan File” shall have the meaning assigned thereto in the Custodial Agreement.

“Mortgage Loan Participation Purchase and Sale Agreement” means that certain Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays and Seller, as the same may be amended, modified or supplemented from time to time.

“Mortgage Note” means a promissory note or other evidence of indebtedness of the obligor thereunder, evidencing a Mortgage Loan, and secured by the related Mortgage.

“Mortgaged Property” means the real property (or leasehold estate, if applicable) securing repayment of the debt evidenced by a Mortgage Note.

“Mortgagee” means the record holder of a Mortgage Note secured by a Mortgage.

“Mortgagor” means the obligor or obligors on a Mortgage Note, including any person who has assumed or guaranteed the obligations of the obligor thereunder.

“Negative Amortization” means the portion of interest accrued at the Mortgage Interest Rate in any month which exceeds the Monthly Payment on the related Mortgage Loan for such month and which, pursuant to the terms of the Mortgage Note, is added to the principal balance of the Mortgage Loan.

“Net Worth” means, with respect to any Person, such Person’s assets minus such Person’s liabilities, each determined in accordance with GAAP.

“Notice Date” shall have the meaning assigned thereto in Section 3(b) hereof.

“Obligations” means (a) all amounts due and payable by Seller to Purchasers in connection with a Transaction hereunder, together with interest thereon (including interest which would be payable as post-petition interest in connection with any bankruptcy or similar proceeding) and other obligations and liabilities of Seller to Purchasers arising under, or in connection with, the Program Documents or directly related to the Purchased Assets, whether now existing or hereafter arising; (b) any and all sums paid by Purchasers or on behalf of Purchasers pursuant to the Program Documents in order to preserve any Purchased Asset or its interest therein; (c) in the event of any proceeding for the collection or enforcement of any of Seller’s indebtedness, obligations or liabilities referred to in clause (a), the reasonable expenses of retaking, holding, collecting, preparing for sale, selling or otherwise disposing of or realizing on any Purchased Asset, or of any exercise by Purchasers of their rights under the Program Documents, including without limitation, reasonable attorneys’ fees and disbursements and court costs; and (d) all of Seller’s indemnity obligations to Purchasers pursuant to the Program Documents.

“Origination Date” means the date on which a Mortgage Loan was originated or, in the case of (i) FHA Buyout Loans, the date on which the Seller purchased such FHA Buyout Loan from the Ginnie Mae pool, (ii) Modified Loans, the date on which such Mortgage Loan became a Modified Loan, (iii) Correspondent Loans, the date on which a Correspondent Loan was acquired by Seller, and (iv) HECM Buyout Loans, the date on which the Seller purchased such HECM Buyout Loan from the Ginnie Mae pool.

“Originator” means Seller or any other third party originator as mutually agreed upon by Agent and Seller.

“Other Taxes” shall have the meaning assigned thereto in Section 8(b).

“OTS” means Office of Thrift Supervision or any successor thereto.

“Parent Company”: A corporation or other entity owning at least 50% of the outstanding shares of voting stock of Seller.

“Person” means any legal person, including any individual, corporation, partnership, association, joint stock company, trust, limited liability company, unincorporated organization, governmental entity or other entity of similar nature.

“Price Differential” means, with respect to any Purchased Asset or Transaction as of any date of determination, an amount equal to the product of (A) the Pricing Rate (or during the continuation of an Event of Default, by daily application of the Default Spread) and (B) the Purchase Price for such Purchased Asset or Transaction. Price Differential will be calculated in accordance with Section 3(e) herein for the actual number of days elapsed during the applicable Accrual Period on a 360-day basis.

“Price Differential Determination Date” means, with respect to any Monthly Payment Date, the second (2nd) Business Day preceding such date.

“Pricing Rate” means, as of any date of determination and with respect to an Accrual Period for any Purchased Asset or Transaction, an amount equal to the sum of (i) LIBOR *plus* (ii) the Applicable Margin.

“Pricing Side Letter” means that certain Second Amended and Restated Pricing Side Letter, dated as of January 29, 2016, among Seller and Purchasers, entered into in connection with this Agreement, as the same may be amended, modified or supplemented from time to time.

“Program Documents” means this Agreement, the Pricing Side Letter, the Custodial Agreements, the Collection Account Control Agreements, any assignment of Hedge Instrument, the Electronic Tracking Agreement, the Master

Netting Agreement, the Fannie Mae Agreement, the Freddie Mac Agreement, the Verification Agent Letter, the Wire Confirmation, any Backup Servicer Agreement, the EPF Program Documents and all other agreements, documents and instruments entered into by Seller on the one hand, and any Purchaser or one of its Affiliates (or Custodian on its behalf) and/or Agent or one of its Affiliates on the other, in connection herewith or therewith with respect to the transactions contemplated hereunder or thereunder and all amendments, restatements, modifications or supplements thereto.

“Property” means any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

“Purchase Date” means, with respect to each Transaction, the date on which Purchased Assets are sold by Seller to a Purchaser or such Purchaser’s designee hereunder, provided that a Purchase Date for any FHA Buyout Loan or HECM Buyout Loan may occur no more than five (5) times within a calendar month and shall occur within the first three (3) weeks of such calendar month.

“Purchase Price” means the price at which Purchased Assets subject to a Transaction are sold by Seller to a Purchaser or such Purchaser’s designee (or, in the case of REO Properties, transferred to the REO Subsidiary, resulting in an increase of value to the REO Asset) on a Purchase Date (which includes a mutually negotiated premium allocable to the portion of the related Purchased Assets that constitutes the related Servicing Rights), which shall (unless otherwise agreed to by the Seller and the related Purchaser) be equal to (A) in the case of Eligible Mortgage Loans, the lesser of (i) 100% of the unpaid principal balance of such Purchased Assets as of such date of determination and (ii) the product of the applicable Purchase Price Percentage multiplied by the Market Value of such Purchased Assets as of such date of determination or (B) in the case of the REO Asset, the product of the applicable Purchase Price Percentage multiplied by the Market Value of the REO Asset.

“Purchase Price Percentage” shall have the meaning assigned thereto in the Pricing Side Letter.

“Purchased Assets” means, with respect to each Eligible Asset sold by Seller to a Purchaser in a Transaction until its repurchase by Seller, whether now existing or hereafter acquired: (i) the Mortgage Loans, (ii) the Servicing Rights, (iii) Seller’s rights under any related Hedge Instruments to the extent related to the Mortgage Loans, (iv) such other Property, rights, titles or interest as are specified on the related Transaction Notice, (v) all mortgage guarantees and insurance relating to the individual Mortgage Loans (issued by governmental agencies or otherwise) or the related Mortgaged Property and any mortgage insurance certificate or other document evidencing such mortgage guarantees or insurance and all claims and payments related to the Mortgage Loans, (vi) all guarantees or other support for the Mortgage Loans, (vii) all rights to Income and the rights to enforce such payments arising from the Mortgage Loans and any other contract rights, payments, rights to payment (including payments of interest or finance charges) with respect thereto, (viii) all Takeout Commitments and Trade Assignments (including the rights to receive the related purchase price related therefor), (ix) the Collection Accounts and all amounts on deposit therein, (x) the REO Asset and the REO Property File with respect to any REO Property held by the REO Subsidiary, (xi) all “accounts,” “deposit accounts,” “securities accounts,” “chattel paper,” “commercial tort claims,” “deposit accounts,” “documents,” “general intangibles,” “instruments,” “investment property,” and “securities accounts,” relating to the foregoing as each of those terms is defined in the Uniform Commercial Code and all cash and cash equivalents and all products and proceeds relating to or constituting any or all of the foregoing, (xii) any purchase agreements or other agreements or contracts relating to or constituting any or all of the foregoing, (xiii) any other collateral pledged or otherwise relating to any or all of the foregoing, together with all files, material documents, instruments, surveys (if available), certificates, correspondence, appraisals, computer records, computer storage media, accounting records and other books and records relating to the foregoing, and (xiv) any and all replacements, substitutions, distributions on, or proceeds with respect to, any of the foregoing.

The term “Purchased Assets” with respect to any Transaction at any time also shall include Additional Purchased Mortgage Loans delivered pursuant to Section 7(b) hereof.

“Purchaser” shall have the meaning set forth in the preamble hereof.

“Purchasers’ Wire Instructions” shall have the meaning set forth in the Pricing Side Letter.

“ReconTrust Custodial Agreement” means that certain Custodial Agreement, dated as of May 17, 2013, among Seller, Purchasers and ReconTrust Company, N.A., entered into in connection with this Agreement, as the same may be amended, modified or supplemented from time to time.

“Records” means all instruments, agreements and other books, records, and reports and data generated by other media for the storage of information maintained by Seller or any other person or entity with respect to a Purchased Asset. Records shall include, without limitation (i) with respect to the REO Asset, the Membership Certificate, including the related stock power, the related REO Property File and any other instruments necessary to document ownership of such REO Asset, and (ii) with respect to the other Purchased Assets, the Mortgage Notes, any Mortgages, the Mortgage Loan Files, the Servicing Files, and any other instruments necessary to document or service an Eligible Asset that is a Purchased Asset, including, without limitation, the complete payment and modification history of each Eligible Asset that is a Purchased Asset.

“REO Asset” means the Membership Certificate, so long as the LLC Agreement provides that such Membership Certificate is a “Certificated Security” as defined in Article 8 of the Uniform Commercial Code.

“REO Deed” means, with respect to each REO Property acquired by or transferred to the REO Subsidiary, the instrument or document required by the law of the jurisdiction in which the REO Property is located to convey fee title.

“REO Funding Date” has the meaning assigned thereto in Section 3(j)(iii).

“REO Property” means a residential real property including land and improvements, together with all buildings, fixtures and attachments thereto, all insurance proceeds, liquidation proceeds, condemnation proceeds, and all other rights, benefits, proceeds and obligations arising from or in connection therewith.

“REO Property File” means the original or a certified copy of (i) the unrecorded REO Deed showing that such REO Deed is being recorded to evidence the ownership of the related REO Property by the REO Subsidiary and (ii) the recorded REO Deed evidencing the ownership of the related REO Property by the REO Subsidiary.

“REO Subsidiary” means Nationstar REO Sub 1B LLC, the special purpose Subsidiary of the Seller formed to hold REO Property related to foreclosures of Mortgage Loans that are Purchased Assets.

“REO Subsidiary Schedule of Assets” means an electronic schedule of assets, identifying the REO Properties currently owned by the REO Subsidiary, whereupon delivery of such schedule, Seller designates which items have been added to or removed from such schedule as compared to the version of such schedule most recently provided by Seller.

“REO Transfer Date” has the meaning assigned thereto in Section 3(j)(ii) hereof.

“Repurchase Date” means, with respect to any Transaction, the earliest of (i) the Termination Date, (ii) the date set forth in the related Transaction Notice as the scheduled Repurchase Date, (iii) the second Business Day following Seller’s written notice to the related Purchaser requesting a repurchase of such Transaction or (iv) at the conclusion of the Maximum Age Since Origination for each such Transaction, or if such day is not a Business Day, the immediately following Business Day.

“Repurchase Price” means the price at which Purchased Assets are to be transferred from the related Purchaser or such Purchaser’s designee to Seller upon termination of a Transaction, which will be determined in each case as the sum of: (i) any portion of the Purchase Price not yet repaid to such Purchaser, and in the case of the REO Asset, such unpaid portion of the Purchase Price attributable to the REO Property subject to repurchase, (ii) the Price Differential accrued and unpaid thereon, (iii) Breakage Costs, if any, and (iv) any accrued and unpaid fees or expenses or indemnity amounts and any other outstanding amounts owing under the Program Documents from Seller to such Purchaser.

“Request for Release of Documents” shall mean the Request for Release of Documents set forth as Exhibit 15 to the ReconTrust Custodial Agreement, or Annex 5 of the DB Custodial Agreement or U.S. Bank Custodial Agreement, as applicable.

“Requirement of Law” means as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

“Restricted Mortgage Loan” means (i) a “Growing Equity Loan,” “Manufactured Home Loan,” “Graduated Payment Loan,” “Buydown Loan,” “Project Loan,” “Construction Loan” or “HECM Loan,” each as defined in the applicable Agency Guide, (ii) a 30+ Day Delinquent Mortgage Loan, (iii) a Mortgage Loan for which the related Escrow Payments have not been made by the next succeeding Due Date, or (iv) a High Cost Mortgage Loan.

“Seasoned Mortgage Loan” means a Mortgage Loan that was purchased by Seller in the secondary market as a seasoned loan and that was originated more than twelve (12) months prior to the Purchase Date for such Mortgage Loan.

“SEC” shall have the meaning ascribed thereto in Section 35.

“Section 404 Notice” means the notice required pursuant to Section 404 of the Helping Families Save Their Homes Act of 2009 (P.L. 111-22), which amends 15 U.S.C. Section 1641 *et seq.*, to be delivered by a creditor that is an owner or an assignee of a Mortgage Loan to the related Mortgagor within thirty (30) days after the date on which such Mortgage Loan is sold or assigned to such creditor.

“Security” means a Ginnie Mae Security, a Fannie Mae Security or a Freddie Mac Security, as applicable.

“Seller” shall have the meaning set forth in the preamble hereof.

“Seller Mortgage Loan Schedule” means the list of Purchased Assets proposed to be purchased by Purchasers, in the form of Exhibit H hereto, that will be delivered in an excel spreadsheet format by Seller to Agent, Purchasers and Custodian together with each Transaction Notice and attached by the Custodian to the related Certified Mortgage Loan Trust Receipt or related Trust Receipt, as applicable.

“Separateness Covenants” means the covenants located in Section 5.4 of the LLC Agreement.

“Servicer” means any servicer approved by Agent in its sole discretion, which may be Seller.

“Servicing File” means with respect to each Mortgage Loan or REO Property, the file retained by Seller or its designee consisting of all documents that a prudent originator and servicer would include (including copies of the Mortgage Loan File), all documents necessary to document and service the Mortgage Loans and REO Properties and any and all documents required to be delivered in connection with any transfer of servicing pursuant to the Program Documents.

“Servicing Records” means with respect to a Mortgage Loan, the related servicing records, including but not limited to any and all servicing agreements, files, documents, records, data bases, computer tapes, copies of computer tapes, proof of insurance coverage, insurance policies, appraisals, other closing documentation, payment history records, and any other records relating to or evidencing the servicing of such Mortgage Loan.

“Servicing Rights” means contractual, possessory or other rights of Seller or any other Person to administer or service a Mortgage Loan or to possess the Servicing File.

“Servicing Term” shall have the meaning assigned thereto in Section 16(b).

“Set Off Eligible Agreement” means any lending or hedging agreement (including, without limitation, this Agreement) entered into between Seller or any of its Subsidiaries on the one hand, and Purchaser or any of its Affiliates on the other hand. For avoidance of doubt, Purchaser agrees that any flow agreement for the purchase and sale of Mortgage Loans (other than the Mortgage Loan Participation Purchase and Sale Agreement) or any securitization, debt or equity transaction with respect to which Purchaser or any of its Affiliates acts as underwriter, placement agent, securities administrator or in a similar capacity shall not constitute a Set Off Eligible Agreement.

“Settlement Agent” means, with respect to any Transaction the subject of which is a Wet-Ink Mortgage Loan, the entity approved by Agent, in its sole good-faith discretion, which may be a title company, escrow company or attorney in accordance with local law and practice in the jurisdiction where the related Wet-Ink Mortgage Loan is being originated.

“Settlement Date” means the date specified in a Takeout Commitment upon which the related Security is scheduled to be delivered to the specified Takeout Investor on a “delivery versus payment” basis.

“Specified Indebtedness” means the portion of payable and accrued liabilities as reported on Seller’s consolidated balance sheet in accordance with GAAP related to the purchase of mortgage servicing rights (including advances payable) arising in connection with the Mortgage Servicing Rights Purchase and Sale Agreement between Bank of America, National Association and Seller, dated January 6, 2013.

“Specified Indebtedness Amount” means, as of any date, an amount equal to the amount of any Specified Indebtedness on such date; provided that the “Specified Indebtedness Amount” shall not be an amount greater than \$5,000,000,000.

“Streamline Mortgage Loan” means any Mortgage Loan that is refinanced pursuant to the FHA Streamline Refinance program or the VA Interest Rate Reduction Refinancing program.

“Strict Compliance” means compliance of Seller and the Mortgage Loans with the requirements of the Agency Guide as amended by any agreements between Seller and the Applicable Agency, sufficient to enable Seller to issue and to service and Ginnie Mae to guarantee or Fannie Mae or Freddie Mac to issue and guarantee a Security; provided, that until copies of any such agreements between Seller and the Applicable Agency have been provided to Agent by Seller and agreed to by Agent, such agreements shall be deemed, as between Seller and Barclays, not to amend the requirements of the Agency Guide.

“Subsidiary” means, with respect to any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

“Sutton” means Sutton Funding LLC, as a Purchaser hereunder.

“Sutton Collection Account” means the following account established by the Seller in accordance with Section 16(e) for the benefit of the Sutton, Account Number: 75-2921540.

“Sutton Collection Account Control Agreement” means that certain Collection Account Control Agreement, dated as of May 17, 2013, by and among Sutton, the Seller and Bank, in form and substance acceptable to Sutton to be entered into with respect to the Sutton Collection Account, as the same may be amended, modified or supplemented from time to time.

“Sutton Custodial Agreement” means each of the ReconTrust Custodial Agreement and the U.S. Bank Custodial Agreement.

“Takeout Commitment” means a fully executed trade confirmation from the related Takeout Investor to Seller confirming the details of a forward trade between the Takeout Investor and Seller with respect to one or more Purchased Assets, which trade confirmation shall be enforceable and in full force and effect, and shall be validly and effectively assigned to Barclays pursuant to a Trade Assignment, and relate to pools of Mortgage Loans that satisfy the “good delivery standards” of the Securities Industry and Financial Markets Association as set forth in the Securities Industry and Financial Markets Association Uniform Practices Manual, as amended from time to time.

“Takeout Investor” means either (i) Barclays Capital Inc., or any successor thereto, or (ii) any other Person approved by Agent in its sole discretion.

“Taxes” shall have the meaning assigned thereto in Section 8(a).

“Tangible Net Worth” means, with respect to any Person at any date of determination, (i) the Net Worth of such Person and its consolidated Subsidiaries, determined in accordance with GAAP, minus (ii) all intangibles determined in accordance with GAAP (including, without limitation, goodwill, capitalized financing costs and capitalized administration costs but excluding originated and purchased mortgage servicing rights and retained residual securities) and any and all advances to, investments in and receivables held from Affiliates; provided, however, that the non-cash effect (gain or loss) of any mark-to-market adjustments made directly to stockholders’ equity for fluctuation of the value of financial instruments as mandated under the Statement of Financial Accounting Standards No. 133 (or any successor statement) shall be excluded from the calculation of Tangible Net Worth.

“Termination Date” means the earliest to occur of (i) the Maturity Date, (ii) the termination of the Mortgage Loan Participation Purchase and Sale Agreement, (iii) at the option of Agent, the occurrence of an Event of Default under this Agreement after the expiration of any applicable grace period and (iv) with respect to the Uncommitted Amount, the fifteenth (15th) Business Day after the Purchaser delivers a notice of termination to the Seller.

“Total Net Indebtedness” means, with respect to any Person, for any period, (i) the aggregate Indebtedness of such Person and its Subsidiaries during such period minus (ii) the amount of any non-recourse debt (including any securitization debt).

“Trade Assignment” means an assignment to Barclays of a forward trade between the Takeout Investor and Seller with respect to one or more Purchased Assets, together with the related trade confirmation from the Takeout Investor to Seller that has been fully executed, is enforceable and is in full force and effect and confirms the details of such forward trade.

“Transaction” has the meaning assigned thereto in Section 1.

“Transaction Notice” means a written request of Seller to enter into a Transaction in a form attached as Exhibit C hereto or such other form as shall be mutually agreed upon among Seller and Purchasers, which is delivered to the related Purchaser in accordance with Section 3(c) herein.

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

“U.S. Bank Custodial Agreement” means that certain Custodial Agreement, dated as of November 25, 2013, among Seller, Purchasers and U.S. Bank National Association, entered into in connection with this Agreement, as the same may be amended, modified or supplemented from time to time.

“Uncommitted Amount” shall have the meaning assigned thereto in the Pricing Side Letter.

“Uniform Commercial Code” means the Uniform Commercial Code as in effect from time to time in the State of New York; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interest in any Purchased Assets or the continuation, renewal or enforcement thereof is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, “Uniform Commercial Code” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

“Unrestricted Cash” means, as of any date of determination, the sum of (i) Seller’s cash, (ii) Seller’s Cash Equivalents that are not, in either case, subject to a Lien in favor of any Person or that are not required to be reserved by Seller in a restricted escrow arrangement or other similarly restricted arrangement pursuant to a contractual agreement or requirement of law.

“Verification Agent” means an entity appointed by the Agent to perform specific services with respect to the Eligible Mortgage Loans, or its successors and assigns.

“Verification Agent Letter” means the agreement pursuant to which the Verification Agent performs services with respect to the Eligible Mortgage Loans.

“Warehouse Lender” means any lender providing financing to Seller for the purpose of warehousing, originating or purchasing a Mortgage Loan, which lender has a security interest in such Mortgage Loan to be purchased by Barclays.

“Warehouse Lender’s Release” means a letter, in the form of Exhibit E, from a Warehouse Lender to Barclays, unconditionally releasing all of Warehouse Lender’s right, title and interest in certain Mortgage Loans identified therein upon payment to the Warehouse Lender.

“Wet-Ink Mortgage Loan” means a Mortgage Loan (other than a Jumbo Mortgage Loan) that Seller is selling to Barclays simultaneously with the origination thereof that is funded as part, either directly or indirectly, with the Purchase Price paid by Barclays hereunder and prior to receipt by Barclays or its Custodian of the original Mortgage Note.

“Wet-Ink Mortgage Loan Document Receipt Date” means for any Wet-Ink Mortgage Loan, the date that the Custodian executes an original trust receipt without exceptions.

“Wet-Ink Mortgage Loan Sublimit” shall have the meaning assigned thereto in the Pricing Side Letter.

(b) Interpretation.

Headings are for convenience only and do not affect interpretation. The following rules of this subsection (b) apply unless the context requires otherwise. The singular includes the plural and conversely. A gender includes all genders. Where a word or phrase is defined, its other grammatical forms have a corresponding meaning. A reference to a subsection, Section, Annex or Exhibit is, unless otherwise specified, a reference to a section of, or annex or exhibit to, this Agreement. A reference to a party to this Agreement or another agreement or document includes the party’s successors and permitted substitutes or assigns. A reference to an agreement or document is to the agreement or document as amended, modified, novated, supplemented or replaced, except to the extent prohibited by any Program Document. A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it. A reference to writing includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form. A reference to conduct includes, without limitation, an omission, statement or undertaking, whether or not in writing. An Event of Default exists until it has been waived in writing by Agent or has been cured. The words “hereof,” “herein,” “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement. The term “including” is not limiting and means “including without limitation.” In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.” This Agreement may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied. References herein to “fiscal year” and “fiscal quarter” refer to such fiscal periods of Seller.

Except where otherwise provided in this Agreement, any determination, consent, approval, statement or certificate made or confirmed in writing with notice to Seller by Purchasers or authorized officers of Purchasers as required by this Agreement is conclusive in the absence of manifest error. A reference to an agreement includes a security interest, guarantee, agreement or legally enforceable arrangement whether or not in writing related to such agreement.

A reference to a document includes an agreement in writing or a certificate, notice, instrument or document, or any information recorded in electronic form. Where Seller is required to provide any document to Purchasers

under the terms of this Agreement, the relevant document shall be provided in writing or printed form unless Purchasers request otherwise.

This Agreement is the result of negotiations among, and has been reviewed by counsel to, Purchasers and Seller, and is the product of all parties. In the interpretation of this Agreement, no rule of construction shall apply to disadvantage one party on the ground that such party proposed or was involved in the preparation of any particular provision of this Agreement or this Agreement itself. Except where otherwise expressly stated, Purchasers may give or withhold, or give conditionally, approvals and consents and may form opinions and make determinations in their absolute sole discretion. Except as specifically required herein, any requirement of good faith, discretion or judgment by Purchasers or Agent shall not be construed to require Purchasers to request or await receipt of information or documentation not immediately available from or with respect to Seller, any other Person or the Purchased Assets themselves.

3. **THE TRANSACTIONS**

(a) It is acknowledged and agreed that, notwithstanding any other provision of this Agreement to the contrary, the facility provided under this Agreement is (i) a committed facility with respect to the Committed Amount and (ii) an uncommitted facility with respect to the Uncommitted Amount, and Purchasers shall have no obligation to enter into any Transactions hereunder with respect to the Uncommitted Amount. All purchases of Eligible Assets hereunder shall be first deemed committed up to the Committed Amount and then the remainder, if any, shall be deemed uncommitted up the Uncommitted Amount.

(b) Subject to the terms and conditions of the Program Documents, Purchasers may enter into Transactions provided, that the Aggregate MRA Purchase Price shall not exceed, as of any date of determination, the lesser of (a) the Maximum Aggregate Purchase Price (less the sum of the Aggregate EPF Purchase Price and the HCM Aggregate MRA Purchase Price) and (b) the Asset Base.

(c) Unless otherwise agreed, Seller shall request that Purchaser enter into a Transaction with respect to any Eligible Loan by delivering to the indicated required parties (each, a "Required Recipient") the required delivery items (each, a "Required Delivery Item") set forth in the table below by the corresponding required delivery time (the "Required Delivery Time"), and such Transaction shall occur no later than the corresponding required purchase time (the "Required Purchase Time"):

<u>Purchased Asset Type</u>	<u>Required Delivery Items</u>	<u>Required Delivery Time</u>	<u>Required Recipient</u>	<u>Required Purchase Time</u>
Eligible Mortgage Loans (other than Wet-Ink Mortgage Loans, FHA Buyout Loans, HECM Buyout Loans and Modified Loans)	(i) a Transaction Notice and (ii) Seller Mortgage Loan Schedule	No later than 3:00 p.m. (New York City time) on the Business Day prior to the requested Purchase Date	Purchaser and Custodian	No later than 5:00 p.m. (New York City time) on the requested Purchase Date
	For Correspondent Loans, the Correspondent Seller Release, duly executed and delivered by each applicable Correspondent Seller	No later than 3:00 p.m. (New York City time) on the Business Day prior to the requested Purchase Date	Purchaser	
	The complete Mortgage Files to Custodian for each Mortgage Loan subject to such Transaction	No later than 3:00 p.m. (New York City time) on the Business Day prior to the requested Purchase Date	Custodian	
AM Funded Wet-Ink Mortgage Loans	(i) a Transaction Notice and (ii) Seller Mortgage Loan Schedule	No later than 4:00 p.m. (New York City time) on the Business Day prior to the requested Purchase Date	Purchaser, Custodian and Disbursement Agent	No later than 9:00 a.m. (New York City time) on the requested Purchase Date
PM Funded Wet-Ink Mortgage Loans	(i) a Transaction Notice and (ii) Seller Mortgage Loan Schedule	No later than 1:00 p.m. (New York City time) on the requested Purchase Date	Purchaser, Custodian and Disbursement Agent	No later than 4:00 p.m. (New York City time) on the requested Purchase Date
Wet-Ink Mortgage Loans	(i) a Transaction Notice, (ii) Seller Mortgage Loan Schedule and (iii) Wet-Ink Mortgage Loan Funding Report	No later than 2:00 p.m. (New York City time) on the requested Purchase Date	Purchaser and Custodian	No later than 4:00 p.m. (New York City time) on the requested Purchase Date
FHA Buyout Loans, HECM Buyout Loans and Modified Loans	(i) a Transaction Notice and (ii) Seller Mortgage Loan Schedule	No later than 10:00 a.m. (New York City time) on the Business Day prior to the requested Purchase Date	Purchaser and Custodian	No later than 5:00 p.m. (New York City time) on the requested Purchase Date

The date on which any notice pursuant to this Section 3(c) is given is known as the “Notice Date”.

With respect to each Wet-Ink Mortgage Loan, immediately following the Purchase Date, Seller shall cause the related Settlement Agent to deliver to the Custodian the remaining documents in the Mortgage Loan File.

In addition, with respect to the purchase of any Eligible Mortgage Loans that are Wet-Ink Mortgage Loans, Seller shall deliver to Barclays and Custodian, no later than 5:00 p.m. (New York City time) one (1) Business Day prior to the proposed Purchase Date, the estimated Purchase Price (the “Estimated Purchase Price”) of the Wet-Ink Mortgage Loans to be purchased on such Purchase Date within a variance not to exceed \$5,000,000 of the actual Purchase Price on such Purchase Date (the “Allowable Variance”).

(d) Upon Seller’s request to enter into a Transaction pursuant to Section 3(c) and assuming all conditions precedent set forth in this Section 3 and in Sections 10(a) and (b) have been met, and provided no Default or Event of Default shall have occurred and be continuing, on the requested Purchase Date, Barclays shall, in the case of a Transaction with respect to the Committed Amount and may, in its sole discretion, in the case of a Transaction with respect to the

Uncommitted Amount, purchase the Eligible Mortgage Loans that are not FHA Buyout Loans or HECM Buyout Loans and Sutton may, in its sole discretion, purchase the Eligible Mortgage Loans that are FHA Buyout Loans or HECM Buyout Loans, each included in the related Transaction

Notice by transferring the Purchase Price (net of any related Structuring Fee or any other fees and expense then due and payable by Seller to the related Purchaser pursuant to the Agreement) in accordance with the following wire instructions or as otherwise provided:

Receiving Bank: Wells Fargo
ABA#: 121 000 248
Account Name: Nationstar Mortgage
Account Number: 4121888200

Seller acknowledges and agrees that the Purchase Price includes a mutually negotiated premium allocable to the portion of the Purchased Assets that constitutes the related Servicing Rights.

(e) On the related Price Differential Determination Date, Agent shall calculate the Price Differential for each outstanding Transaction payable on the Monthly Payment Date utilizing the Pricing Rate. Not less than two (2) Business Days prior to each Monthly Payment Date, Agent shall provide Seller with an invoice for the amount of the Price Differential due and payable with respect to all outstanding Transactions, setting forth the calculations thereof in reasonable detail and all accrued fees and expenses then due and owing to the related Purchaser. On the earliest of (1) the Monthly Payment Date or (2) the Termination Date, Seller shall pay to the related Purchaser the Price Differential then due and payable for (x) all outstanding related Transactions and (y) Purchased Assets for which the related Purchaser has received the related Repurchase Price (other than Price Differential) pursuant to Section 3(f).

(f) With respect to a Transaction, upon the earliest of (1) the Repurchase Date and (2) the Termination Date, Seller shall pay to the related Purchaser the related Repurchase Price (other than the related accrued Price Differential) together with any other Obligations then due and payable, and shall repurchase all Purchased Assets then subject to such Transaction. The Repurchase Price shall be transferred directly to the related Purchaser.

(g) If Agent determines in its sole discretion that any Change in Law or any change in accounting rules regarding capital requirements has the effect of reducing the rate of return on either Purchaser's capital or on the capital of any Affiliate of either Purchaser under this Agreement as a consequence of such Change in Law or change in accounting rules, then from time to time Seller will compensate the related Purchaser or the related Purchaser's Affiliate, as applicable, for such reduced rate of return suffered as a consequence of such Change in Law or change in accounting rules on terms similar to those imposed by the related Purchaser. Further, if due to the introduction of, any change in, or the compliance by either Purchaser with (i) any eurocurrency reserve requirement, or (ii) the interpretation of any law, regulation or any guideline or request from any central bank or other Governmental Authority whether or not having the force of law, there shall be an increase in the cost to either Purchaser or any Affiliate of either Purchaser in engaging in the present or any future Transactions, then Seller shall, from time to time and upon demand by the related Purchaser, compensate the related Purchaser or the related Purchaser's Affiliate for such increased costs, and such amounts shall be deemed a part of the Obligations hereunder. The related Purchaser shall provide Seller with notice as to any such Change in Law, change in accounting rules or change in compliance promptly following such Purchaser's receipt of actual knowledge thereof.

(h) Seller shall indemnify the Purchasers and hold the Purchasers harmless from any losses, costs and/or expenses that Purchasers may sustain or incur as a result of Seller's termination of any Transaction on or before a Repurchase Date arising from the reemployment of funds obtained by the Purchasers hereunder or from actual out-of-pocket fees and expenses payable to terminate the deposits from which such funds were obtained ("Breakage Costs"). Purchasers and Agent shall use good faith efforts to mitigate all Breakage Costs. The Agent shall deliver to Seller a statement setting forth the amount and basis of determination of any Breakage Costs in such detail as determined in good faith by the Purchasers to be adequate, it being agreed that such statement and the method of its calculation shall be adequate and shall be conclusive and binding upon Seller, absent manifest error. The provisions of this Section 3(h) shall survive termination of this Agreement.

(i) If on any Business Day Agent determines (which determination shall be conclusive absent manifest error) (a) that adequate and reasonable means do not exist for ascertaining LIBOR; or (b) that LIBOR will not adequately and fairly reflect the cost to Purchasers of entering into or maintaining outstanding Transactions; or (c) that it has become unlawful for any Purchaser to honor its obligation to enter into or maintain outstanding Transactions hereunder using LIBOR, then Agent shall give notice thereof to Seller by telephone, facsimile, or other electronic means as promptly as practicable thereafter and, until Agent notifies Seller that the circumstances giving rise to such notice no longer exist,

the Pricing Rate included in any Confirmation with respect to new Transactions and in any calculation of the Price Differential with respect to outstanding Transactions will be determined, subject to the timely approval of Seller after receipt of notice of such revised rate, at a rate per annum that Purchasers determine in their reasonable discretion adequately reflects the cost to Purchasers of making or maintaining such Transactions.

(j) REO Property.

(i) Seller shall take all actions necessary to fully establish the REO Subsidiary, including, but without limitation, filing a certificate of formation with the applicable state and executing the LLC Agreement.

(ii) Following the Effective Date, the Seller (A) (x) shall promptly transfer to Sutton the REO Asset and to the REO Subsidiary the REO Properties related to Mortgage Loans that had been Purchased Assets but had converted to REO Properties prior to the Effective Date and (y) from time to time shall transfer certain REO Properties unrelated to Mortgage Loans that are Purchased Assets to the REO Subsidiary, in each case along with written notice of the Transaction in the form of an REO Subsidiary Schedule of Assets to Sutton (any such date, an "REO Transfer Date") and (B) shall (x) subject to any applicable redemption period, deliver to Sutton within seven (7) Business Days following the related REO Transfer Date a foreclosure sale deed or evidence, as described in clause (iv) hereof, that Seller has caused the REO Deed to be sent for recording in the applicable office of the applicable jurisdiction and (y) promptly transfer to the Custodian the related REO Property File as the documents contained therein come into existence.

(iii) At any time that a Mortgage Loan that is a Purchased Asset is foreclosed upon, (A) the marketable title in the related REO Property shall promptly be vested in and retained by the REO Subsidiary and allocated to the REO Asset (any such date, a "Foreclosure Date") and (B) Seller shall (x) subject to any applicable redemption period, deliver to Sutton within seven (7) Business Days following the related Foreclosure Date a foreclosure sale deed or evidence, as described in clause (iv) hereof, that Seller has caused the REO Deed to be sent for recording in the applicable office of the applicable jurisdiction; provided that if Seller fails to deliver such evidence within the applicable time period, the related REO Property shall no longer be considered an Eligible Asset and (y) promptly transfer to the Custodian the related REO Property File as the documents contained therein come into existence.

(iv) For purposes of this Agreement, a Mortgage Loan that is a Purchased Asset shall be deemed to have converted into an REO Property upon the earliest to occur of the following:

(A) an REO Deed shall have been received in the name of the REO Subsidiary with respect to the Mortgaged Property related to such Mortgage Loan;

(B) the REO Subsidiary shall have received a receipt or other written acknowledgment acceptable to Purchasers from the filing clerk evidencing the submission for filing of an REO Deed with respect to the Mortgaged Property related to such Mortgage Loan;

(C) the REO Subsidiary shall have received a receipt issued by a Governmental Authority evidencing the REO Subsidiary's right to receive the REO Deed for the Mortgaged Property related to such Mortgage Loan; or

(D) Purchasers shall have received such other evidence of the REO Subsidiary's interest in such REO Property acceptable to Purchasers in their reasonable discretion.

(v) On any Foreclosure Date, a Transaction shall be deemed to occur with respect to any related Converted REO Property, and the Repurchase Price with respect to the related Mortgage Loan shall be reduced by the Purchase Price of such Converted REO Property. A Transaction Notice shall not be required for any such deemed Transaction to occur; however, Seller shall provide prompt written notice in the form of an REO Subsidiary Schedule of Assets to Purchaser upon such deemed conversion.

4. CONFIRMATION

In the event that parties hereto desire to enter into a Transaction on terms other than as set forth in this Agreement, the parties shall execute a confirmation prior to entering into such Transaction, which confirmation shall be in a form that is mutually acceptable to the related Purchaser and Seller and shall specify such terms, including, without limitation, the Purchase Date, the Purchase Price, the Pricing Rate therefor and the Repurchase Date (a "Confirmation"). Any such Confirmation and the related Transaction Notice, together with this Agreement, shall constitute conclusive evidence of the terms agreed to between the applicable Purchaser and Seller with respect to the Transaction to which the Confirmation relates. In the event of any conflict between this Agreement and a Confirmation, the terms of the Confirmation shall control with respect to the related Transaction.

5. **TAKEOUT COMMITMENTS**

Seller hereby assigns to Barclays, free of any security interest, lien, claim or encumbrance of any kind, Seller's rights under each Takeout Commitment to deliver the Purchased Assets specified therein to the related Takeout Investor and to receive the purchase price therefor from such Takeout Investor. Seller shall deliver to Barclays a duly executed and enforceable Trade Assignment on the date such Trade Assignment is executed by the related Takeout Investor. Subject to Barclays' rights hereunder, Barclays agrees that it will satisfy the obligation under the Takeout Commitment to deliver the related Purchased Assets to the Takeout Investor on the date specified therein. Seller understands that, as a result of this Section 5 and each Trade Assignment, Barclays will succeed to the rights and obligations of Seller with respect to each Takeout Commitment subject to a Trade Assignment, and that in satisfying each such Takeout Commitment, Barclays will stand in the shoes of Seller and, consequently, will be acting as a non-dealer in exercising its rights and fulfilling its obligations assigned pursuant to this Section 5 and each Trade Assignment. Each Trade Assignment delivered by Seller to Barclays shall be delivered by Seller in a timely manner sufficient to enable Barclays to facilitate the settlement of the related trade on the trade date in accordance with "good delivery standards" of the Securities Industry and Financial Markets Association as set forth in the Securities Industry and Financial Markets Association Uniform Practices Manual, as amended from time to time.

6. **PAYMENT AND TRANSFER**

Unless otherwise agreed by Seller and Purchasers, all transfers of funds hereunder shall be in Dollars in immediately available funds. Seller shall remit (or, if applicable, shall cause to be remitted) directly to the related Purchaser all payments required to be made by it to the related Purchaser hereunder or under any other Program Document in accordance with wire instructions provided by the related Purchaser. Any payments received by Purchasers after 5:00 p.m. (New York City time) shall be applied on the next succeeding Business Day.

7. **MARGIN MAINTENANCE**

(a) Agent shall determine the Market Value of the Purchased Assets on a daily basis as determined by Agent in its sole good faith discretion.

(b) If, as of any date of determination, the product of (i) the lesser of (x) 100% of the unpaid principal balance as of such date of all Purchased Assets then subject to all Transactions and (y) the aggregate Market Value of all Purchased Assets then subject to all Transactions, taking into account the cash then on deposit in the Collection Accounts, multiplied by (ii) the applicable Purchase Price Percentage is less than the Repurchase Price (less the related Price Differential) for all such Transactions (a "Margin Deficit"), then Agent may, by notice to the Seller (as such notice is more particularly set forth below, a "Margin Call"), require Seller to transfer to the related Purchaser or the related Purchaser's designee cash or, at the related Purchaser's option (and provided Seller has additional Eligible Mortgage Loans), additional Eligible Mortgage Loans to the related Purchaser ("Additional Purchased Mortgage Loans") to cure the Margin Deficit. If the Agent delivers a Margin Call to the Seller on or prior to 11:00 a.m. (New York City time) on any Business Day, then the Seller shall transfer cash or Additional Purchased Mortgage Loans to the related Purchaser or its designee no later than (i) 5:00 p.m. (New York City time) on the same Business Day. In the event the Agent delivers a Margin Call to Seller after 11:00 a.m. (New York City time) on any Business Day, Seller shall be required to transfer cash or Additional Purchased Mortgage Loans no later than (i) 12:00 p.m. (New York City time) on the next succeeding Business Day.

(c) Any cash transferred to the related Purchaser or its designee pursuant to Section 16(f)(ii) herein shall reduce the Repurchase Price of the related Transactions.

(d) The failure of Purchasers, on any one or more occasions, to exercise their rights hereunder, shall not change or alter the terms and conditions of this Agreement or limit the right of the Purchasers to do so at a later date. Seller and Purchasers each agree that a failure or delay by a Purchaser to exercise its rights hereunder shall not limit or waive the related Purchaser's rights under this Agreement or otherwise existing by law or in any way create additional rights for Seller.

(e) For the avoidance of doubt, it is hereby understood and agreed that Seller shall be responsible for satisfying any Margin Deficit existing as a result of any cram down of the unpaid principal balance of any Purchased Asset pursuant to any action by any bankruptcy court.

8. **TAXES; TAX TREATMENT**

(a) All payments made by Seller under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, levies, imposts, deductions, charges or withholdings,

and all liabilities (including penalties, interest and additions to tax) with respect thereto imposed by any Governmental Authority therewith or thereon, excluding income taxes, branch profits taxes, franchise taxes or any other tax imposed on net income by the United States, a state or a foreign jurisdiction under the laws of which the Purchasers are organized or of its applicable lending office, or a state or foreign jurisdiction with respect to which Purchasers have a present or former connection, or any political subdivision thereof (collectively, "Taxes"), all of which shall be paid by Seller for its own account not later than the date when due. If Seller is required by law or regulation to deduct or withhold any Taxes from or in respect of any amount payable hereunder, it shall: (a) make such deduction or withholding, (b) pay the amount so deducted or withheld to the appropriate Governmental Authority not later than the date when due, (c) deliver to the related Purchaser, promptly, original tax receipts and other evidence satisfactory to the related Purchaser of the payment when due of the full amount of such Taxes; and (d) pay to the related Purchaser such additional amounts as may be necessary so that the related Purchaser receives, free and clear of all Taxes, a net amount equal to the amount it would have received under this Agreement, as if no such deduction or withholding had been made.

(b) In addition, Seller agrees to pay to the relevant Governmental Authority in accordance with applicable law any current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies (including, without limitation, mortgage recording taxes, transfer taxes and similar fees) imposed by the United States or any taxing authority thereof or therein that arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement ("Other Taxes").

(c) Seller agrees to indemnify Purchasers for the full amount of Taxes (including additional amounts with respect thereto) and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable under this Section 8, and any liability (including penalties, interest and expenses arising thereon or with respect thereto) arising therefrom or with respect thereto, provided that the related Purchaser shall have provided Seller with evidence, reasonably satisfactory to Seller, of payment of Taxes or Other Taxes, as the case may be.

(d) Agent and any Purchaser that either (i) is not incorporated under the laws of the United States, any State thereof, or the District of Columbia or (ii) whose name does not include "Incorporated," "inc.," "Corporation," "Corp.," "P.C.," "insurance company," or "assurance company" (a "Foreign Purchaser") shall provide Seller and Agent with original properly completed and duly executed United States Internal Revenue Service ("IRS") Forms W-8BEN or W-8ECI or any successor form prescribed by the IRS, certifying that such Person is entitled to benefits under an income tax treaty to which the United States is a party which eliminates withholding tax on payments to it or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States on or prior to the date upon which each such Foreign Purchaser becomes a Purchaser. In addition, the Agent shall be a "qualified intermediary" (as defined in Treasury regulation section 1.1441-1(e)(5)) and provide the Seller with an original properly completed and duly executed IRS Form W-8IMY with "qualified intermediary" checked in Part I and Part II properly completed to provide that the Agent is a "qualified intermediary" for a Purchaser with respect to payments under this Agreement and the other Program Documents (with all appropriate attachments) for any amount received on behalf of a Purchaser which eliminates withholding tax on payments to it on or prior to the date it becomes an Agent. Agent and each Foreign Purchaser will resubmit the appropriate form eliminating withholding tax on payments to it on the earliest of (A) the third anniversary of the prior submission, or (B) on or before the expiration of thirty (30) days after there is a "change in circumstances" with respect to such Person as defined in Treas. Reg. Section 1.1441-1(e)(4)(ii)(D). For any period with respect to which the Agent or a Foreign Purchaser has failed to provide Seller with the appropriate form or other relevant document pursuant to this Section 8(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided) such Person shall not be entitled to "gross-up" of Taxes or indemnification under Section 8(c) with respect to Taxes imposed by the United States; provided, however that should a Foreign Purchaser, which is otherwise exempt from a withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, Seller shall take such steps as such Foreign Purchaser shall reasonably request to assist such Foreign Purchaser to recover such Taxes.

(e) Without prejudice to the survival or any other agreement of Seller hereunder, the agreements and obligations of Seller contained in this Section 8 shall survive the termination of this Agreement. Nothing contained in this Section 8 shall require Purchasers to make available any of their tax returns or other information that they deem to be confidential or proprietary.

(f) Each party to this Agreement acknowledges that it is its intent solely for purposes of U.S. federal, state and local income and franchise taxes to treat each Transaction as indebtedness of Seller that is secured by the Purchased Assets and that the Purchased Assets are owned by Seller in the absence of an Event of Default by Seller. All parties to

this Agreement agree to such treatment and agree to take no action inconsistent with this treatment, unless required by law.

9. **SECURITY INTEREST; PURCHASERS' APPOINTMENT AS ATTORNEY-IN-FACT**

(a) Seller and Purchasers intend that (other than for tax and accounting purposes) the Transactions hereunder be sales to Purchasers of the Purchased Assets and not loans from Purchasers to Seller secured by the Purchased Assets. However, in order to preserve Purchasers' rights under this Agreement in the event that a court or other forum recharacterizes the Transactions hereunder as other than sales, and as security for Seller's performance of all of its Obligations, Seller hereby grants to the related Purchaser a first priority security interest in the related Purchased Assets. Seller acknowledges and agrees that its rights with respect to the Purchased Assets are and shall continue to be at all times junior and subordinate to the rights of the related Purchaser hereunder.

(b) Seller hereby irrevocably constitutes and appoints Purchasers and any officers or agents thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Seller and in the name of Seller or in its own name, from time to time in Purchasers' discretion, to file such financing statement or statements relating to the Purchased Assets as Purchasers at their option may deem appropriate, and if an Event of Default shall have occurred and be continuing, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, Seller hereby gives Purchasers the power and right, on behalf of Seller, without assent by, but with notice to, Seller, to do the following if an Event of Default shall have occurred and be continuing and Purchasers have elected to exercise their remedies pursuant to Section 18 hereof:

(i) in the name of Seller, or in its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Purchased Assets and to file any claim or to take any other action or initiate and maintain any appropriate proceeding in any appropriate court of law or equity or otherwise deemed appropriate by Purchasers for the purpose of collecting any and all such moneys due with respect to any Purchased Assets whenever payable;

(ii) to pay or discharge taxes and Liens levied or placed on or threatened against the Purchased Assets;

(iii) (A) to direct any party liable for any payment under any Purchased Assets to make payment of any and all moneys due or to become due thereunder directly to Purchasers or as Purchasers shall direct, (B) in the name of Seller, or in its own name, or otherwise as appropriate, to directly send or cause the applicable servicer to send "hello" letters, "goodbye" letters in the form of Exhibit D, and Section 404 Notices; (C) to ask or demand for, collect, receive payment of and receipt for any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Purchased Assets; (D) to sign and endorse any invoices, assignments, verifications, notices and other documents in connection with any Purchased Assets; (E) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Purchased Assets or any proceeds thereof and to enforce any other right in respect of any Purchased Assets; (F) to defend any suit, action or proceeding brought against Seller with respect to any Purchased Assets; (G) to settle, compromise or adjust any suit, action or proceeding described in clause (F) above and, in connection therewith, to give such discharges or releases as Purchasers may deem appropriate; and (H) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any Purchased Assets as fully and completely as though Purchasers were the absolute owner thereof for all purposes, and to do, at Purchasers' option and Seller's expense, at any time, and from time to time, all acts and things which Purchasers deem necessary to protect, preserve or realize upon the Purchased Assets and Purchasers' Liens thereon and to effect the intent of this Agreement, all as fully and effectively as Seller might do.

Seller hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

Seller also authorizes Purchasers, from time to time if an Event of Default shall have occurred and be continuing, to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Purchased Assets in connection with any sale provided for in Section 18 hereof.

The powers conferred on Purchasers hereunder are solely to protect Purchasers' interests in the Purchased Assets and shall not impose any duty upon it to exercise any such powers. Purchasers shall be accountable only for amounts

that they actually receive as a result of the exercise of such powers, and neither Purchasers nor any of their officers, directors, employees or agents shall be responsible to Seller for any act or failure to act hereunder.

10. **CONDITIONS PRECEDENT**

(a) As conditions precedent to the effectiveness of this Agreement, Purchasers shall have received on or before the Effective Date (except as otherwise noted below) each of the following, in form and substance satisfactory to Purchasers and duly executed by each party thereto (as applicable):

(i) Each of the Program Documents duly executed and delivered by the parties thereto and being in full force and effect, free of any modification, breach or waiver;

(ii) Certificates of an officer of each of Seller and REO Subsidiary attaching certified copies of Seller's and REO Subsidiary's certificate of formation, operating agreement and manager resolutions, as applicable, approving the Program Documents and Transactions thereunder (either specifically or by general resolution), and all documents evidencing other necessary corporate action or governmental approvals as may be required in connection with the Program Documents;

(iii) Certified copies of good standing certificates from the jurisdictions of organization of each of Seller and REO Subsidiary, dated as of no earlier than the date which is ten (10) Business Days prior to the Purchase Date with respect to the initial Transaction hereunder;

(iv) An incumbency certificate of the secretary of each of Seller and REO Subsidiary certifying the names, true signatures and titles of Seller's and REO Subsidiary's representatives who are duly authorized to request Transactions hereunder and to execute the Program Documents and the other documents to be delivered thereunder;

(v) An opinion of Seller's counsel as to such matters as Purchasers or Agent may reasonably request including, without limitation, with respect to either Purchaser's first priority lien on and perfected security interest in the Purchased Assets, a no material litigation, non-contravention, enforceability and corporate opinion with respect to Seller, an opinion with respect to the inapplicability of the Investment Company Act of 1940 (the "1940 Act Opinion") to Seller, an opinion that this Agreement constitutes a "repurchase agreement" and a "securities contract" within the meaning of the Bankruptcy Code and an opinion that no Transaction constitutes an avoidable transfer under Section 546(f) of the Bankruptcy Code, in form and substance acceptable to Purchasers and Agent in their reasonable discretion, and from nationally recognized outside counsel acceptable to Purchasers and Agent in their reasonable discretion; provided, however, that Seller is permitted to provide the 1940 Act Opinion to Purchaser after but no later than fifteen (15) days following the Effective Date;

(vi) Seller shall have paid to Purchasers and Purchasers shall have received all accrued and unpaid fees and expenses owed to Purchasers in accordance with the Program Documents, including without limitation, the Structuring Fee then due and owing pursuant to Section 2 of the Pricing Side Letter, and any fees due and owing to the Verification Agent, in each case, in immediately available funds, and without deduction, set-off or counterclaim;

(vii) A copy of the insurance policies required by Section 14(q) of this Agreement;

(viii) Purchasers and/or Agent shall have completed the due diligence review pursuant to Section 36, and such review shall be satisfactory to Purchasers and Agent in their sole discretion;

(ix) Evidence that all other actions necessary to perfect and protect related Purchaser's interest in the related Purchased Assets have been taken, including, without limitation, the establishment of the Collection Account, and duly executed and filed Uniform Commercial Code financing statements acceptable to Purchasers and covering the Purchased Assets on Form UCC1;

(x) Seller shall have provided evidence, satisfactory to Purchasers and Agent, that Seller's Approvals are in good standing; and

(xi) Any other documents reasonably requested by Purchasers or Agent.

(b) As conditions precedent to each Transaction (including the initial Transaction), each of the following conditions shall have been satisfied:

(i) Purchasers or the related Purchaser's designee shall have received on or before the Purchase Date with respect to Eligible Assets that are to be the subject of such Transaction (unless otherwise specified in this Agreement) the following, in form and substance satisfactory to the related Purchaser and (if applicable) duly executed:

- (A) Seller shall have paid to Purchasers and Purchasers shall have received all accrued and unpaid fees and expenses owed to Purchasers in accordance with the Program Documents in immediately available funds, and without deduction, set-off or counterclaim;
- (B) The Transaction Notice and Seller Mortgage Loan Schedule (and additionally with respect to Correspondent Loans, the Correspondent Seller Release) with respect to such Purchased Assets, delivered pursuant to Section 3(c);
- (C) Such certificates, customary opinions of counsel or other documents as Purchasers or Agent may reasonably request, provided that such opinions of counsel shall not be required routinely in connection with each Transaction but shall only be required from time to time as deemed necessary by Purchasers in their commercially reasonable judgment;
- (D) Purchasers shall have received the Structuring 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) (x) With respect to an Eligible Asset that is an Eligible Mortgage Loan (other than Wet-Ink Mortgage Loans), an original Trust Receipt executed by the Custodian without exceptions; and (y) with respect to an Eligible Asset that is the REO Asset, an original Trust Receipt executed by the Custodian identifying that the Custodian has received an electronic copy of the REO Deeds relating to the REO Properties transferred to the REO Subsidiary;
- (F) Such other certifications of Custodian as are required under Sections 2 and 4 of the Custodial Agreement;
- (G) With respect to any table-funded Wet-Ink Mortgage Loan that is the subject of such Transaction, (i) a copy of the Closing Instruction Letter delivered to the applicable Settlement Agent and (ii)(a) a copy of the Closing Protection Letter from the applicable title company, or (b) a copy of the Escrow Instruction Letter signed by the applicable Settlement Agent;
- (H) [reserved]; and
- (I) a duly executed Warehouse Lender's Release from any Warehouse Lender (including any party that has a precautionary security interest in a Mortgage Loan) having a security interest in any Mortgage Loans, substantially in the form of Exhibit E, addressed to Barclays, releasing any and all of its right, title and interest in, to and under such Mortgage Loan (including, without limitation, any security interest that such secured party or secured party's agent may have by virtue of its possession, custody or control thereof) and, to the extent applicable, has filed Uniform Commercial Code termination statements in respect of any Uniform Commercial Code filings made in respect of such Mortgage Loan, and each such Warehouse Lender's Release and Uniform Commercial Code termination statement has been delivered to Barclays prior to such Transaction and to the Custodian as part of the Mortgage Loan File; and
- (J) with respect to any FHA Buyout Loan or HECM Buyout Loan, evidence that such FHA Buyout Loan or HECM Buyout Loan, as applicable, is fully insured by FHA.
- (ii) No Default or Event of Default shall have occurred and be continuing;
- (iii) Purchasers shall not have reasonably determined that the introduction of or a change in any Requirement of Law or in the interpretation or administration of any requirement of law applicable to Purchasers has made it unlawful, and no Governmental Authority shall have asserted that it is unlawful, for Purchasers to enter into Transactions with the applicable Pricing Rate;
- (iv) All representations and warranties in the Program Documents shall be true and correct on the date of such Transaction and Seller is in compliance with the terms and conditions of the Program Documents, other than as may be expressly waived by the Purchasers;
- (v) The then Aggregate MRA Purchase Price when added to the Purchase Price for the requested Transaction, shall not exceed the lesser of (a) the Maximum Aggregate Purchase Price (less the sum of the Aggregate EPF Purchase Price and the HCM Aggregate MRA Purchase Price) and (b) the Asset Base;
- (vi) The Purchase Price for the requested Transaction shall not be less than \$1,000,000;
- (vii) Satisfaction of any conditions precedent to the initial Transaction as set forth in clause (a) of this Section 10 that were not satisfied prior to such initial Purchase Date;
- (viii) Purchasers shall have determined that all actions necessary to maintain Purchasers' perfected security interest in the Purchased Assets have been taken;

(ix) Purchasers or their designees shall have received any other documents reasonably requested by Purchasers;

(x) There is no Margin Deficit at the time immediately prior to entering into a new Transaction (other than a Margin Deficit that will be cured contemporaneous with such Transaction in accordance with the provisions of Section 7 hereof); and

(xi) With respect to FHA Buyout Loans and HECM Buyout Loans, the FHA continues to hold permanent indefinite authority to obtain funds directly from the United States Treasury without additional congressional approval.

(c) As conditions precedent to the initial Transaction involving REO Property, each of the following conditions, in addition to the foregoing conditions, shall have been satisfied:

(i) The REO Asset is delivered to Sutton, and the LLC Agreement is in form and substance acceptable to Purchasers and Agent.

(ii) The Assignment and Contribution Agreement shall be duly executed and delivered by the parties thereto and being in full force and effect, free of any modification, breach or waiver;

(iii) A nonconsolidation opinion with respect to the REO Subsidiary and Seller and an opinion that no assignment or contribution pursuant to the Assignment and Contribution Agreement constitutes an avoidable transfer under Section 546(f) of the Bankruptcy Code, each in form and substance acceptable to Purchasers and Agent in their reasonable discretion shall be delivered to Purchasers; and

(iv) An opinion with respect to the inapplicability of the Investment Company Act to the REO Subsidiary (and an opinion that the REO Subsidiary is not a covered fund under the Volcker Rule), a no material litigation, noncontravention, enforceability and corporate opinion with respect to the REO Subsidiary, and an opinion with respect to Sutton's perfected security interest in the REO Asset shall each be delivered to Purchasers.

11. **RELEASE OF PURCHASED ASSETS**

Upon timely payment in full of the Repurchase Price and all other Obligations (if any) then owing with respect to a Purchased Asset or REO Property pursuant to Section 3(f) hereof, unless a Margin Deficit or an Event of Default shall have occurred and be continuing: (a) the related Purchaser shall be deemed to have terminated any security interest that such Purchaser may have in such Purchased Asset, or in the case of the REO Asset, the REO Property subject to repurchase, (b) all of the related Purchaser's right, title and interest in such Purchased Assets or, in the case of the REO Asset, the REO Property subject to repurchase, shall automatically transfer to Seller, and (c) with respect to such Purchased Asset, the related Purchaser shall or shall direct Custodian to release such Purchased Asset to Seller or, in the case of the REO Asset, the related Purchaser shall release the related REO Property File to Seller. Except as set forth in Sections 16(f)(ii) and 15, Seller shall give at least two (2) Business Days' prior written notice to the related Purchaser if such repurchase shall occur on any date other than the Repurchase Date.

If such a Margin Deficit is applicable, Purchasers shall notify Seller of the amount thereof and Seller may thereupon satisfy the Margin Call in the manner specified in Section 7.

12. **RELIANCE**

With respect to any Transaction, Purchasers may conclusively rely upon, and shall incur no liability to Seller in acting upon, any request or other communication that Purchasers reasonably believe to have been given or made by a person authorized to enter into a Transaction on Seller's behalf.

13. **REPRESENTATIONS AND WARRANTIES**

Seller hereby represents and warrants to Purchasers and Agent, and shall on and as of the Purchase Date for any Transaction and on and as of each date thereafter through and including the related Repurchase Date be deemed to represent and warrant to Purchasers and Agent that:

(a) Due Organization, Qualification, Power, Authority and Due Authorization. Each of Seller and REO Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and it has qualified to do business in each jurisdiction in which it is legally required to do so. Each of Seller and REO Subsidiary has the power and authority under its certificate of formation, operating agreement and applicable law to enter into this Agreement and the Program Documents and to perform all acts contemplated hereby and thereby or in connection herewith and therewith; this Agreement and the Program Documents and the transactions contemplated hereby and thereby have been duly authorized by all necessary action and do not

require any additional approvals or consents or other action by, or any notice to or filing with, any Person other than any that have heretofore been obtained, given or made.

(b) Noncontravention. The consummation of the transactions contemplated by this Agreement and Program Documents are in the ordinary course of business of Seller and will not conflict with, result in the breach of or violate any provision of the certificate of formation and operating agreement of Seller or REO Subsidiary or result in the breach of any provision of, or conflict with or constitute a default under or result in the acceleration of any obligation under, any agreement, indenture, loan or credit agreement or other instrument to which Seller or REO Subsidiary, the Mortgage Loans or any of Seller's or REO Subsidiary's Property is or may be subject to, or result in the violation of any law, rule, regulation, order, judgment or decree to which Seller or REO Subsidiary, the Mortgage Loans or Seller's or REO Subsidiary's Property is subject. Without limiting the generality of the foregoing, the consummation of the transactions contemplated herein or therein will not violate any policy, regulation or guideline of the FHA or VA or result in the voiding or reduction of the FHA insurance, VA guarantee or any other insurance or guarantee in respect of any Mortgage Loan or REO Property, and such FHA insurance or VA guarantee is in full force and effect or shall be in full force and effect as required by the applicable Agency Guide.

(c) Legal Proceeding. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body pending or, to Seller's or REO Subsidiary's knowledge, threatened against or affecting Seller (or, to Seller's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Agreement, the Program Documents or any agreement or instrument to which Seller or REO Subsidiary is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby, would adversely affect the proceedings of Seller in connection herewith or would or could materially and adversely affect Seller's or REO Subsidiary's ability to carry out its obligations hereunder.

(d) Valid and Binding Obligations. This Agreement, the Program Documents and every other document to be executed by Seller in connection with this Agreement is and will be legal, valid, binding and subsisting obligations of Seller, enforceable in accordance with their respective terms, except that (A) the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (B) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(e) Financial Statements. The financial statements of Seller, copies of which have been furnished to Purchasers, (i) are, as of the dates and for the periods referred to therein, complete and correct in all material respects, (ii) present fairly the financial condition and results of operations of Seller as of the dates and for the periods indicated and (iii) have been prepared in accordance with GAAP consistently applied, except as noted therein (subject as to interim statements to normal year-end adjustments). Since the date of the most recent financial statements, there has been no Material Adverse Change with respect to Seller. Except as disclosed in such financial statements or pursuant to Section 14(i) hereof, Seller is not subject to any contingent liabilities or commitments that, individually or in the aggregate, have a material possibility of causing a Material Adverse Change with respect to Seller.

(f) Accuracy of Information. Neither this Agreement nor any representations and warranties or information relating to Seller that Seller has delivered or caused to be delivered to Purchasers, including, but not limited to, all documents related to this Agreement, the Program Documents or Seller's financial statements, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein or herein in light of the circumstances under which they were made, not misleading. Since the furnishing of such documents or information, there has been no change, nor any development or event involving a prospective change that would render any of such documents or information untrue or misleading in any material respect.

(g) No Consents. No consent, license, approval or authorization from, or registration, filing or declaration with, any regulatory body, administrative agency or other governmental instrumentality, nor any consent, approval, waiver or notification of any creditor, lessor or other non-governmental Person, is required in connection with the execution, delivery and performance by Seller of this Agreement or any other Program Document, other than any that have heretofore been obtained, given or made.

(h) Compliance With Law, Etc. No practice, procedure or policy employed or proposed to be employed by Seller or REO Subsidiary in the conduct of its businesses violates any law, regulation, judgment, agreement, regulatory consent, order or decree applicable to it which, if enforced, would result in a Material Adverse Effect.

(i) Solvency. Seller is solvent and will not be rendered insolvent by any Transaction and, after giving effect to each such Transaction, Seller will not be left with an unreasonably small amount of capital with which to engage in its business. Seller does not intend to incur, nor believes that it has incurred, debts beyond its ability to pay such debts

as they mature. Seller is not contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of Seller or any of its assets.

(j) Fraudulent Conveyance. The amount of consideration being received by Seller in respect of each Transaction, taken as a whole, constitutes reasonably equivalent value and fair consideration for the related Purchased Assets. Seller is not transferring any Purchased Assets with any intent to hinder, delay or defraud any of its creditors. The Agreement and the Program Documents, any other document contemplated hereby or thereby and each transaction have not been entered into fraudulently by Seller hereunder, or with the intent to hinder, delay or defraud any creditor or Purchasers.

(k) Investment Company Act Compliance. Neither Seller nor any of its Subsidiaries (including, without limitation, the REO Subsidiary) is required to be registered as an “investment company” as defined under the Investment Company Act or as an entity under the control of an entity required to be registered as an “investment company” as defined under the Investment Company Act. REO Subsidiary (i) is not required to register under the Investment Company Act either pursuant to Section 3(c)(5)(C) of the Investment Company Act or based upon the definition of “Investment Company” in Section 3(a)(1)(C) of the Investment Company Act, and (ii) is not a “covered fund” within the meaning of the final regulations issued December 10, 2013, implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, commonly known as the “Volcker Rule.”

(l) Taxes. Each of Seller and REO Subsidiary has filed all federal and state tax returns that are required to be filed and paid all taxes, including any assessments received by it, to the extent that such taxes have become due (other than for taxes that are being contested in good faith or for which it has established adequate reserves). Any taxes, fees and other governmental charges payable by Seller in connection with a Transaction and the execution and delivery of the Program Documents have been paid.

(m) Additional Representations. With respect to each Asset to be sold hereunder by Seller to Purchasers, Seller hereby makes all of the applicable representations and warranties set forth in Exhibit B as of the date the related Mortgage Loan File is delivered to Purchasers or the Custodian with respect to the Assets and continuously while such Asset is subject to a Transaction. Further, as of each Purchase Date, Seller shall be deemed to have represented and warranted in like manner that Seller has no knowledge that any such representation or warranty may have ceased to be true in a material respect as of such date, except as otherwise stated in a Transaction Notice, any such exception to identify the applicable representation or warranty and specify in reasonable detail the related knowledge of Seller.

(n) No Broker. Seller has not dealt with any broker, investment banker, agent, or other person, except for Purchasers, who may be entitled to any commission or compensation in connection with the sale of Purchased Assets pursuant to this Agreement; provided, that if Seller has dealt with any broker, investment banker, agent, or other person, except for Purchasers, who may be entitled to any commission or compensation in connection with the sale of Purchased Assets pursuant to this Agreement, such commission or compensation shall have been paid in full by Seller.

(o) Good Title. Seller has not sold, assigned, transferred, pledged or hypothecated any interest in the REO Asset or any individual Mortgage Loan or REO Property subject to a Transaction to any person other than any sale, assignment, transfer, pledge or hypothecation that is released in conjunction with the sale to Purchasers hereunder or to REO Subsidiary as contemplated in this Agreement, and upon delivery of a Purchased Asset to Purchasers, the related Purchaser will be the sole owner thereof (other than for tax and accounting purposes), free and clear of any lien, claim or encumbrance other than those arising under this Agreement.

(p) Approvals. Seller has all requisite Approvals.

(q) Custodian. The Custodian is an eligible custodian under each Agency Guide and each Agency Program, and is not an Affiliate of Seller.

(r) No Adverse Actions. Seller has not received from any Agency a notice of extinguishment or a notice indicating material breach, default or material non-compliance which the Agent reasonably determines may entitle an Agency to terminate, suspend, sanction or levy penalties against the Seller, or a notice from any Agency, HUD, FHA or VA indicating any adverse fact or circumstance in respect of Seller which the Agent reasonably determines may entitle such Agency, HUD, FHA or VA, as the case may be, to revoke any Approval or otherwise terminate, suspend Seller as an Agency approved issuer or servicer, or with respect to which such adverse fact or circumstance has caused any Agency, HUD, FHA or VA, as the case may be, to terminate Seller, without any subsequent rescission thereof in such notice.

(s) Mortgage Recordation. Seller has submitted the original Mortgage in respect of each Mortgage Loan for recordation in the appropriate public recording office in the applicable jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of the applicable Mortgagor.

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

(u) REO Subsidiary. The REO Asset represents 100% of the beneficial ownership of REO Subsidiary, and REO Subsidiary continues to hold legal title to all REO Property subject to a Transaction.

The representations and warranties set forth in this Agreement shall survive transfer of the Purchased Assets to Purchasers and shall continue for so long as the Purchased Assets are subject to this Agreement.

14. COVENANTS OF SELLER

Seller hereby covenants and agrees with Purchasers and Agent as follows:

(a) Defense of Title. Seller warrants and will defend the right, title and interest of Purchasers in and to all Purchased Assets against all adverse claims and demands.

(b) No Amendment or Compromise. None of Seller or those acting on Seller's behalf shall amend, modify, or waive any term or condition of, or settle or compromise any claim in respect of, any item of the Purchased Assets, any related rights or any of the Program Documents without the prior written consent of Purchasers, unless such amendment or modification does not (i) affect the amount or timing of any payment of principal or interest payable with respect to a Purchased Asset, extend its scheduled maturity date, modify its interest rate, or constitute a cancellation or discharge of its outstanding principal balance or (ii) materially and adversely affect the security afforded by the real property, furnishings, fixtures, or equipment securing the Purchased Asset. Notwithstanding the foregoing, the Seller may amend, modify or waive any term or condition of the individual Mortgage Loans in accordance with Accepted Servicing Practices and the Agency Guides; provided, that Seller shall promptly notify Purchasers of any amendment, modification or waiver that causes any Mortgage Loan to cease to be an Eligible Mortgage Loan.

(c) No Assignment. Except as permitted herein, Seller shall not sell, assign, transfer or otherwise dispose of, or grant any option with respect to, or pledge, hypothecate or grant a security interest in, or Lien on or otherwise encumber (except pursuant to the Program Documents) any of the Purchased Assets or any interest therein, provided that this Section 14(c) shall not prevent any of the following: any contribution, sale, assignment, transfer or conveyance of Purchased Assets in accordance with the Program Documents and any forward purchase commitment or other type of take out commitment for the Purchased Assets (without vesting rights in the related purchasers as against the related Purchaser).

(d) No Economic Interest. Neither Seller nor any affiliate thereof will acquire any economic interest in or obligation with respect to any Mortgage Loan except for record title to the Mortgage relating to the Mortgage Loan and the right and obligation to repurchase the Mortgage Loan hereunder.

(e) Preservation of Purchased Assets. Seller shall take all actions necessary or, in the opinion of Purchasers, desirable, to preserve the Purchased Assets so that they remain subject to a first priority perfected security interest hereunder and deliver evidence that such actions have been taken, including, without limitation, duly executed and filed Uniform Commercial Code financing statements on Form UCC1. Without limiting the foregoing, Seller will comply with all applicable laws, rules, regulations and other laws of any Governmental Authority applicable to Seller relating to the Purchased Assets and cause the Purchased Assets to comply with all applicable laws, rules, regulations and other laws of any such Governmental Authority. Seller will not allow any default to occur for which Seller is responsible under any Purchased Assets or any Program Documents and Seller shall fully perform or cause to be performed when due all of its obligations under any Purchased Assets or the Program Documents.

(f) Maintenance of Papers, Records and Files.

(i) Seller shall maintain all Records relating to the Purchased Assets not in the possession of Custodian in good and complete condition in accordance with industry practices and preserve them against loss. Seller shall collect and maintain or cause to be collected and maintained all such Records in accordance with industry custom and practice, and all such Records shall be in the related Purchaser's or Custodian's possession unless the related Purchaser otherwise approves in writing. Seller will not cause or authorize any such papers, records or files that are an original or an only copy to leave Custodian's possession, except for individual items removed in connection with servicing a specific Mortgage Loan, in which event Seller will obtain or cause to be obtained a receipt from the Custodian for any such paper, record or file, or as otherwise permitted under the Custodial Agreement.

(ii) For so long as either Purchaser has an interest in or Lien on any Purchased Asset, Seller will hold or cause to be held all related Records for the sole benefit of the related Purchaser.

(iii) Upon reasonable advance notice from Custodian, Agent or Purchasers, Seller shall (x) make any and all such Records available to Custodian or Agent for examination, either by its own officers or employees, or by agents or contractors, or both, and make copies of all or any portion thereof, (y) permit Agent or its authorized agents to discuss the affairs, finances and accounts of Seller with its chief operating officer and chief financial officer and to discuss the affairs, finances and accounts of Seller with its independent certified public accountants.

(g) Financial Statements and Other Information; Financial Covenants.

(i) Seller shall keep or cause to be kept in reasonable detail books and records setting forth an account of its assets and business and, as applicable, shall clearly reflect therein the transfer of Purchased Assets to Purchasers. Seller shall furnish or cause to be furnished to Purchasers and Agent the following:

(A) Financial Statements.

(1) Within ninety (90) days after the end of each fiscal year of Seller, the consolidated audited balance sheets of Seller and its consolidated Subsidiaries, which will be in conformity with GAAP, and the related consolidated audited statements of income and changes in equity showing the financial condition of Seller, and its consolidated Subsidiaries as of the close of such fiscal year and the results of operations during such year, and consolidated audited statements of cash flows, as of the close of such fiscal year, setting forth, in each case, in comparative form the corresponding figures for the preceding year. The foregoing consolidated financial statements are to be reported on by, and to carry the unqualified report (acceptable in form and content to Purchasers and Agent) of, an independent public accountant of national standing acceptable to Purchasers and Agent, which shall include KPMG LLP, PricewaterhouseCoopers LLP, Deloitte LLP, and any other similarly situated independent public account;

(2) Within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of Seller, consolidated unaudited balance sheets and consolidated statements of income and changes in equity and unaudited statement of cash flows, all to be in a form acceptable to Purchasers and Agent, showing the financial condition and results of operations of Seller and its consolidated Subsidiaries, each on a consolidated basis as of the end of each such quarter and for the then elapsed portion of the fiscal year, setting forth, in each case, in comparative form the corresponding figures for the corresponding periods of the preceding fiscal year, certified by a financial officer of Seller (acceptable to Purchasers and Agent) as presenting fairly the financial position and results of operations of Seller and its consolidated Subsidiaries and as having been prepared in accordance with GAAP consistently applied, in each case, subject to normal year-end audit adjustments;

(3) Within forty-five (45) days after the end of each month, consolidated unaudited balance sheets and consolidated statements of income and changes in equity and unaudited statement of cash flows, all to be in a form acceptable to Purchasers and Agent, showing the financial condition and results of operations of Seller and its consolidated Subsidiaries on a consolidated basis as of the end of each such month and for the then elapsed portion of the fiscal year, setting forth, in each case, in comparative form the corresponding figures for the corresponding month of the preceding fiscal year, certified by a financial officer of Seller (acceptable to Purchasers and Agent) as presenting fairly the financial position and results of operations of Seller and its consolidated Subsidiaries and as having been prepared in accordance with GAAP consistently applied, in each case, subject to normal year-end audit adjustments;

(4) Reserved;

(5) Promptly upon becoming available, copies of all financial statements, reports, notices and proxy statements sent by Seller's Parent Company, Seller or any of Seller's consolidated Subsidiaries in a general mailing to their respective stockholders and of all reports and other material (including copies of all registration statements under the Securities Act of 1933, as amended) filed by any of them with any securities exchange or with the SEC or any governmental authority succeeding to any or all of the functions of the SEC;

(6) Promptly upon becoming available, copies of any press releases issued by Seller's Parent Company or Seller and copies of any annual and quarterly financial reports and

any reports on Form H-(b)12 that Seller's Parent Company or Seller may be required to file with the SEC, the FDIC or the OTS or comparable reports which such Parent Company or Seller may be required to file with the SEC, the FDIC or the OTS or any other federal banking agency containing such financial statements and other information concerning such Parent Company's or Seller's business and affairs as is required to be included in such reports in accordance with the rules and regulations of the SEC, the OTS, the FDIC or such other banking agency, as may be promulgated from time to time;

(7) Such supplements to the aforementioned documents and such other information regarding the operations, business, affairs and financial condition of Seller's Parent Company, Seller or any of Seller's consolidated Subsidiaries as Purchasers may reasonably request.

Seller's obligation to deliver any report or other document under this Section 14(g)(i)(A) shall be deemed to have been satisfied if, and as of the date, such report or other document is filed with the SEC pursuant to the SEC's Electronic Data Gathering & Analysis Recovery system.

(B) Warehouse Capacity. On or prior to the date on which Seller is required to deliver the monthly financial report required Section 14(g)(i)(A)(iii), Seller shall provide to Agent a report detailing its total warehouse capacity and utilization for the prior calendar month. Such warehouse capacity shall be (i) issued directly to Seller and (ii) in an amount equal to or greater than \$1,000,000 or such other amount as may be required by a Governmental Authority.

(C) Other Information. Upon the request of Purchasers or Agent, such other information or reports as Purchasers or Agent may from time to time reasonably request.

(ii) Seller shall comply with the following financial covenants:

(A) (1) from the consummation of an Acquisition of a Mortgage Originator until and including the 270th day following the consummation thereof, the Tangible Net Worth of Seller shall exceed \$350,000,000 as of the last day of any quarter or (2) at any other time, the Tangible Net Worth of Seller shall exceed \$400,000,000 as of the last day of any quarter;

(B) (1) from the consummation of an Acquisition of a Mortgage Originator until and including the 270th day following the consummation thereof, the ratio of the Seller's Total Net Indebtedness to Tangible Net Worth shall not exceed 12:1 as of the last day of any quarter, or (2) at any time other than the time described in clause (1), the Seller's Total Net Indebtedness to Tangible Net Worth shall not at any time exceed 9:1 as of the last day of any quarter; and

(C) (1) as of the close of business on the last Business Day in any calendar month from September 2013 through and excluding October 2013, the Seller's Liquidity shall not be less than \$65,000,000; (2) as of the close of business on the last Business Day in any calendar month from October 2013 through and excluding December 2013, the Seller's Liquidity shall not be less than \$75,000,000; or (3) as of the close of business on the last Business Day of December 2013 and of each calendar month thereafter, the Seller's Liquidity shall not be less than \$80,000,000.

(iii) Certifications. Seller shall execute and deliver a monthly certification substantially in the form of Exhibit A attached hereto within ten (10) days after the end of each calendar month.

(h) Agency Reporting. Seller shall comply with the reporting requirements of each Agency Guide.

(i) Notice of Material Events. Seller shall promptly inform Purchasers and Agent in writing of any of the following:

(i) any Default, Event of Default by Seller or any other Person (other than Purchasers or Purchasers' Affiliates) of any material obligation under any Program Document, or the occurrence or existence of any event or circumstance that Seller reasonably expects will with the passage of time become a Default, Event of Default by Seller or any other Person;

(ii) any material change in the insurance coverage of Seller as required to be maintained pursuant to Section 14 (q) hereof, or any other Person pursuant to any Program Document, with copy of evidence of same attached;

(iii) the commencement of, or any determination in, any material dispute, litigation, investigation, proceeding, sanctions or suspension between Seller or its Parent Company, on the one hand, and any Governmental Authority or any other Person, on the other;

(iv) any material change in accounting policies or financial reporting practices of Seller which could reasonably be expected to have a Material Adverse Effect;

(v) any event, circumstance or condition that has resulted, or has a reasonable likelihood of resulting in either a Material Adverse Change or a Material Adverse Effect with respect to Seller;

(vi) any material modifications to the Seller's underwriting or acquisition guidelines;

(vii) any financial covenants or margin maintenance requirements Seller becomes subject to or any change or modification to, or waiver of compliance with, any financial covenants or margin maintenance requirements Seller is obligated to comply with, in either case, under any agreement for Indebtedness;

(viii) any penalties, sanctions or charges levied, or threatened to be levied, against Seller or any change, or threatened change, in Approval status, or actions taken, or threatened to be taken, against Seller by or disputes between Seller and any Applicable Agency, or any supervisory or regulatory Government Authority (including, but not limited to HUD, FHA and VA) supervising or regulating the origination or servicing of mortgage loans by, or the issuer status of, Seller;

(ix) any Change in Control of Seller; or

(x) promptly after Seller becoming aware of any termination or threatened termination by an Agency of the Custodian as an eligible custodian.

(j) Maintenance of Approvals. Seller shall take all necessary actions to maintain its Approvals at all times during the term of this Agreement. If, for any reason, Seller ceases to maintain any such Approval, Seller shall so notify Purchasers and Agent immediately.

(k) Maintenance of Licenses. Seller shall (i) maintain all licenses, permits or other approvals necessary for Seller to conduct its business and to perform its obligations under the Program Documents, (ii) remain in good standing under, and comply in all material respects with, all laws of each state in which it conducts business or any Mortgaged Property is located, and (iii) conduct its business strictly in accordance with applicable law.

(l) Taxes, Etc. Seller shall pay and discharge or cause to be paid and discharged, when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits or upon any of its Property, real, personal or mixed (including without limitation, the Purchased Assets) or upon any part thereof, as well as any other lawful claims which, if unpaid, might become a Lien upon such properties or any part thereof, except for any such taxes, assessments and governmental charges, levies or claims as are appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are provided. Seller shall file on a timely basis all federal, and state and local tax and information returns, reports and any other information statements or schedules required to be filed by or in respect of it.

(m) Nature of Business. Seller shall not make any material change in the nature of its business as carried on at the date hereof.

(n) Limitation on Distributions. Seller shall have the right to pay dividends so long as Seller remains in compliance with the financial covenants set forth in Section 14(g)(ii) immediately following such dividend distribution. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing, Seller shall not make any payment of any dividends or make distributions on account of, or set apart assets for a sinking or other analogous fund for the purchase, redemption, defeasance, retirement or other acquisition of, any capital stock, senior or subordinate debt of Seller or other equity interests, respectively, thereof, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or Property or in obligations of Seller.

(o) Use of Custodian. Without the prior written consent of Purchasers, Seller shall use no third party custodian as document custodian other than the Custodian for the Mortgage Loan File relating to the Mortgage Loans.

(p) Merger of Seller. Seller shall not, at any time, directly or indirectly (i) liquidate or dissolve or enter into any consolidation or merger or be subject to a Change in Control or sell all or substantially all of its Property (other than in connection with an asset-based financing or other secondary market transaction related to the Seller's assets in the ordinary course of the Seller's business) without providing Purchasers with not less than forty-five (45) days' prior written notice of such event; (ii) form or enter into any partnership, joint venture, syndicate or other combination which would have a Material Adverse Effect with respect to Seller; or (iii) make any Material Adverse Change with respect to Seller.

(q) Insurance. Seller shall obtain and maintain insurance with responsible companies in such amounts and against such risks as are customarily carried by business entities engaged in similar businesses similarly situated, including without limitation, the insurance required to be obtained and maintained by each Agency pursuant to the Agency Guides, and will furnish Purchasers on request full information as to all such insurance, and provide within fifteen (15) days after receipt of such request the certificates or other documents evidencing renewal of each such policy. Seller shall continue

to maintain coverage, for itself and its Subsidiaries, that encompasses employee dishonesty, forgery or alteration, theft, disappearance and destruction, robbery and safe burglary, Property (other than money and securities), and computer fraud in an aggregate amount of at least such amount as is required by each Agency.

(r) Affiliate Transaction. Seller shall not, at any time, directly or indirectly, sell, lease or otherwise transfer any Property or assets to, or otherwise acquire any Property or assets from, or otherwise engage in any transactions with, any of its Affiliates unless the terms thereof are no less favorable to Seller, than those that could be obtained at the time of such transaction in an arm's length transaction with a Person who is not such an Affiliate.

(s) Change of Fiscal Year. Seller shall not, at any time, directly or indirectly, except upon ninety (90) days' prior written notice to Purchasers, change the date on which its fiscal year begins from its current fiscal year beginning date.

(t) Transfer of Servicing Rights, Servicing Files and Servicing. With respect to the Servicing Rights of each Mortgage Loan, Seller shall transfer such Servicing Rights to the related Purchaser or its designee on the related Purchase Date. With respect to the Servicing Files and the physical and contractual servicing of each Mortgage Loan to the extent in the possession of Seller, Seller shall deliver such Servicing Files and the physical and contractual servicing to the related Purchaser or its designee upon the expiration of the Servicing Term unless either such Servicing Term is renewed by the related Purchaser or the termination of the Seller as servicer pursuant to Section 16. Seller's transfer of the Servicing Rights, Servicing Files and the physical and contractual servicing under this Section shall be in accordance with customary standards in the industry including the transfer of the gross amount of all escrows held for the related Mortgagors (without reduction for unreimbursed advances or "negative escrows").

(u) Audit and Approval Maintenance. Seller shall (i) at all times maintain copies of relevant portions of all final written Agency audits, examinations, evaluations, monitoring reviews and reports of its origination and servicing operations (including those prepared on a contract basis for any such agency) in which there are material adverse findings, including without limitation notices of defaults, notices of termination of approved status, notices of imposition of supervisory agreements or interim servicing agreements, and notices of probation, suspension, or non-renewal, and all necessary approvals from each Agency, (ii) promptly provide Agent with copies of such audits, examinations, evaluations, monitoring reviews and reports promptly upon receipt from any Agency or agent of any Agency, and (iii) take all actions necessary to maintain its respective Approvals.

(v) MERS. The Seller is a member of MERS in good standing and current in the payment of all fees and assessments imposed by MERS, and has complied with all rules and procedures of MERS. In connection with the assignment of any Mortgage Loan registered on the MERS System, the Seller agrees that at the request of the Purchasers it will, at the related Purchaser's cost and expense prior to the occurrence of an Event of Default, but at the Seller's cost and expense following the occurrence and during the continuance of an Event of Default, cause the MERS System to indicate that such Mortgage Loan has been transferred to the related Purchaser in accordance with the terms of this Agreement by including in MERS' computer files (a) the code in the field which identifies the specific owner of the Mortgage Loans and (b) the code in the field "Pool Field" which identifies the series in which such Mortgage Loans were sold. The Seller further agrees that it will not alter codes referenced in this paragraph with respect to any Mortgage Loan at any time that such Mortgage Loan is subject to this Agreement, and the Seller shall retain its membership in MERS at all times during the term of this Agreement.

(w) Fees and Expenses. Seller shall timely pay to Purchasers all fees and actual out of pocket expenses required to be paid by Seller hereunder and under any other Program Document to Purchasers in immediately available funds, and without deduction, set-off or counterclaim in accordance with the Purchaser's Wire Instructions.

(x) Agency Status. Once the Seller or any of its subservicers has obtained any status with an Agency mortgage loan pools for which Seller is issuer or servicer, Seller shall not take or omit to take any act that (i) would result in the suspension or loss of any of such status, or (ii) after which Seller or any such relevant subservicer would no longer be in good standing with respect to such status, or (iii) after which Seller or any such relevant subservicer would no longer satisfy all applicable Agency net worth requirements, if both (x) all of the material effects of such act or omission shall not have been cured by Seller or waived by the applicable Agency before termination of such status and (y) the termination of such status could reasonably be expected to have a Material Adverse Effect.

(y) Further Documents. Seller shall, upon request of Purchasers or Agent, promptly execute and deliver to Purchasers or Agent all such other and further documents and instruments of transfer, conveyance and assignment, and shall take such other action as Purchasers or Agent may require more effectively to transfer, convey, assign to and vest in Purchasers and to put Purchasers in possession of the Property to be transferred, conveyed, assigned and delivered hereunder and otherwise to carry out more effectively the intent of the provisions under this Agreement.

(z) **Due Diligence.** Subject to the limitations contained in the Pricing Side Letter and the EPF Pricing Side Letter, Seller will permit Purchasers, Agent or their respective agents or designees, including the Verification Agent, to perform due diligence reviews on the Mortgage Loans subject to each Transaction hereunder up to the Due Diligence Review Percentage and within thirty (30) days following the related Purchase Date. Seller shall cooperate in all respects with such diligence and shall provide Purchasers, Agent or their respective agents or designees, including the Verification Agent, with all loan files and other information (including, without limitation, Seller's quality control procedures and results) reasonably requested by Purchasers, Agent or their respective agents or designees, including the Verification Agent, and shall bear all costs and expenses associated with such due diligence identified in this Section 14(z).

(aa) **Error Rate.** Seller shall at all times maintain an Error Rate as set forth in the Pricing Side Letter.

(ab) **REO Subsidiary Governance.** Neither Seller nor REO Subsidiary shall, at any time, directly or indirectly modify the REO Subsidiary's governing documents or otherwise permit such modification without the prior written consent of Purchasers. Seller shall comply with, and shall cause REO Subsidiary to comply with, REO Subsidiary's Separateness Covenants.

15. **REPURCHASE OF MORTGAGE LOANS**

Upon discovery by Seller of a breach of any of the representations and warranties set forth on Exhibit B to this Agreement, Seller shall give prompt written notice thereof to Purchasers. Upon any such discovery by the related Purchaser, the related Purchaser will notify Seller. It is understood and agreed that the representations and warranties set forth in Exhibit B to this Agreement with respect to the Mortgage Loans shall survive delivery of the respective Mortgage Loan Files to the Purchasers or Custodian with respect to the Mortgage Loans and shall inure to the benefit of Purchasers. The fact that Purchasers have conducted or have failed to conduct any partial or complete due diligence investigation in connection with their purchase of any Mortgage Loan shall not affect Purchasers' right to demand repurchase or any other remedy as provided under this Agreement. Seller shall, within five (5) Business Days of the earlier of Seller's discovery or receipt of notice with respect to any Mortgage Loan of (i) any breach of a representation or warranty contained in Exhibit B of this Agreement or (ii) any failure to deliver any of the items required to be delivered as part of the Mortgage Loan File within the time period required for delivery pursuant to the Custodial Agreement, promptly cure such breach or delivery failure in all material respects. If within five (5) Business Days after the earlier of Seller's discovery of such breach or delivery failure or receipt of notice thereof that such breach or delivery failure has not been remedied by Seller, Seller shall promptly upon receipt of written instructions from either Purchaser, at either Purchaser's option, repurchase such Mortgage Loan at a purchase price equal to the Repurchase Price with respect to such Mortgage Loan by wire transfer to the account designated by the related Purchaser.

16. **SERVICING OF THE MORTGAGE LOANS; SERVICER TERMINATION**

(a) **Seller to Subservice.**

(i) Upon payment of the Purchase Price, the related Purchaser shall own the servicing rights related to the Mortgage Loans including the Mortgage Loan File. Seller and Purchasers each agree and acknowledges that the Mortgage Loans sold hereunder shall be sold to Purchasers on a servicing-released basis, and that Purchasers are engaging and hereby do engage Seller to provide subservicing of each Mortgage Loan for the benefit of Purchasers.

(ii) So long as a Mortgage Loan is outstanding or an REO Property is owned by the REO Subsidiary, Seller shall neither assign, encumber or pledge its obligation to subservice the Mortgage Loans or REO Properties in whole or in part, nor delegate its rights or duties under this Agreement (to other than a subservicer) without the prior written consent of Purchasers, the granting of which consent shall be in the sole discretion of Purchasers. Seller hereby acknowledges and agrees that (i) Purchasers are entering into this Agreement in reliance upon Seller's representations as to the adequacy of its financial standing, servicing facilities, personnel, records, procedures, reputation and integrity, and the continuance thereof; and (ii) Seller's engagement hereunder to provide mortgage servicing for the benefit of Purchasers is intended by the parties to be a "personal service contract" and Seller is hereunder intended by the parties to be an "independent contractor".

(iii) Seller shall subservice and administer the Mortgage Loans on behalf of Purchasers in accordance with Accepted Servicing Practices (and, with respect to any REO Properties, on behalf of the REO Subsidiary). Seller shall have no right to modify or alter the terms of any Mortgage Loan or consent to the modification or alteration of the terms of any Mortgage Loan except in Strict Compliance with the related Agency Program. Seller shall at all times maintain accurate and complete records of its servicing of the Mortgage Loans and REO Properties, and Agent may, at any time during Seller's business hours on reasonable notice, examine and make

copies of such Servicing Records. Seller agrees that Purchasers are the 100% beneficial owner of all Servicing Records relating to the Mortgage Loans and REO Properties. Seller covenants to hold such Servicing Records for the benefit of Purchasers and to safeguard such Servicing Records and to deliver them promptly to Agent or its designee (including the Custodian) at Agent's request or otherwise as required by operation of this Section 16.

(b) Servicing Term. Seller shall subservice such Mortgage Loans and REO Properties for a term of thirty (30) days commencing as of the related Purchase Date, which term may be extended in writing by Purchasers in their sole discretion (and, with respect to any REO Properties, on behalf of the REO Subsidiary), for an additional thirty-day period (each, a "Servicing Term"); provided, that Purchasers shall have the right to immediately terminate the Servicer at any time following the occurrence of a Servicer Termination Event. If such Servicing Term is not extended by Purchasers or if Purchasers have terminated Seller as a result of a Servicer Termination Event, Seller shall transfer such servicing to Purchasers or their designees at no cost or expense to Purchasers as provided in Section 14(t). Seller shall hold or cause to be held all Escrow Payments collected with respect to the Mortgage Loans in segregated accounts for the sole benefit of the Mortgagor and shall apply the same for the purposes for which such funds were collected. If Seller should discover that, for any reason whatsoever, it has failed to perform its servicing obligations in any material respect with respect to the Mortgage Loans or REO Properties, Seller shall promptly notify Purchasers.

(c) Servicing Reports. As requested by Purchasers from time to time, Seller shall furnish to Purchasers, Agent and Verification Agent reports in form and scope satisfactory to Purchasers, setting forth (i) data regarding the performance of the individual Mortgage Loans, (ii) a summary report of all Mortgage Loans serviced by the Seller and originated pursuant to an Agency Guide, HUD and/or FHA guidelines (on a portfolio basis) and all REO Properties serviced by the Seller, in each case, for the immediately preceding month, including, without limitation, all collections, delinquencies, defaults, defects, claim rates, losses and recoveries and (iii) any other information reasonably requested by Purchasers or Agent or Verification Agent.

(d) Backup Servicer. The Agent, in its sole discretion, may appoint a backup servicer at any time during the term of this Agreement. In such event, Seller shall commence monthly delivery to such backup servicer of the servicing information required to be delivered to Purchasers pursuant to Section 16(d) hereof and any other information reasonably requested by backup servicer, all in a format that is reasonably acceptable to such backup servicer. Purchaser shall pay all costs and expenses of such backup servicer, including, but not limited to all fees of such backup servicer in connection with the processing of such information and the maintenance of a servicing file with respect to the Purchased Assets. Seller shall cooperate fully with such backup servicer in the event of a transfer of servicing hereunder and will provide such backup servicer with all documents and information necessary for such backup servicer to assume the servicing of the Purchased Assets.

(e) Collection Account. Prior to the initial Purchase Date, Seller shall establish and maintain a separate account (the "Barclays Collection Account"), with the Bank in the Agent's name for the sole and exclusive benefit of Barclays, and a second, separate account (the "Sutton Collection Account"), with the Bank in Sutton's name for the sole and exclusive benefit of Sutton. Such accounts shall be subject to the related Collection Account Control Agreement. The Seller shall deposit or credit to the appropriate Collection Account all amounts collected on account of the Mortgage Loans and REO Properties within two (2) Business Days of receipt and such amounts shall be deposited or credited irrespective of any right of setoff or counterclaim arising in favor of Seller (or any third party claiming through it) under any other agreement or arrangement. Amounts on deposit in a Collection Account shall be distributed as provided in Section 16(f). Seller shall have the right to withdraw amounts on deposit therein at any time subject to the restrictions set forth in subsections 16(f)(ii) and (iv); provided, that Agent shall have the right to block such withdrawals at any time by providing written notice thereof to Seller and Bank in accordance with the terms of the related Collection Account Control Agreement. Seller shall deliver, or cause Bank to deliver, to Purchasers, daily account statements in respect of the Collection Accounts.

(f) Income Payments.

(i) Where a particular term of a Transaction extends over the date on which Income is paid in respect of any Purchased Asset subject to that Transaction, (i) Seller shall deposit or cause to be deposited such Income into the related Collection Account no later than two (2) Business Days after receipt thereof, and (ii) such Income shall be the Property of the related Purchaser subject to subsections 16(f)(ii), (iii) and (iv) below.

(ii) Seller shall have the right to withdraw from a Collection Account up to \$25,000 in the aggregate on any day without the related Purchaser's prior written consent, which consent may be given or withheld by such Purchaser in its sole discretion and a copy of which shall be delivered by such Purchaser to the Bank (the "Daily Withdrawal Limit"). If, on any day, the amounts on deposit in the related Collection Account exceed

\$25,000 (such excess amounts, the “Excess Funds”), unless the related Purchaser shall have consented to Seller’s withdrawal as provided in the foregoing sentence, Seller shall cause the Bank to disburse such Excess Funds to the related Purchaser, which amounts shall be applied by such Purchaser in the following order of priority (i) to reduce outstanding Price Differential due and payable in respect of Purchased Assets for which the related 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.

(iii) Notwithstanding anything herein or in the Collection Account Control Agreements to the contrary, Seller shall in no event be permitted to withdraw funds from the Collection Accounts to the extent that such action would result in the creation of a Margin Deficit (unless prior thereto or simultaneously therewith Seller cures such Margin Deficit in accordance with Section 16), or if an Event of Default is then continuing. Further, if an uncured Margin Deficit exists as of such Monthly Payment Date, Seller shall cause the Bank to disburse the Income related to the Transaction for which the Margin Deficit exists to the related Purchaser (up to the amount of such Margin Deficit), which amounts shall be applied by the related Purchaser to reduce the related Repurchase Price.

(iv) If a successor servicer takes delivery of such Mortgage Loans and rights to service such REO Properties either under the circumstances set forth in Section 16(i) or otherwise, all amounts deposited in the related Collection Account shall be paid to the related Purchaser promptly upon such delivery.

(g) With respect to each FHA Buyout Loan, (i) Seller shall complete the U.S. Department of Housing and Urban Development’s form for Single-Family Application for Insurance Benefits in Sutton’s name and shall cause FHA to pay claims on such FHA Buyout Loan into the Sutton Collection Account, including by ensuring that Box 12 of the form provides “Sutton Funding LLC,” and Box 16 provides 02-0765121, and (ii) Seller shall service such FHA Buyout Loan in strict compliance with all FHA requirements.

(h) With respect to each HECM Buyout Loan, (i) Seller shall complete the U.S. Department of Housing and Urban Development’s form for Single-Family Application for Insurance Benefits in Sutton’s name and shall cause FHA to pay claims on such HECM Buyout Loan into the Sutton Collection Account, including by ensuring that Box 12 of the form provides “Sutton Funding LLC,” and Box 16 provides 02-0765121, (ii) Seller shall revise the details for such HECM Buyout Loan on the Home Equity Reverse Mortgage Information Technology (HERMIT) servicing system by ensuring that Investor Name in the “Servicer Information” section provides “Sutton Funding LLC” and (iii) Seller shall service such HECM Buyout Loan in strict compliance with all FHA requirements.

(i) Servicer Termination. Purchasers, in their sole discretion (and, with respect to any REO Properties, on behalf of the REO Subsidiary), may terminate Seller’s rights and obligations as subservicer of the affected Mortgage Loans and REO Properties and require Seller to deliver the related Servicing Records to Purchasers or their designees upon the occurrence of (i) an Event of Default or (ii) upon the expiration of the Servicing Term as set forth in Section 16(b) by delivering written notice to Seller requiring such termination. Such termination shall be effective upon Seller’s receipt of such written notice; provided, that Seller’s subservicing rights shall be terminated immediately upon the occurrence of any event described in Section 17(t), regardless of whether notice of such event shall have been given to or by Purchasers or Seller. Upon any such termination, all authority and power of Seller respecting its rights to subservice and duties under this Agreement relating thereto, shall pass to and be vested in the successor servicer appointed by Purchasers, and Purchasers are hereby authorized and empowered to transfer such rights to subservice the Mortgage Loans and REO Properties for such price and on such terms and conditions as Purchasers shall reasonably determine. Seller shall promptly take such actions and furnish to Purchasers such documents that Purchasers deem necessary or appropriate to enable Purchasers to enforce such Mortgage Loans and manage such REO Properties and shall perform all acts and take all actions so that the Mortgage Loans and REO Properties and all files and documents relating to such Mortgage Loans and REO Properties held by Seller, together with all escrow amounts relating to such Mortgage Loans and REO Properties, are delivered to a successor servicer, including but not limited to preparing, executing and delivering to the successor servicer any and all documents and other instruments, placing in the successor servicer’s possession all Servicing Records pertaining to such Mortgage Loans and REO Properties and doing or causing to be done, all at Seller’s sole expense. To the extent that the approval of the Applicable Agency is required for any such sale or transfer, Seller shall fully cooperate with Purchasers to obtain such approval. All amounts paid by any purchaser of such rights to service or subservice the Mortgage Loans and REO Properties shall be the Property of Purchasers. The subservicing rights required to be delivered to the successor servicer in accordance with this Section 16(i) shall be delivered free of any servicing rights in favor of Seller or any third party (other than Purchasers) and free of any title, interest, lien, encumbrance

or claim of any kind of Seller other than record title to the Mortgages relating to the Mortgage Loans and the right and obligation to repurchase the Mortgage Loans and REO Properties hereunder. No exercise by Purchasers of their rights under this Section 16(i) shall relieve Seller of responsibility or liability for any breach of this Agreement.

17. **EVENTS OF DEFAULT**

With respect to any Transactions covered by or related to this Agreement, the occurrence of any of the following events shall constitute an “Event of Default”:

- (a) Seller fails to transfer the Purchased Assets to the applicable Purchaser on the applicable Purchase Date (provided the related Purchaser has tendered the related Purchase Price);
- (b) Seller either fails to repurchase the Purchased Assets on the applicable Repurchase Date or fails to perform its obligations under Section 7 or the last sentence of Section 15;
- (c) Seller shall fail to (i) remit to either Purchaser when due any payment required to be made under the terms of this Agreement, any of the other Program Documents or any other contracts or agreements delivered in connection herewith or therewith, or (ii) perform, observe or comply with any material term, condition, covenant or agreement contained in this Agreement or any of the other Program Documents (other than the other “Events of Default” set forth in this Section 17) or any other contracts or agreements delivered in connection herewith or therewith, and such failure is not cured within the time period expressly provided for therein, or, if no such cure period is provided, within two (2) Business Days of the earlier of (x) Seller’s receipt of written notice from Purchasers or Custodian of such breach or (y) the date on which Seller obtains notice or knowledge of the facts giving rise to such breach;
- (d) Any representation or warranty made by Seller (or any of Seller’s officers) in the Program Documents or in any other document delivered in connection therewith, or in any other contract or agreement, shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been incorrect or untrue in any material respect when made or repeated (other than the representations or warranties in Exhibit B which shall be considered solely for the purpose of determining whether the related Purchased Asset is an Eligible Mortgage Loan, unless (i) Seller shall have made any such representation or warranty with the knowledge that it was materially false or misleading at the time made or repeated or deemed to have been made or repeated, or (ii) any such representation or warranty shall have been determined by Purchasers in their sole discretion to be materially false or misleading on a regular basis);
- (e) (a) (i) Seller or any of its Affiliates or Subsidiaries other than HCM shall be in default under, or fail to perform as requested under, or shall otherwise breach, beyond any applicable cure period, (A) the terms of any warehouse, credit, repurchase, line of credit, financing or other similar agreement relating to any Indebtedness between Seller or any of its Affiliates or Subsidiaries other than HCM, on the one hand, and any Person, on the other, which default or failure entitles any party to require acceleration or prepayment of any Indebtedness thereunder; or (B) any payment obligation under any other material agreement between Seller or any of its Affiliates or Subsidiaries other than HCM, on the one hand, and any Person, on the other (it being understood that an agreement is material if the payment obligations thereunder exceed \$1,000,000 in the aggregate, over the term of such agreement); or (ii) HCM shall be in default under, or fail to perform as requested under, or shall otherwise breach, beyond any applicable cure period, the terms of the HCM MRA, which default or failure entitles any party to require acceleration or prepayment of any Indebtedness thereunder; provided, that in the case of this clause (ii), (y) any such default, failure or breach thereunder is not cured by HCM or Seller to the satisfaction of Barclays or, (z) solely in respect of a breach of any financial covenant thereunder, Seller has not executed a guarantee in favor of Barclays of HCM’s obligations under the HCM MRA, which guarantee is substantially in the form of Exhibit K and remains in full force and effect, in each case within one (1) Business Day.
- (f) Any Act of Insolvency of the Seller or any of its Affiliates;
- (g) Any final judgment or order for the payment of money in excess of \$15,000,000 in the aggregate (to the extent that it is, in the reasonable determination of Purchasers, uninsured and provided that any insurance or other credit posted in connection with an appeal shall not be deemed insurance for these purposes) shall be rendered against Seller or any of Seller’s Affiliates by one or more courts, administrative tribunals or other bodies having jurisdiction over them and the same shall not be discharged (or provisions shall not be made for such discharge) satisfied, or bonded, or a stay of execution thereof shall not be procured, within sixty (60) days from the date of entry thereof and Seller or any of Seller’s Affiliates, as applicable, shall not, within said period of sixty (60) days, or such longer period during which execution of the same shall have been stayed or bonded, appeal therefrom and cause the execution thereof to be stayed during such appeal;

(h) Any Governmental Authority or any person, agency or entity acting or purporting to act under governmental authority (i) shall have taken any action to condemn, seize or appropriate, or to assume custody or control of, all or any substantial part of the Property of Seller or any of Seller's Affiliates, or shall have taken any action to displace the management of Seller or any of Seller's Affiliates or to curtail its authority in the conduct of the business of Seller or any of Seller's Affiliates, or (ii) takes any action in the nature of enforcement to remove, limit or restrict the approval of Seller or any of Seller's Affiliates as an issuer, Purchasers or a seller/servicer of Mortgage Loans or securities backed thereby;

(i) Seller, shall fail to comply with any of the financial covenants set forth in Section 14(g)(ii);

(j) Any Material Adverse Effect shall have occurred;

(k) This Agreement shall for any reason cease to create a valid first priority security interest or ownership interest upon transfer in any material portion of the Purchased Assets purported to be covered hereby;

(l) A Change in Control of Seller shall have occurred that has not been approved by Agent;

(m) Purchasers or Agent shall reasonably request, specifying the reasons for such request, reasonable information, and/or written responses to such requests, regarding the financial well-being of Seller, and such reasonable information and/or responses shall not have been provided within ten (10) Business Days of such request;

(n) A default by Seller or any of its Affiliates or Subsidiaries shall have occurred and be continuing beyond the expiration of any applicable cure periods under any material agreement (including, without limitation, the Program Documents and the EPF Program Documents) or obligation entered into between such Person and either Purchaser or any of their Affiliates;

(o) The Seller ceases to be a member of MERS in good standing for any reason (unless MERS is no longer acting in such capacity);

(p) Change of Servicer without consent of Agent;

(q) Failure of Servicer to service the Mortgage Loans in accordance with Accepted Servicing Practices;

(r) Failure of Servicer to meet the qualifications to maintain all requisite Approvals, such Approvals are revoked or such Approvals are materially modified;

(s) If, at any time, Servicer's HUD ranking falls below "Tier 2" lender;

(t) Failure by Servicer to remit when due Income payments required to be made under the terms of this Agreement or such Mortgage Loan or failure of Seller to cause FHA to make claims payments to Sutton with respect to any FHA Buyout Loan or HECM Buyout Loan sold to Sutton hereunder;

(u) Servicer or any of its Affiliates fails to operate or conduct its business operations or any material portion thereof in the ordinary course;

(v) the Verification Agent is terminated by the Agent, or resigns and the selection and approval by the Agent of a successor Verification Agent (such approval not to be unreasonably withheld or delayed) and the assumption of the Verification Agent's duties by such successor verification agent does not become effective within thirty (30) days of such termination or resignation;

(w) Seller fails to deliver the 1940 Act Opinion to Purchaser within fifteen (15) days of the date hereof; and

(x) REO Subsidiary breaches of any of its Separateness Covenants in any material respect.

18. **REMEDIES**

Upon the occurrence of an Event of Default, the Purchasers, at their option, shall have the right to exercise any or all of the following rights and remedies:

(a) (i) The Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). Seller's Obligations hereunder, to repurchase all Purchased Assets at the Repurchase Price therefor on the Repurchase Date in such Transactions shall thereupon become immediately due and payable; all Income paid after such exercise or deemed exercise shall be remitted to and retained by the related Purchaser and applied to the aggregate Repurchase Prices and any other amounts owing by Seller hereunder; Seller shall immediately deliver to Purchasers or their designees any and all original papers, records and files relating to the Purchased Assets subject to such Transaction then in its possession and/or control; and all right, title and interest in and entitlement to such Purchased Assets and Servicing Rights thereon shall become Property of the related Purchaser.

(i) Purchasers may (A) sell, on or following the Business Day following the date on which the Repurchase Price becomes due and payable pursuant to Section 18(a)(i) without notice or demand of any kind,

at a public or private sale and at such price or prices as Purchasers may reasonably deem satisfactory, any or all or portions of the Purchased Assets on a servicing-released or servicing-retained basis, as Purchasers may determine in their sole discretion and/or (B) in their sole discretion elect, in lieu of selling all or a portion of such Purchased Assets, to give Seller credit for such Purchased Assets (including the Servicing Rights in respect of sales on a servicing-retained basis) in an amount equal to the Market Value of the Purchased Assets against the aggregate unpaid Repurchase Price and any other amounts owing by Seller hereunder. Seller shall remain liable to Purchasers for any amounts that remain owing to Purchasers following a sale and/or credit under the preceding sentence. The proceeds of any disposition of Purchased Assets shall be applied first to the reasonable costs and expenses including but not limited to legal fees incurred by either Purchaser in connection with or as a result of an Event of Default; second to costs of cover and/or related hedging transactions; third to the aggregate Repurchase Prices; and fourth to all other Obligations.

(ii) The parties recognize that it may not be possible to purchase or sell all of the Purchased Assets on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for such Purchased Assets may not be liquid. In view of these characteristics of the Purchased Assets, the parties agree that liquidation of a Transaction or the underlying Purchased Assets does not require a public purchase or sale and that a good faith private purchase or sale shall be deemed to have been made in a commercially reasonable manner. Accordingly, Purchasers may elect the time and manner of liquidating any Purchased Asset and nothing contained herein shall obligate Purchasers to liquidate any Purchased Asset upon the occurrence of an Event of Default or to liquidate all Purchased Assets in the same manner or on the same Business Day or shall constitute a waiver of any right or remedy of Purchasers. Notwithstanding the foregoing, the parties to this Agreement agree that the Transactions have been entered into in consideration of and in reliance upon the fact that all Transactions hereunder constitute a single business and contractual obligation and that each Transaction has been entered into in consideration of the other Transactions.

(iii) The Purchasers may terminate the Agreement.

(b) Seller hereby acknowledges, admits and agrees that Seller's obligations under this Agreement are recourse obligations of Seller. In addition to their rights hereunder, Purchasers shall have the right to proceed against any of Seller's assets which may be in the possession of Purchasers, any of Purchasers' Affiliates or their designees (including the Custodian), including the right to liquidate such assets and to set-off the proceeds against monies owed by Seller to Purchasers pursuant to this Agreement. Purchasers may set off cash, the proceeds of the liquidation of the Purchased Assets and Additional Purchased Mortgage Loans and all other sums or obligations owed by Purchasers to Seller or against all of Seller's Obligations to Purchasers, or Seller's obligations to Purchasers under any other agreement among the parties, or otherwise, whether or not such obligations are then due, without prejudice to Purchasers' right to recover any deficiency.

(c) Purchasers shall have the right to obtain physical possession of the Records and all other files of Seller relating to the Purchased Assets and all documents relating to the Purchased Assets which are then or may thereafter come into the possession of Seller or any third party acting for Seller and Seller shall deliver to the related Purchaser such assignments as the related Purchaser shall request.

(d) Purchasers shall have the right to direct all Persons servicing the Purchased Assets to take such action with respect to the Purchased Assets as Purchasers determine appropriate, including, without limitation, using its rights under a power of attorney granted pursuant to Section 9(b) hereof.

(e) Purchasers shall, without regard to the adequacy of the security for the Obligations, be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession of and protect, collect, manage, liquidate, and sell the Purchased Assets or any portion thereof, collect the payments due with respect to the Purchased Assets or any portion thereof, and do anything that Purchasers are authorized hereunder to do. Seller shall pay all costs and expenses incurred by Purchasers in connection with the appointment and activities of such receiver, and such shall be deemed part of the Obligations hereunder.

(f) Purchasers may, at their option, enter into one or more hedging transactions covering all or a portion of the Purchased Assets, and Seller shall be responsible for all damages, judgments, costs and expenses of any kind which may be imposed on, incurred by or asserted against either Purchaser relating to or arising out of such hedging transactions; including without limitation any losses resulting from such hedging transactions, and such shall be deemed part of the Obligations hereunder.

(g) In addition to all the rights and remedies specifically provided herein, Purchasers shall have all other rights and remedies provided by applicable federal, state, foreign and local laws, whether existing at law, in equity or

by statute, including, without limitation, all rights and remedies available to a purchaser/secured party under the Uniform Commercial Code.

Except as otherwise expressly provided in this Agreement, Purchasers shall have the right to exercise any of their rights and/or remedies without presentment, demand, protest or further notice of any kind, other than as expressly set forth herein, all of which are hereby expressly waived by Seller.

Purchasers may enforce their rights and remedies hereunder without prior judicial process or hearing, and Seller hereby expressly waives, to the extent permitted by law, any right Seller might otherwise have to require Purchasers to enforce their rights by judicial process. Seller also waives, to the extent permitted by law, any defense Seller might otherwise have to the Obligations, or any guaranty thereof, arising from use of nonjudicial process, enforcement and sale of all or any portion of the Purchased Assets or from any other election of remedies. Seller recognizes that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's length.

Seller shall cause all sums received by it with respect to the Purchased Assets to be deposited promptly upon receipt thereof but in no event later than twenty-four (24) hours thereafter. Seller shall be liable to Purchasers for the amount of all losses, costs and/or expenses (plus interest thereon at a rate equal to the Default Rate) which Purchasers may sustain or incur in connection with hedging transactions relating to the Purchased Assets, conduit advances and payments for mortgage insurance.

19. **DELAY NOT WAIVER; REMEDIES ARE CUMULATIVE**

No failure on the part of Purchasers to exercise, and no delay by Purchasers in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Purchasers of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All rights and remedies of Purchasers provided for herein are cumulative and in addition to any and all other rights and remedies provided by law, the Program Documents and the other instruments and agreements contemplated hereby and thereby, and are not conditional or contingent on any attempt by Purchasers to exercise any of their rights under any other related document. Either Purchaser may exercise at any time after the occurrence of an Event of Default one or more remedies permitted hereunder, as it so desires, and may thereafter at any time and from time to time exercise any other remedy or remedies permitted hereunder.

20. **USE OF EMPLOYEE PLAN ASSETS**

No assets of an employee benefit plan subject to any provision of ERISA shall be used by either party hereto in a Transaction.

21. **INDEMNITY**

(a) Seller agrees to indemnify and hold harmless Purchasers, Agent and their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against (and will reimburse each Indemnified Party as the same is incurred within thirty (30) days following receipt of an invoice therefor) any and all claims, damages, losses, liabilities, taxes, increased costs and all other expenses including out-of-pocket expenses (including, without limitation, reasonable fees and expenses of outside counsel and audit and due diligence fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including without limitation, in connection with) (i) any investigation, litigation or other proceeding (whether or not such Indemnified Party is a party thereto) relating to, resulting from or arising out of any of the Program Documents and all other documents related thereto, any breach by Seller of any representation or warranty or covenant in this Agreement or any other Program Document, and all actions taken pursuant thereto, (ii) the Transactions, the actual or proposed use of the proceeds of the Transactions, this Agreement or any of the transactions contemplated thereby, including, without limitation, any acquisition or proposed acquisition, or any indemnity payable under the servicing agreement or other servicing arrangement, (iii) the actual or alleged presence of hazardous materials on any Property or any environmental action relating in any way to any Property, (iv) the actual or alleged violation of any federal, state, municipal or local predatory lending laws, or (v) the reduction of the unpaid principal balance due to a cram down or similar action authorized by any bankruptcy proceeding or other case arising out of or relating to any petition under the Bankruptcy Code, in each case, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted directly from such Indemnified Party's

gross negligence or willful misconduct or is the result of a claim made by Seller against the Indemnified Party, and Seller is ultimately the successful party in any resulting litigation or arbitration. Seller hereby agrees not to assert any claim against Purchasers or any of their Affiliates, or any of their respective officers, directors, employees, attorneys and agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Program Documents, the actual or proposed use of the proceeds of the Transactions, this Agreement or any of the transactions contemplated thereby. THE FOREGOING INDEMNITY AND AGREEMENT NOT TO ASSERT CLAIMS EXPRESSLY APPLIES, WITHOUT LIMITATION, TO THE NEGLIGENCE (BUT NOT GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF THE INDEMNIFIED PARTIES.

(b) If Seller fails to pay when due any costs, expenses or other amounts payable by it under this Agreement, including, without limitation, reasonable fees and expenses of counsel and indemnities, such amount may be paid on behalf of Seller by Purchasers, in their sole discretion and Seller shall remain liable for any such payments by Purchasers and such amounts shall be deemed part of the Obligations hereunder. No such payment by either Purchaser shall be deemed a waiver of any of the related Purchaser's rights under the Program Documents.

(c) Without prejudice to the survival of any other agreement of Seller hereunder, the covenants and obligations of Seller contained in this Section 21 shall survive the payment in full of the Repurchase Price and all other amounts payable hereunder and delivery of the Purchased Assets by Purchasers against full payment therefor.

22. **WAIVER OF REDEMPTION AND DEFICIENCY RIGHTS**

Seller hereby expressly waives, to the fullest extent permitted by law, every statute of limitation on a deficiency judgment, any reduction in the proceeds of any Purchased Assets as a result of restrictions upon Purchasers or Custodian contained in the Program Documents or any other instrument delivered in connection therewith, and any right that they may have to direct the order in which any of the Purchased Assets shall be disposed of in the event of any disposition pursuant hereto.

23. **REIMBURSEMENT; SET-OFF**

(a) Seller agrees to pay on demand all reasonable out-of-pocket costs and expenses of Purchasers in connection with the initial and subsequent negotiation, modification, renewal and amendment of the Program Documents (including, without limitation, (A) all collateral review and UCC search and filing fees and expenses and (B) the reasonable fees and expenses of outside counsel for Purchasers with respect to advising Purchasers as to their rights and responsibilities, or the perfection, protection or preservation of rights or interests, under this Agreement and any other Program Document, with respect to negotiations with Seller or with other creditors of Seller arising out of any Default or any events or circumstances that may give rise to a Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto). Seller agrees to pay on demand, with interest at the Default Rate to the extent that an Event of Default has occurred, all costs and expenses, including without limitation, reasonable attorneys' fees and disbursements (and fees and disbursements of Purchasers' outside counsel) expended or incurred by Purchasers and/or Custodian in connection with the modification, renewal, amendment and enforcement (including any waivers) of the Program Documents (regardless of whether a Transaction is entered into hereunder), the taking of any action, including legal action, required or permitted to be taken by Purchasers (without duplication to Purchasers) and/or Custodian pursuant thereto or by refinancing or restructuring in the nature of a "workout." Further, Seller agrees to pay, with interest at the Default Rate to the extent that an Event of Default has occurred, all costs and expenses, including without limitation, reasonable attorneys' fees and disbursements (and fees and disbursements of Purchasers' outside counsel) expended or incurred by Purchasers in connection with (a) the rendering of legal advice as to Purchasers' rights, remedies and obligations under any of the Program Documents, (b) the collection of any sum which becomes due to Purchasers under any Program Document, (c) any proceeding for declaratory relief, any counterclaim to any proceeding, or any appeal, or (d) the protection, preservation or enforcement of any rights of Purchasers. For the purposes of this Section 23(a), attorneys' fees shall include, without limitation, fees incurred in connection with the following: (1) discovery; (2) any motion, proceeding or other activity of any kind in connection with a bankruptcy proceeding or case arising out of or relating to any petition under Title 11 of the United States Code, as the same shall be in effect from time to time, or any similar law; (3) garnishment, levy, and debtor and third party examinations; and (4) post-judgment motions and proceedings of any kind, including without limitation any activity taken to collect or enforce any judgment. Any and all of the foregoing amounts referred to in this Section 23(a) shall be deemed a part of the Obligations hereunder. Without prejudice to the survival of any other agreement of Seller hereunder, the covenants and obligations of Seller contained

in this Section 23(a) shall survive the payment in full of the Repurchase Price and all other amounts payable hereunder and delivery of the Purchased Assets by the related Purchaser against full payment therefor.

(b) In addition to any rights and remedies of Purchasers under this Agreement and by law, Purchasers and their related Affiliates shall have the right, without prior notice to Seller, any such notice being expressly waived by Seller to the extent permitted by applicable law, upon any amount becoming due and payable (whether at the stated maturity, by acceleration or otherwise) by Seller hereunder or under any Set Off Eligible Agreement, to set-off and appropriate and apply against such amount (subject to any existing limitations on recourse) any and all Property and deposits (general or special, time or demand, provisional or final), in any currency, or any other credits, indebtedness or claims, in any currency, or any other collateral (in the case of collateral not in the form of cash or such other marketable or negotiable form, by selling such collateral in a recognized market therefor or as otherwise permitted by law or as may be in accordance with custom, usage or trade practice), in each case, whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the related Purchaser or any Affiliate thereof to or for the credit or the account of Seller or any of its Subsidiaries (including, without limitation, the amount of any accrued and unpaid Completion Fees) except and to the extent that any of the same are held by Seller or such Subsidiary for the account of another Person. Purchasers may also (subject to any existing limitations on recourse) set-off cash and all other sums or obligations owed by the related Purchaser or its Affiliates to Seller or its Subsidiaries hereunder or under any Set Off Eligible Agreement against all of Seller's obligations to the related Purchaser or its Affiliates hereunder or under any Set Off Eligible Agreement, whether or not such obligations are then due. The exercise of any such right of set-off shall be without prejudice to any Purchaser's or its Affiliate's right to recover any deficiency. The related Purchaser agrees to promptly notify Seller after any such set-off and application made by the related Purchaser; provided that the failure to give such notice shall not affect the validity of such set-off and application.

24. **FURTHER ASSURANCES**

Seller agrees to do such further acts and things and to execute and deliver to Purchasers such additional assignments, acknowledgments, agreements, powers and instruments as are reasonably required by Purchasers and Agent to carry into effect the intent and purposes of this Agreement, to perfect the interests of Purchasers in the Purchased Assets or to better assure and confirm unto Purchasers their rights, powers and remedies hereunder.

25. **ENTIRE AGREEMENT; PRODUCT OF NEGOTIATION**

This Agreement supersedes and integrates all previous negotiations, contracts, agreements and understandings among the parties relating to a sale and repurchase of Purchased Assets and Additional Purchased Mortgage Loans, and it, together with the other Program Documents, and the other documents delivered pursuant hereto or thereto, contains the entire final agreement of the parties. No prior negotiation, agreement, understanding or prior contract shall have any validity hereafter.

26. **TERMINATION**

This Agreement shall remain in effect until the Termination Date. However, no such termination shall affect Seller's outstanding obligations to Purchasers at the time of such termination. Seller's obligations to indemnify Purchasers pursuant to this Agreement and the other Program Documents shall survive the termination hereof.

27. **REHYPOTHECATION; ASSIGNMENT**

(a) Purchasers may, in their sole election, and without the consent of the Seller engage in repurchase transactions with the Purchased Assets or otherwise pledge, hypothecate, assign, transfer or otherwise convey the Purchased Assets with a counterparty of the related Purchaser's choice, in all cases subject to the related Purchaser's obligation to reconvey the Purchased Assets (and not substitutes therefor) on the Repurchase Date, all at no cost to the Seller. In the event either Purchaser engages in a repurchase transaction with any of the Purchased Assets or otherwise pledges or hypothecates any of the Purchased Assets, the related Purchaser shall have the right to assign to the related Purchaser's counterparty any of the applicable representations or warranties in Exhibit B to this Agreement and the remedies for breach thereof, as they relate to the Purchased Assets that are subject to such repurchase transaction.

(b) The Program Documents and the Seller's rights and obligations thereunder are not assignable by Seller without the prior written consent of the related Purchaser. Any Person into which Seller may be merged or consolidated, or any corporation resulting from any merger, conversion or consolidation to which Seller shall be a party, or any Person succeeding to the business of Seller, shall be the successor of Seller hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. Without any requirement for further consent of the Seller and at no cost or expense to the Seller, each of the Purchasers and Agent

may, in its sole election, assign or participate all or a portion of its rights and obligations under this Agreement and the Program Documents with a counterparty of the related Purchaser's or Agent's choice. The related Purchaser or Agent shall notify Seller of any such assignment and participation and shall maintain, for review by Seller upon written request, a register of assignees and participants and a copy of any executed assignment and acceptance by the related Purchaser or Agent and assignee ("Assignment and Acceptance"), specifying the percentage or portion of such rights and obligations assigned. The Seller agrees that, for any such permitted assignment, Seller will cooperate with the prompt execution and delivery of documents reasonably necessary for such assignment process to the extent that Seller incurs no cost or expense that is not paid by the related Purchaser or Agent, as applicable. Upon such assignment, (a) such assignee shall be a party hereto and to each Program Document to the extent of the percentage or portion set forth in the Assignment and Acceptance, and shall succeed to the applicable rights and obligations of the related Purchaser or Agent hereunder, and (b) the related Purchaser or Agent shall, to the extent that such rights and obligations have been so assigned by it to either (i) an Affiliate of the related Purchaser or Agent which assumes the obligations of the related Purchaser or Agent hereunder or (ii) to another Person which assumes the obligations of the related Purchaser or Agent hereunder, be released from their obligations hereunder accruing thereafter and under the Program Documents.

(c) The related Purchaser and Agent may distribute to any prospective assignee, participant or pledgee any document or other information delivered to the related Purchaser by Seller subject to the confidentiality restrictions contained in Section 35 hereof; accordingly, such prospective assignee, participant or pledgee shall be required to agree to confidentiality provisions similar to those set forth in Section 35.

28. **AMENDMENTS, ETC.**

No amendment or waiver of any provision of this Agreement nor any consent to any failure to comply herewith or therewith shall in any event be effective unless the same shall be in writing and signed by Seller, Purchasers and Agent, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

29. **SEVERABILITY**

If any provision of any Program Document is declared invalid by any court of competent jurisdiction, such invalidity shall not affect any other provision of the Program Documents, and each Program Document shall be enforced to the fullest extent permitted by law.

30. **BINDING EFFECT; GOVERNING LAW**

This Agreement shall be binding and inure to the benefit of the parties hereto and their respective successors and assigns. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (EXCEPT FOR SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

31. **WAIVER OF JURY TRIAL; CONSENT TO JURISDICTION AND VENUE; SERVICE OF PROCESS**

SELLER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PROGRAM DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY CONSENTS, ON BEHALF OF ITSELF AND ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF ANY COURT OF THE STATE OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE PROGRAM DOCUMENTS IN ANY ACTION OR PROCEEDING. SELLER HEREBY SUBMITS TO, AND WAIVES ANY OBJECTION IT MAY HAVE TO, NON-EXCLUSIVE PERSONAL JURISDICTION AND VENUE IN THE COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, WITH RESPECT TO ANY DISPUTES ARISING OUT OF OR RELATING TO THE PROGRAM DOCUMENTS. SELLER HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF A SUMMONS AND COMPLAINT AND OTHER PROCESS IN ANY ACTION, CLAIM OR PROCEEDING BROUGHT BY ANOTHER PARTY IN CONNECTION WITH THIS AGREEMENT OR THE OTHER PROGRAM DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS, ON BEHALF OF ITSELF OR ITS PROPERTY, IN THE MANNER SPECIFIED IN THIS SECTION 31 AND TO SUCH PARTY'S ADDRESS SPECIFIED IN SECTION 34 OR SUCH OTHER ADDRESS AS SUCH PARTY SHALL HAVE PROVIDED IN WRITING TO THE OTHER PARTIES HERETO. NOTHING IN

THIS SECTION 31 SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO (I) SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW, OR (II) BRING ANY ACTION OR PROCEEDING AGAINST ANY OTHER PARTY OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTIONS.

32. **SINGLE AGREEMENT**

Seller, Purchasers and Agent acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, Seller, Purchasers and Agent each agree (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, and (ii) that payments, deliveries and other transfers made by any of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transaction hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

33. **INTENT**

Seller, Purchasers and Agent recognize that each of the Transactions and this Agreement is a “repurchase agreement” as that term is defined in Section 101 of the Bankruptcy Code, and a “securities contract” as that term is defined in Section 741 of the Bankruptcy Code, or a “qualified financial contract” as that term is defined in the Federal Deposit Insurance Act, as applicable, and a “master netting agreement” as that term is defined in Section 101 of the Bankruptcy Code.

It is understood that Purchasers’ right to liquidate, the Purchased Assets and terminate and accelerate the Transactions and this Agreement or to exercise any other remedies pursuant to Section 18 hereof is a contractual right to liquidate, terminate and accelerate the Transactions under a repurchase agreement, a securities contract, a master netting agreement, and a qualified financial contract as described in Sections 559, 555 and 561 of the Bankruptcy Code and Section 1821(e)(8)(A)(i) of the Federal Deposit Insurance Act, as applicable, and a contractual right to offset under a master netting agreement and across contracts, as described in Section 561 of the Bankruptcy Code. It is understood that Seller’s right to accelerate the Repurchase Date with respect to the Purchased Assets and any Transaction hereunder pursuant to Section 18 hereof is a contractual right to liquidate, terminate and accelerate the Transactions under a repurchase agreement, a securities contract, a master netting agreement, and a qualified financial contract as described in Sections 559, 555 and 561 of the Bankruptcy Code and Section 1821(e)(8)(A)(i) of the Federal Deposit Insurance Act, as applicable.

The parties hereby intend that any provisions hereof or in any other document, agreement or instrument that is related in any way to the servicing of the individual Mortgage Loans shall be deemed “related to” this Agreement within the meaning of Sections 101(38A)(A) and 101(47)(A)(v) of the Bankruptcy Code and part of the “contract” as such term is used in Section 741 of the Bankruptcy Code.

34. **NOTICES AND OTHER COMMUNICATIONS**

Except as provided herein, all notices required or permitted by this Agreement shall be in writing (including without limitation by Electronic Transmission, e-mail or facsimile) and shall be effective and deemed delivered only when received by the party to which it is sent; provided that notices of Events of Default and exercise of remedies or under Sections 6 or 18 shall be sent via overnight mail and by electronic transmission. Any such notice shall be sent to a party at the address, electronic mail or facsimile transmission number set forth below:

if to Seller: Nationstar Mortgage LLC
 8950 Cypress Waters Boulevard
 Coppell, Texas 75019
 Attention: Jeff Neufeld
 Telephone Number: 469.426.3308
 E-mail: Jeff.Neufeld@nationstarmail.com

With a copy to:

Nationstar Mortgage LLC
8950 Cypress Waters Boulevard
Coppell, Texas 75019
Attention: General Counsel
Telephone Number: 972.488.1459
Facsimile: 214.549.2085
E-mail: tony.villani@nationstarmail.com

if to Purchaser: Barclays Bank PLC - Mortgage Finance
745 Seventh Avenue, 4th Floor
New York, New York 10019
Attention: Joseph O'Doherty
Telephone: (212) 412-7990
Facsimile: (212) 412-7333
E-mail: joseph.o'doherty@barclays.com

With a copy to:

Barclays Bank PLC - Legal Department
745 Seventh Avenue, 20th Floor
New York, New York 10019
Telephone: (212) 412-1494
Facsimile: (212) 412-1288

Barclays Capital - Operations
700 Prides Crossing
Newark, Delaware 19713
Attention: Brian Kevil
Telephone: (302) 286-1951
Facsimile: (646) 845-6464
E-mail: brian.kevil@barclays.com

or Sutton Funding LLC
2711 Centreville Road, Suite 400
Wilmington, Delaware 19808

With a copy to:

Barclays Bank PLC - Legal Department
745 Seventh Avenue, 20th Floor
New York, New York 10019
Telephone: (212) 412-1494
Facsimile: (212) 412-1288

Barclays Capital - Operations
700 Prides Crossing
Newark, Delaware 19713
Attention: Brian Kevil
Telephone: (302) 286-1951
Facsimile: (646) 845-6464

E-mail: brian.kevil@barclays.com

as applicable.

if to Agent: Barclays Bank PLC - Mortgage Finance
745 Seventh Avenue, 4th Floor
New York, New York 10019
Attention: Joseph O'Doherty
Telephone: (212) 412-7990
Facsimile: (212) 412-7333
E-mail: joseph.o'doherty@barclays.com

With a copy to:

Barclays Bank PLC - Legal Department
745 Seventh Avenue, 20th Floor
New York, New York 10019
Telephone: (212) 412-1494
Facsimile: (212) 412-1288

Barclays Capital - Operations
700 Prides Crossing
Newark, Delaware 19713
Attention: Brian Kevil
Telephone: (302) 286-1951
Facsimile: (646) 845-6464
E-mail: brian.kevil@barclays.com

or to such other address, e-mail address or facsimile number as either party may notify to the others in writing from time to time.

35. **CONFIDENTIALITY**

Seller, Purchasers and Agent each hereby acknowledge and agree that all written or computer-readable information provided by one party to the other in connection with the Program Documents or the Transactions contemplated thereby, including without limitation, Seller's Mortgagor information in the possession of Purchasers (the "Confidential Terms") shall be kept confidential and shall not be divulged to any party without the prior written consent of such other party except for (i) disclosure to Seller's direct and indirect parent companies, directors, attorneys, agents or accountants, provided that such attorneys or accountants likewise agree to be bound by this covenant of confidentiality, or are otherwise subject to confidentiality restrictions or (ii) with prior (if feasible) written notice to Purchasers, disclosure required by law, rule, regulation or order of a court or other regulatory body or (iii) with prior (if feasible) written notice to Purchasers, disclosure to any approved hedge counterparty to the extent necessary to obtain any Hedge Instrument hereunder or (iv) with prior (if feasible) written notice to Purchasers, any disclosures or filing required under Securities and Exchange Commission ("SEC") or state securities' laws; provided that in the case of clause (iv), Seller shall not file the Pricing Side Letter. Notwithstanding anything herein to the contrary, except as reasonably necessary to comply with applicable securities laws, each party (and each employee, representative, or other agent of each party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. For this purpose, tax treatment and tax structure shall not include (i) the identity of any existing or future party (or any Affiliate of such party) to this Agreement or (ii) any specific pricing information or other commercial terms, including the amount of any fees, expenses, rates or payments arising in connection with the transactions contemplated by this Agreement.

36. **DUE DILIGENCE**

Subject to Section 14(z) and the limitations contained in the Pricing Side Letter and the EPF Pricing Side Letter, (i) Purchasers, Agent, Verification Agent or any of their respective agents, representatives or permitted assigns shall have the right, upon reasonable prior notice and during normal business hours, to conduct inspection and perform continuing due diligence reviews of (x) Seller and its Affiliates, directors, officers, employees and significant shareholders, including, without limitation, their respective financial condition and performance of its obligations under the Program Documents, and (y) the Servicing File and the Purchased Assets (including, but not limited to, any documentation related to Seller's FHA servicing practices) and (ii) Seller agrees promptly to provide Purchasers, Agent, Verification Agent and their respective agents with access to, copies of and extracts from any and all documents, records, agreements, instruments or information (including, without limitation, any of the foregoing in computer data banks and computer software systems) relating to Seller's respective business, operations, servicing, financial condition, performance of their obligations under the Program Documents, the documents contained in the Servicing Files or the Purchased Assets or assets proposed to be sold hereunder in the possession, or under the control, of Seller. In addition, Seller shall also make available to Purchasers, Agent and/or Verification Agent, upon reasonable prior notice and during normal business hours, a knowledgeable financial or accounting officer of Seller for the purpose of answering questions respecting any of the foregoing. Without limiting the generality of the foregoing, Seller acknowledges that Purchasers shall enter into transactions with Seller based solely upon the information provided by Seller to Purchasers and/or Agent and the representations, warranties and covenants contained herein, and that Purchasers, Agent and/or Verification Agent, at its option, shall have the right at any time to conduct itself or through its agents, or require Seller to conduct quality reviews and underwriting compliance reviews of the individual Mortgage Loans at the expense of Seller. Any such diligence conducted by Purchasers, Agent and/or Verification Agent shall not reduce or limit the Seller's representations, warranties and covenants set forth herein. Seller agrees to reimburse Purchasers, Agent and/or Verification Agent for all reasonable out-of-pocket due diligence costs and expenses incurred pursuant to this Section 36.

37. **AMENDMENT AND RESTATEMENT OF ORIGINAL AGREEMENT; NO NOVATION**

(a) As of the date first written above, the terms and provisions of the Original Agreement as amended and restated shall be and hereby are amended, superseded and restated in their entirety by the terms and provisions of this Agreement.

(b) Notwithstanding the amendment and restatement of the Original Agreement by this Agreement, any amounts owing to Barclays or Sutton under the Original Agreement whether on account of Transactions or otherwise which remain outstanding as of the date hereof, shall constitute Obligations owing hereunder. This Agreement is given in substitution for the Original Agreement, and not as payment of the obligations of the Seller thereunder, and is in no way intended to constitute a novation of the Original Agreement.

(c) Upon the effectiveness of this Agreement on the date first written above, unless the context otherwise requires, each reference to the Original Agreement in any of the Program Documents and in each document, instrument or agreement executed and/or delivered in connection therewith shall mean and be a reference to this Agreement. Except as expressly modified as of the date hereof, all of the other Program Documents shall remain in full force and effect and are hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

Signature Page to Second Amended and Restated Master Repurchase Agreement

IN WITNESS WHEREOF, Seller, Agent and Purchasers have caused their names to be signed to this Second Amended and Restated Master Repurchase Agreement by their respective officers thereunto duly authorized as of the date first above written.

NATIONSTAR MORTGAGE LLC,

as Seller

By: /s/ Richard Delgado

Name: Richard Delgado

Title: Senior Vice President

BARCLAYS BANK PLC, as Purchaser and Agent

By: /s/ Joseph O'Doherty

Name: Joseph O'Doherty

Title: Managing Director

SUTTON FUNDING LLC, as Purchaser

By: /s/ Ellen Kiernan

Name: Ellen Kiernan

Title: Vice President

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EXHIBIT A

MONTHLY CERTIFICATION

I, _____, _____ of Nationstar Mortgage LLC (the "Seller"), in accordance with that certain Second Amended and Restated Master Repurchase Agreement ("Agreement"), dated as of January 29, 2016, by and among Barclays Bank PLC, Sutton Funding LLC and Seller do hereby certify that:

- (i) To the best of my knowledge, no Default or Event of Default has occurred and is continuing;
- (ii) Attached hereto as Schedule One is a schedule of each financial covenant that the Seller is subject to under any agreement (other than this Agreement), and a calculation which demonstrates compliance with each such financial covenant; and
- (iii) The Seller has complied with each of the covenants set forth in Section 14(g)(ii), as evidenced by the worksheet attached hereto as Schedule Two.

[Signature Page Follows]

Capitalized terms used but not defined herein shall have the meanings assigned thereto in the Agreement.

IN WITNESS WHEREOF, I have signed this certificate.

Date: , 201[]

NATIONSTAR MORTGAGE LLC

By: _____

Name:

Title:

[SEAL]

I, _____, _____ of Seller, do hereby certify that _____ is the duly elected or appointed, qualified and acting _____ of Seller, and the signature set forth above is the genuine signature of such officer on the date hereof.

SCHEDULE ONE TO EXHIBIT A

OTHER FINANCIAL COVENANTS

SCHEDULE TWO TO EXHIBIT B

FINANCIAL COVENANTS WORKSHEET

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EXHIBIT B

REPRESENTATIONS AND WARRANTIES

with respect to Mortgage Loans

Capitalized terms used but not defined in this Exhibit B 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 among Barclays Bank PLC ("Purchaser" or "Agent"), Sutton Funding LLC ("Purchaser") and Nationstar Mortgage LLC ("Seller"). Seller hereby represents and warrants to the Purchaser and Agent that, for each Mortgage Loan as of the related Purchase Date and the related Repurchase Date and on each date that such Mortgage Loan is subject to a Transaction:

(d) All information provided to Purchasers by Seller, including without limitation the information set forth in the Seller Mortgage Loan Schedule, with respect to the Mortgage Loan is true and correct in all material respects;

(e) Such Mortgage Loan is an Eligible Mortgage Loan;

(f) Such Mortgage Loan was owned solely by Seller, is not subject to any lien, claim or encumbrance, including, without limitation, any such interest pursuant to a loan or credit agreement for warehousing mortgage loans, and was originated or acquired by Seller from an Originator, underwritten and serviced in Strict Compliance (in respect of Fannie Mae Mortgage Loans, Freddie Mac Mortgage Loans and Ginnie Mae Mortgage Loans) or Barclays' underwriting guidelines (in respect of Jumbo Mortgage Loans) and has at all times remained in compliance with all applicable law and regulations, including without limitation the Federal Truth-in-Lending Act, the Real Estate Settlement Procedures Act, regulations issued pursuant to any of the aforesaid, and any and all rules, requirements, guidelines and announcements of each Agency, and, as applicable, the FHA and VA, as the same may be amended from time to time;

(g) The improvements on the land securing such Mortgage Loan are and will be kept insured at all times by responsible insurance companies reasonably acceptable to Purchasers and the Applicable Agency against fire and

extended coverage hazards under policies, binders or certificates of insurance with a standard mortgagee clause in favor of Seller and its assigns, providing that such policy may not be canceled without prior notice to Seller. Any proceeds of such insurance shall be held in trust for the benefit of Purchasers. The scope and amount of such insurance shall satisfy the rules, requirements, guidelines and announcements of the Applicable Agency, and shall in all cases be at least equal to the lesser of (A) the principal amount of such Mortgage Loan or (B) the maximum amount permitted by applicable law, and shall not be subject to reduction below such amount through the operation of a coinsurance, reduced rate contribution or similar clause;

(h) Each Mortgage is a valid first lien on the Mortgaged Property and is covered by an attorney's opinion of title acceptable to the Applicable Agency or by a policy of title insurance on a standard ALTA or similar lender's form (or a binding commitment therefor) in favor of Seller and its assigns, subject only to exceptions permitted by the applicable Agency Program. Seller shall hold for the benefit of Purchasers such policy of title insurance, and, upon request of either Purchaser, shall immediately deliver such policy to the related Purchaser or to the Custodian on behalf of the related Purchaser;

(i) Such Mortgage Loan (other than a Jumbo Mortgage Loan) is either (i) insured by the FHA under the National Housing Act, guaranteed by the VA under the Servicemen's Readjustment Act of 1944 or (ii) with respect to Fannie Mae Mortgage Loans and Freddie Mac Mortgage Loans, is otherwise eligible to be insured or guaranteed in accordance with the requirements of the applicable Agency Program and, in either case, such Mortgage Loan is not subject to any defect that would prevent recovery in full or in part against the FHA, VA or other insurer or guarantor, as the case may be;

(j) Except with respect to HECM Buyout Loans, a mortgage identification number ("MIN") has been assigned by MERS and such MIN is accurately provided on the Seller Mortgage Loan Schedule. Except with respect to HECM Buyout Loans, either the Mortgage is in favor of MERS or an Assignment of Mortgage to MERS has been duly and properly recorded;

(k) Except with respect to HECM Buyout Loans, Seller has not received any notice of liens or legal actions with respect to such Mortgage Loan and no such notices have been electronically posted by MERS;

(l) Each Mortgage Loan (other than a Jumbo Mortgage Loan, a HECM Buyout Loan or an FHA Buyout Loan) is eligible for sale to the Applicable Agency and fully complies with all of the terms and conditions, including any covenants, representations and warranties, in the applicable Agency Guide and eligible for securitization by and/or sale to Fannie Mae, Freddie Mac or eligible for inclusion in a Ginnie Mae MBS pool;

(m) There are no restrictions, contractual or governmental, which would impair the ability of Seller from servicing the Mortgage Loans;

(n) Such Mortgage Loan may not result in Negative Amortization;

(o) The Mortgagor is one or more natural persons and/or trustees for an Illinois land trust or a trustee under a "living trust" and such "living trust" is in compliance with Applicable Agency guidelines for such trusts;

(p) Such Mortgage Loan is not a High Cost Mortgage Loan;

(q) No predatory, abusive or deceptive lending practices, including but not limited to, the extension of credit to a Mortgagor without regard for the Mortgagor's ability to repay the Mortgage Loan and the extension of credit to a Mortgagor which has no tangible net benefit to the Mortgagor, were employed in connection with the origination of the Mortgage Loan. Such Mortgage Loan is in compliance with the anti predatory lending eligibility for purchase requirements of the Fannie Mae Guide;

(r) With respect to any Mortgage Loan (other than a Streamline Mortgage Loan, a Mortgage Loan guaranteed by the VA under the Servicemen's Readjustment Act of 1944, a HARP Mortgage Loan, and any other Mortgage Loan underwritten and originated in accordance with a program sponsored and/or administered by a Governmental Authority; provided, that such program has been approved by the related Purchaser in its sole discretion), on the Origination Date the related Mortgagor's FICO Score was equal to or greater than 550 (for this purpose, it being acknowledged that the related Mortgagor shall be deemed to have a FICO Score of zero where no FICO Score is available);

(s) If such Mortgage Loan was pledged to another warehouse, credit, repurchase or other financing facility immediately prior to the related Purchase Date, (i) such pledge has been released immediately prior to, or concurrently with, the related Purchase Date hereunder and (ii) Barclays has received a Warehouse Lender's Release Letter in respect of such Mortgage Loan;

(t) Such Mortgage Loan has not been released from the possession of the Custodian under (i) Section 9 of the ReconTrust Custodial Agreement, to Seller or its bailee for a period in excess of fifteen (15) calendar days (or if such fifteenth day is not a Business Day, the next succeeding Business Day); (ii) 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); (iii) 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;

(u) Each Streamline Mortgage Loan and HARP Mortgage Loan fully complies with all applicable terms and conditions, including any covenants, representations and warranties, of the related Agency Guide, the FHA regulations and the VA regulations, and the guidance issued by the Federal Housing Finance Authority, Fannie Mae and Freddie Mac for origination of mortgage loans under the Home Affordable Refinance Program, as applicable, unless the Seller has obtained a waiver in respect of any such noncompliance from the related Agency, FHA, VA or the Federal Housing Finance Authority, as applicable;

(v) Except with respect to HECM Buyout Loans and Cooperative Loans, such Mortgage Loan is a MERS Designated Mortgage Loan;

(w) With respect to each Mortgage Loan that is a Wet-Ink Mortgage Loan, the Settlement Agent has been instructed in writing by Seller to hold the related Mortgage Loan File as agent and bailee for Barclays or Agent and to promptly forward such Mortgage Loan File in accordance with the provisions of the Custodial Agreement and the Escrow Instruction Letter (if applicable);

(x) Each Mortgage Loan has been fully disbursed and is secured by a first lien on an underlying property as a “closed-end” Mortgage Loan with no further disbursements required by any party;

(y) The Mortgage Loan does not have a loan-to-value ratio in excess of what is permitted under the Pricing Side Letter or the Agency Guides for mortgage loans of the same type as the Mortgage Loans; provided, that if any Mortgage Loan fails to comply with any loan-to-value representations and warranties required by any Agency, then Seller has obtained a waiver in respect of any such noncompliance from such Agency;

(z) The Mortgage Loan is not secured by property located in (a) a state where the Seller is not licensed as a lender/mortgage banker or (b) a state that the related Purchaser has notified Seller is unacceptable due to a high cost, predatory lending or other law in such state;

(aa) The Mortgage Loan has not been converted to an ownership interest in real property through foreclosure or deed-in-lieu of foreclosure;

(ab) The Mortgage Loan relates to Mortgaged Property that consists of (i) a detached single family dwelling, (ii) a two-to-four family dwelling, (iii) a one-family dwelling unit in a Freddie Mac eligible condominium project, (iv) a townhouse, or (v) a detached single family dwelling in a planned unit development none of which is a cooperative (except to the extent of the Cooperative Loan Sublimit) or commercial property; and is not related to Mortgaged Property that consists of (a) mixed use properties, (b) log homes, (c) earthen homes, (d) underground homes, (e) mobile homes or manufactured housing units (whether or not secured by real property), (f) any dwelling situated on more than ten acres of property or (g) any dwelling situated on a leasehold estate;

(ac) The Mortgage Loan is not a Restricted Mortgage Loan; and

(ad) The Mortgage Loan made its first scheduled Monthly Payment when it was due (inclusive of any applicable grace period), unless such time frame has not occurred yet.

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EXHIBIT C

FORM OF TRANSACTION NOTICE

[insert date]

Barclays Bank PLC
745 Seventh Avenue, 4th Floor
New York, New York 10019
Attention: Ellen Kiernan

Sutton Funding LLC

2711 Centreville Road, Suite 400

Wilmington, Delaware 19808

Attention: Brian Kevil

Re: Second Amended and Restated Master Repurchase Agreement, dated as of January 29, 2016 by and among Barclays Bank PLC ("Purchaser" and "Agent"), Sutton Funding LLC ("Purchaser") and Nationstar Mortgage LLC ("Seller")

Ladies/Gentlemen:

Reference is made to the above-referenced Second Amended and Restated Master Repurchase Agreement (the "Repurchase Agreement"; capitalized terms used but not otherwise defined herein shall have the meaning given them in the Repurchase Agreement).

In accordance with Section 3(c) of the Repurchase Agreement, the undersigned Seller hereby requests, and the Purchasers agree, agrees to enter into a Transaction with us, in connection with our delivery of Eligible Mortgage Loans and all related Servicing Rights, on _____ [insert requested Purchase Date, which must be at least one (1) Business Day following the date of the request] (the "Purchase Date"), in connection with which we shall sell to you such Eligible Mortgage Loans on the Seller Mortgage Loan Schedule attached hereto. The unpaid principal balance of the Eligible Mortgage Loans that are not FHA Buyout Loans or HECM Buyout Loans is \$_____ and the Purchase Price to be paid by Barclays for such Eligible Mortgage Loans shall be _____ [insert applicable Purchase Price]. The unpaid principal balance of the Eligible Mortgage Loans that are FHA Buyout Loans is \$_____ and the Purchase Price to be paid by Sutton for such FHA Buyout Loans shall be _____ [insert applicable Purchase Price]. The unpaid principal balance of the Eligible Mortgage Loans that are HECM Buyout Loans is \$_____ and the Purchase Price to be paid by Sutton for such HECM Buyout Loans shall be _____ [insert applicable Purchase Price]. Barclays shall transfer to the Seller an amount equal to \$_____ [insert amount which represents the Purchase Price of the Eligible Mortgage Loans that are not FHA Buyout Loans or HECM Buyout Loans net of any related Structuring Fee or any other fees then due and payable by Seller to Barclays pursuant to the Agreement]. Sutton shall transfer to the Seller an amount equal to \$_____ [insert amount which represents the Purchase Price of the FHA Buyout Loans net of any related Structuring Fee, Transaction Fees or any other fees then due and payable by Seller to Sutton pursuant to the Agreement]. Sutton shall transfer to the Seller an amount equal to \$_____ [insert amount which represents the Purchase Price of the HECM Buyout Loans net of any related Structuring Fee, Transaction Fees or any other fees then due and payable by Seller to Sutton pursuant to the Agreement]. Seller agrees to repurchase such Purchased Asset on the Repurchase Date(s) at the Repurchase Price(s) listed below.

The Eligible Mortgage Loans have the characteristics on the electronic file or computer tape or disc delivered by Seller to the related Purchaser with respect thereto in connection with this Transaction Notice.

The Seller hereby certifies, as of such Purchase Date, that:

(1) no Default or Event of Default has occurred and is continuing on the date hereof (or to the extent existing, shall be cured after giving effect to such Transaction) nor will occur after giving effect to such Transaction as a result of such Transaction;

(2) each of the representations and warranties made by the Seller in or pursuant to the Program Documents is true and correct in all material respects on and as of such date as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(3) the Seller is in compliance with all governmental licenses and authorizations and are qualified to do business and are in good standing in all required jurisdictions, except as would not be reasonably likely to have a Material Adverse Effect;

(4) Seller has all requisite Approvals; and

(5) the Seller has satisfied all applicable conditions precedent in Sections 10(a) and (b) of the Repurchase Agreement and all other requirements of the Program Documents.

The undersigned duly authorized officer of Seller further represents and warrants that (1) (a) with respect to the Eligible Mortgage Loans subject to the Transaction requested herein that are not Wet-Ink Mortgage Loans, the documents constituting the Mortgage Loan Files (as defined in the Custodial Agreement) and (b) with respect to Eligible Mortgage Loans that are Wet-Ink Mortgage Loans, the Transaction Notice and the Seller Mortgage Loan Schedule, in each case as more specifically identified on the Seller Mortgage Loan Schedule delivered to the Barclays and the Custodian in connection herewith (the "Receipted Assets"), have been or are hereby submitted to Custodian and such required documents are to be held by the Custodian for the related Purchaser, (2) all other documents related to such Receipted Assets (including, but not limited to, mortgages, insurance policies, loan applications and appraisals) have been or will be created and held by Seller for the related Purchaser, (3) all documents related to such Receipted Assets withdrawn from Custodian shall be held by Seller for the related Purchaser, and (4) upon the related Purchaser's wiring of the Purchase Price pursuant to Section 3(b) of the Repurchase Agreement, the related Purchaser will have agreed to the terms of the Transaction as set forth herein and purchased the Receipted Assets from the Seller.

Seller hereby represents and warrants that (x) the Receipted Assets have an unpaid principal balance as of the date hereof of \$_____ and (y) the number of Receipted Assets is _____.

Very truly yours,

NATIONSTAR MORTGAGE LLC

By:

Name:

Title:

EXHIBIT D

FORM OF GOODBYE LETTER

«Primary_Borrower» [_____] [____], 201[]
«Mailing_address_line_1»
«Mail_city», «Mail_state» «Mail_zip»

RE: Transfer of Mortgage Loan Servicing
Mortgage Loan «Account_number»

Dear Customer:

Nationstar Mortgage LLC is the present servicer of your mortgage loan. Effective [Date] the servicing of your mortgage will be transferred to _____. This transfer does not affect the terms and conditions of your mortgage, other than those directly related to servicing. Because of the change in servicer, we are required to provide you with this disclosure.

Nationstar Mortgage LLC cannot accept any payments received after [Date]. Effective [Date], all payments are to be made to _____. Any payments received by Nationstar Mortgage LLC after [Date] will be forwarded to _____. _____ will be contacting you shortly with payment instructions. Please make future payments to:

Attn: _____
[Address]

If you currently make payments by an automatic checking or savings account deduction, that service will discontinue effective with the transfer date. After the servicing transfer, you may request this service from _____.

In [Date], you will receive a statement from Nationstar Mortgage LLC reflecting the amount, if any, of the interest and taxes paid on your behalf in 201[]. A similar statement will be sent _____ for the period beginning [Date] through year-end. Both statements must be added together for income tax purposes.

If you have any questions concerning your account through [Date], you should continue to contact Nationstar Mortgage LLC, at <Seller's Phone Number>, <HOURS OF OPERATION>. Questions after the transfer date should be directed to _____ Customer Service Department at 1-800-_____, Monday - Friday, 7 a.m. - 7 p.m. EST.

Sincerely,

Loan Servicing Department
Nationstar Mortgage LLC

**NOTICE OF ASSIGNMENT, SALE OR TRANSFER
OF SERVICING RIGHTS**

You are hereby notified that the servicing of your mortgage loan, that is the right to collect payments from you, is being assigned, sold or transferred.

The assignment, sale or transfer of the servicing of the mortgage loan does not affect any term or condition of the mortgage instruments, other than the terms directly related to the servicing of your loan.

Except in limited circumstances, the law requires that your present servicer send you a notice at least 15 days before the effective date, or at closing. Your new servicer must also send you this notice no later than 15 days after this effective date.

This notification is a requirement of Section 6 of the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. 2605). You should also be aware of the following information, which is set out in more detail in Section 6 of RESPA (12 U.S.C. 2605).

During the 60 day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer before its due date may not be treated by the new loan servicer as late, and a late fee may not be imposed upon you.

Section 6 of RESPA (12 U.S.C. 2605) gives you certain consumer rights. If you send a **“qualified written request”** to you loan servicer concerning the servicing of your loan, your servicer must provide you with a written acknowledgement within 20 Business Days of receipt of your request. A **“qualified written request”** is written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, which includes your name and account number and your reasons for the request. If you want to send a **“qualified written request”** regarding the servicing of your loan, it must be sent to this address:

[Address]

No later than 60 Business Days after receiving your request, your servicer must make any appropriate corrections to your account, and must provide you with a written clarification regarding any dispute. During this 60 Business Day period, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to such period or qualified written request. However, **this does not prevent the servicer from initiating foreclosure** if proper grounds exist under the mortgage documents.

A Business Day is any day excluding legal public holidays (State or federal), Saturday and Sunday.

Section 6 of RESPA also provides for damages and costs for individuals or classes of individuals, in circumstances where servicers are shown to have violated the requirements of that Section. You should seek legal advice if you believe your rights have been violated.

MIRANDA DISCLOSURE - For your protection, please be advised that we are attempting to collect a debt and any information obtained will be used for that purpose. Calls will be monitored and recorded for quality assurance purposes. If you do not wish for your call to be recorded please notify the customer service associate when calling.

BANKRUPTCY INSTRUCTION - Attention to any customer in Bankruptcy or who has received a bankruptcy discharge of this debt. Please be advised that this letter constitutes neither a demand for payment of the captioned debt nor a notice of personal liability to any recipient hereof who might have received a discharge of such debt in accordance with applicable bankruptcy laws or who might be subject to the automatic stay of Section 362 of the United States Bankruptcy Code. However, it may be a notice of possible enforcement of our lien against the collateral property, which has not been discharged in your bankruptcy.

E - 1

EXHIBIT E

FORM OF WAREHOUSE LENDER’S RELEASE

(Date)

Barclays Bank PLC - Mortgage Finance
745 Seventh Avenue, 4th Floor
New York, New York 10019
Attention: Joseph O’Doherty

Barclays Bank PLC - Legal Department
745 Seventh Avenue, 20th Floor
New York, New York 10019

Barclays Capital - Operations
700 Prides Crossing
Newark, Delaware 19713
Attention: Brian Kevil

Nationstar Mortgage LLC
8950 Cypress Waters Boulevard
Coppell, Texas 75019
Attention: General Counsel

Sutton Funding LLC
2711 Centreville Road, Suite 400
Wilmington, Delaware 19808
Attention: Brian Kevil

Re: Certain Assets Identified on Schedule A hereto and owned by Nationstar Mortgage LLC

Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Second Amended and Restated Master Repurchase Agreement, dated as of January 29, 2016 (the "Repurchase Agreement"), among Barclays Bank, PLC, Sutton Funding LLC and Nationstar Mortgage LLC.

The undersigned hereby releases all right, interest, lien or claim of any kind with respect to the Mortgage Loan described in the attached Schedule A, such release to be effective automatically without any further action by any party upon receipt by Barclays Bank PLC in immediately available funds of \$_____, in accordance with the following wire instructions:

[]

Very truly yours,

[WAREHOUSE LENDER]

By:

Name:

Title:

[Schedule A to exhibit E - List of Assets to be Released]

F - 1

EXHIBIT F

[RESERVED]

G - 2

EXHIBIT G

[RESERVED]

H - 1

EXHIBIT H

form of SELLER mortgage loan schedule

field header	Description
pool_user_key	GNMA Pool num
collateral_user_key	NS loan id
track_user_description	borrower name
lnamount	original or modified loan amount
curr_upb	unpaid balance (optional)
rate	interest rate
pi	original or modified P&I
casenum	case number
zip	zipcode
state	state
city	city
address	property address
maturity	maturity date
closedate	Note date
firstdue	first pay date
mers_register_flag	MERS registered
mers_min	MIN #
is_mom	MOM loan Y/N
armindex	index type
armadj	first rate change date
armround	rounding factor
armmargin	margin
anncap	annual rate cap
lifecap	life cap
armfloor	floor rate
rounding_method	round nearest, up, or down
arm_lookback	lookback days
armindex_rate	index rate
c_armfix	loan type (ARM or Fixed)
armpcap_init	initial periodic rate cap
armpfloor_init	initial periodic rate floor
mod flag	yes or no
collateral status	wet or dry
judicial/nonjudicial	state is judicial or nonjudicial
mod effective date	effective date of mod
mod term	loan term after mod

EXHIBIT I

1. Each FHA Buyout Loan is an FHA-insured mortgage loan.
2. Each HECM Buyout Loan is an FHA-insured mortgage loan.

J - 1

EXHIBIT J

Correspondent Seller Release

[insert date]

Nationstar Mortgage LLC
8950 Cypress Waters Boulevard
Coppell, Texas 75019
Attention: General Counsel

Re: Correspondent Seller Release

Effective immediately upon the receipt (the date and time of such receipt, the “Date and Time of Sale”) by [Name of Correspondent Seller] of \$_____, [Name of Correspondent Seller] hereby relinquishes any and all right, title and interest it may have in and to the mortgage loans described in Exhibit A attached hereto (the “Loans”), including any security interest therein, and certifies that all notes, mortgages, assignments and other documents in its possession or in the possession of its custodial agent relating to such Loans have been released to Nationstar Mortgage LLC or its designee as of the Date and Time of Sale.

[NAME OF CORRESPONDENT SELLER]

By: _____
Name:
Title:

K - 1

EXHIBIT K

FORM OF GUARANTY

This GUARANTY (as the same may be amended, restated, supplemented or otherwise modified from time to time, this “Guaranty”), dated as of [_____], 20__ is by Nationstar Mortgage LLC, a Delaware limited liability company (“Guarantor”).

WHEREAS, Guarantor is furnishing its guaranty of the Guaranteed Obligations (as hereinafter defined) in order to induce Purchaser (as hereinafter defined) to purchase certain Eligible Mortgage Loans under the Master Repurchase Agreement (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “Master Repurchase Agreement”), dated as of August 20, 2013, among Home Community Mortgage LLC (“Seller”) and Barclays Bank PLC (“Purchaser” and “Agent”).

Capitalized terms not otherwise defined herein are used herein with the same meanings given to such terms in the Master Repurchase Agreement.

Therefore, for good and valuable consideration, the receipt of which is hereby acknowledged by the Guarantor, the parties hereto agree as follows:

SECTION 1. Guarantee.

(a) Guarantor unconditionally and irrevocably guarantees to Agent the due and punctual payment by, and performance of, the Obligations (as defined in the Master Repurchase Agreement) by Seller arising under or in connection with the Program Documents (the “Guaranteed Obligations”). Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and it will remain bound upon this Guaranty notwithstanding any extension or renewal of any Guaranteed Obligation until the Guaranteed Obligations have been paid in full. Anything contained herein to the contrary notwithstanding, the obligations of Guarantor hereunder at any time shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section

548 of the Bankruptcy Code (Title 11, United States Code) or any comparable provisions of any similar federal or state law.

(b) Guarantor, to the extent permitted by applicable law, waives presentation to, demand for payment from and protest to Seller, and also waives notice of protest for nonpayment, notice of acceleration and notice of intent to accelerate. The obligations of Guarantor hereunder shall not be affected by (i) the failure of Agent or Purchaser to assert any claim or demand or to enforce any right or remedy against Seller under the provisions of the Program Documents or any other agreement or otherwise; (ii) any extension or renewal of any provision hereof or thereof; (iii) any rescission, waiver, compromise, acceleration, amendment or modification of any of the terms or provisions of the Program Documents or of any other agreement; (iv) the release, exchange, waiver or foreclosure of any security held by Agent or Purchaser for the Guaranteed Obligations or any of them or (v) the failure of Agent or Purchaser to exercise any right or remedy against any other guarantor of the Guaranteed Obligations.

(c) Guarantor further agrees that this Guaranty constitutes a guaranty of performance and of payment when due and not just of collection, and waives, to the extent permitted by applicable law, any right to require that any resort be had by Agent or Purchaser to any security held for payment of the Guaranteed Obligations or to any balance of any deposit, account or credit on the books of Agent in favor of Seller or to any other Person.

(d) Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of Seller and any and all endorsers and/or other guarantors of all or any part of the Guaranteed Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations, or any part thereof, that diligent inquiry would reveal, and Guarantor hereby agrees that Agent shall have no duty to advise Guarantor of information known to it regarding such condition or any such circumstances. In the event Agent, in its sole discretion, undertakes at any time or from time to time to provide any such information to Guarantor, Agent shall be under no obligation (i) to undertake any investigation not a part of its regular business routine, (ii) to disclose any information which Agent, pursuant to accepted or reasonable commercial finance or banking practices, wishes to maintain confidential or (iii) to make any other or future disclosures of such information or any other information to Guarantor.

(e) This Guaranty shall not be affected by the genuineness, validity, regularity or enforceability of the Guaranteed Obligations, the Program Documents or any other instrument evidencing any of the Guaranteed Obligations, or by the existence, validity, enforceability, perfection, or extent of any collateral therefore or by any other circumstance relating to the Guaranteed Obligations which might otherwise constitute a defense to this Guaranty. Agent makes no representation or warranty in respect to any such circumstances or has any duty or responsibility whatsoever to Guarantor in respect to the management and maintenance of the Guaranteed Obligations or any collateral which may secure the Guaranteed Obligations.

SECTION 2. No Impairment of Guaranty. The obligations of Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, until the Guaranteed Obligations have been paid in full, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, indulgence, compromise, claim, waiver, release, surrender, of or with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto, whether (in any such case) by operation of law or otherwise, or any failure or omission to enforce any right, power or remedy with respect to the Guaranteed Obligations or any part thereof or any agreement relating thereto;

(b) any modification, amendment or restatement of or supplement to the Program Documents or any other instrument or document delivered in connection therewith, including, without limitation, any such amendment which may increase the amount of, or the interest rates applicable to, any of the Guaranteed Obligations guaranteed hereby;

(c) any release, surrender, compromise, settlement, waiver, subordination or modification, with or without consideration, of any collateral securing the Guaranteed Obligations or any part thereof, or any other obligation of any person or entity with respect to the Guaranteed Obligations or any part thereof, or any nonperfection or invalidity of any direct or indirect security for the Guaranteed Obligations;

(d) any change in the corporate, partnership or other existence, structure or ownership of Seller, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller, or any of their respective assets or any resulting release or discharge of any obligation of Seller;

(e) the existence of any setoff, claim, counterclaim, recoupment, termination or other rights which Guarantor may have at any time against Seller or any other person, whether in connection herewith or in connection with any unrelated transactions; provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(f) the enforceability or validity of the Guaranteed Obligations or any part thereof or the genuineness, enforceability or validity of any agreement relating thereto or with respect to any collateral securing the Guaranteed Obligations or any part thereof, or any other invalidity or unenforceability relating to or against Seller for any reason related to the Program Documents, or any provision of applicable law, decree, order or regulation of any jurisdiction purporting to prohibit the payment by Seller of any of the Guaranteed Obligations or otherwise affecting any term of any of the Guaranteed Obligations;

(g) the failure of Agent or Purchaser to take any steps to perfect and maintain any security interest in, or to preserve any rights to, any security or collateral for the Guaranteed Obligations, if any;

(h) the election by, or on behalf of Agent or Purchaser, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. 101 et. seq.) (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code;

(i) any borrowing or grant of a security interest by Seller, as debtor-in-possession, under Section 364 of the Bankruptcy Code;

(j) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of the claims of Agent for repayment of all or any part of the Guaranteed Obligations; or

(k) any other act or omission to act or delay of any kind by Seller, willful or otherwise, Agent or any other person or any other circumstance whatsoever which might, but for the provisions of this Section 2, constitute a legal or equitable discharge of Guarantor's obligations hereunder.

SECTION 3. Continuation and Reinstatement, etc.

(a) Guarantor further agrees that its guaranty hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by Agent upon the bankruptcy or other reorganization of Seller or otherwise. In furtherance of the provisions of this Guaranty, and not in limitation of any other right which Agent may have at law or in equity against Seller by virtue hereof, upon failure of Seller to pay any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice or otherwise, Guarantor hereby promises to and will, upon receipt of written demand by Agent, forthwith pay or cause to be paid to Agent in cash an amount equal to the unpaid amount of all such Guaranteed Obligation, and thereupon Agent shall assign such Guaranteed Obligation, together with all security interests, if any, then held by Agent or Purchaser in respect of such Guaranteed Obligation, to Guarantor.

(b) Upon payment by Guarantor of any sums to Agent hereunder, all rights of Guarantor against Seller involved, arising as a result thereof by way of right of subrogation or otherwise, shall in all respects be subordinate and junior in right of payment to the prior final and indefeasible payment in full of all the Guaranteed Obligations (other than unasserted contingent indemnification obligations) to Agent. If any amount shall be paid to Guarantor for the account of Seller, such amount shall be held in trust for the benefit of Agent to be credited and applied to the Guaranteed Obligations, whether matured or unmatured.

SECTION 4. Representation and Warranties. Guarantor makes the following representations and warranties to Agent, all of which shall survive the execution and delivery of this Guaranty and the issuance and purchase of the Notes:

(a) Guarantor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is in good standing as a foreign limited liability company in all jurisdictions where the nature of its properties or business so requires, except where the failure to be in good standing in such other jurisdiction would not, in the aggregate, have a Material Adverse Effect. Guarantor has the power and authority to own its properties and carry on its businesses as now being conducted and to execute, deliver and perform its obligations under this Guaranty.

(b) The execution, delivery and performance of this Guaranty (i) have been duly authorized by all necessary corporate action on the part of Guarantor, (ii) will not violate any provision of applicable law or any approval of a Governmental Authority applicable to Guarantor, (iii) will not violate any provision of the certificate of formation or operating agreement or any other organizational document of Guarantor, (iv) will not violate or result in a default under any provision of any indenture, material agreement, bond, note or other similar material instrument to which Guarantor is a party or by which Guarantor or any of its properties or assets are bound, and (v) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any properties or assets of Guarantor.

(c) This Guaranty when executed will constitute the legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms, subject (i) as to the enforcement of remedies, to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and (ii) to general principles of equity.

(d) Guarantor will realize a direct economic benefit as a result of the amounts paid by Purchaser to Seller pursuant to the Master Repurchase Agreement.

(e) The execution of this Guaranty and the consummation of the transactions contemplated hereby are in the ordinary course of business of Guarantor and will not conflict with, result in the breach of or violate any provision of the certificate of formation or operating agreement of Seller nor result in the violation of any law, rule, regulation, order, judgment or decree to which Guarantor or Seller is subject, including without limitation the Real Estate Settlement Procedures Act, and any and all rules, requirements, guidelines and announcements of any Governmental Authority issued pursuant to any of the aforesaid.

SECTION 5. General Waivers; Additional Waivers.

(a) General Waivers. To the extent permitted by applicable law, Guarantor irrevocably waives acceptance hereof, presentment, demand or action on delinquency, protest, the benefit of any statutes of limitations and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any person against Seller or any other person.

(b) Additional Waivers. Notwithstanding anything herein to the contrary, to the extent permitted by applicable law, Guarantor hereby absolutely, unconditionally, knowingly, and expressly waives:

- (1) any right it may have to revoke this Guaranty as to future indebtedness or notice of acceptance hereof;

(2) notices, demands, presentments, protests, notices of protest, notices of dishonor, notices of any action or inaction, including acceptance hereof, notices of default under this Guaranty notices of Event of Defaults under the Program Documents or any agreement or instrument related thereto, notices of any renewal, extension, modification or amount of the Guaranteed Obligations or any agreement related thereto, notices of any adverse change in the financial condition of Sellers or of any other fact that might increase Guarantor's risk hereunder, and notices of any Transactions, purchases, loans or other financial accommodations made or extended under the Program Documents or the creation or existence of any Guaranteed Obligations;

(3) its right, if any, to require Agent to institute suit against, or to exhaust any rights and remedies which Agent has or may have against any third party, or against any collateral provided by any third party. In this regard, Guarantor agrees that it is bound to the payment of each and all Guaranteed Obligations, whether now existing or hereafter arising, as fully as if the Guaranteed Obligations were directly owing to Agent by Guarantor. Guarantor further waives any defense arising by reason of any disability or other defense (other than the defense that the Guaranteed Obligations shall have been fully and finally performed and indefeasibly paid) of Guarantor in respect thereof;

(4) (i) any rights to assert against Agent or Purchaser any defense (legal or equitable), set-off, counterclaim, or claim which Guarantor may now or at any time hereafter have against any other party liable to Agent; (ii) any defense, set-off, counterclaim, or claim, of any kind or nature, arising directly or indirectly from the present or future lack of perfection, sufficiency, validity, or enforceability of the Guaranteed Obligations or any security therefor; (iii) any defense Guarantor has to performance hereunder, and any right Guarantor has to be exonerated, arising by reason of the alteration by Agent of the Guaranteed Obligations or the acceptance by Agent or Purchaser of anything in partial satisfaction of the Guaranteed Obligations; and (iv) the benefit of any statute of limitations affecting Guarantor's liability hereunder or the enforcement thereof, and any act which shall defer or delay the operation of any statute of limitations applicable to the Guaranteed Obligations shall similarly operate to defer or delay the operation of such statute of limitations applicable to Guarantor's liability hereunder; and

(5) any defense arising by reason of or deriving from (i) any claim or defense based upon an election of remedies by Agent, such as nonjudicial foreclosure; or (ii) any election by Agent under Section 1111(b) of Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect (or any successor statute), to limit the amount of, or any collateral securing, its claim against Guarantor.

SECTION 6. Notices. Notices and other communication provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy or electronic photocopy format sent by electronic mail, to the applicable party at its address set forth below its name on the signature pages of this Guaranty or such other address as shall be designated by such party in a written notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Guaranty shall be deemed to have been given on the fifth (5th) Business Day after the date when sent by registered or certified mail, postage prepaid, return receipt requested, if by mail, or upon receipt by such party, if by any electronic or facsimile communications equipment, in each case addressed to such party as provided herein or in accordance with the latest unrevoked written direction from such party.

SECTION 7. Successors. Each reference herein to Agent shall be deemed to include its successors and permitted assigns (including but not by way of limitation, Purchaser or any assignee of any of the Guaranteed Obligations), in whose favor the provisions of this Guaranty shall inure. Each reference herein to Guarantor shall be deemed to include its successors and assigns, all of whom shall be bound by the provisions of this Guaranty.

SECTION 8. Stay of Acceleration. If acceleration of the time for payment of any amount payable by Seller under the Program Documents is stayed upon the insolvency, bankruptcy or reorganization of Seller, all such amounts otherwise subject to acceleration under the terms of the Program Documents shall nonetheless be payable by Guarantor hereunder forthwith on demand by Agent.

SECTION 9. Setoff; No Deductions.

(a) Upon the occurrence and during the continuance of an Event of Default or the failure by Seller or Guarantor to timely perform all or any part of the Guaranteed Obligations in accordance with the Program Documents or this Guaranty, Agent may, without notice to Guarantor and regardless of the acceptance of any security or collateral for the payment hereof, appropriate and apply in accordance with the terms of the Program Documents toward the payment of all or any part of the Guaranteed Obligations (i) any indebtedness due or to become due from Agent to Guarantor, and (ii) any moneys, credits or other property belonging to Guarantor, at any time held by or coming into the possession of Agent or any of its affiliates.

(b) Guarantor represents and warrants that it is organized and resides in the United States of America. Guarantor shall make all payments hereunder without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory loans, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless Guarantor is compelled by law to make such deduction or withholding

SECTION 10. SERVICE OF PROCESS. GUARANTOR (I) HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE COURTS OF THE STATE OF NEW YORK AND TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, FOR THE PURPOSE OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS GUARANTY, OR THE SUBJECT MATTER HEREOF BROUGHT BY AGENT, PURCHASER OR ANY OF THEIR RESPECTIVE SUCCESSORS OR ASSIGNS AND (II) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER, OR THAT THIS GUARANTY OR THE SUBJECT MATTER HEREOF OR THEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT, AND (III) HEREBY AGREES NOT TO ASSERT ANY OFFSETS OR COUNTERCLAIMS (OTHER THAN COMPULSORY COUNTERCLAIMS) IN ANY SUCH ACTION, SUIT OR PROCEEDING. GUARANTOR HEREBY CONSENTS TO SERVICE OF PROCESS BY CERTIFIED MAIL AT ITS ADDRESS SET FORTH ON THE SIGNATURE PAGES OF THIS GUARANTY, AND AGREES THAT THE SUBMISSION TO JURISDICTION AND THE CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF AGENT AND PURCHASER. FINAL JUDGMENT AGAINST GUARANTOR IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE, AND MAY BE ENFORCED IN OTHER JURISDICTIONS (X) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND OF THE AMOUNT OF ANY INDEBTEDNESS OR LIABILITY OF GUARANTOR THEREIN DESCRIBED OR (Y) IN ANY

OTHER MANNER PROVIDED BY OR PURSUANT TO THE LAWS OF SUCH OTHER JURISDICTION; PROVIDED, HOWEVER, THAT AGENT OR PURCHASER MAY AT ITS OPTION BRING SUIT OR INSTITUTE OTHER JUDICIAL PROCEEDINGS AGAINST GUARANTOR OR ANY OF ITS ASSETS IN ANY STATE OR FEDERAL COURT OF THE UNITED STATES OR OF ANY COUNTRY OR PLACE WHERE GUARANTOR OR SUCH ASSETS MAY BE FOUND.

SECTION 11. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH, AND GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF (EXCEPT FOR SECTION 5-1401 AND SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW) AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCEPT TO THE EXTENT PREEMPTED BY FEDERAL LAW.

SECTION 12. No Waiver, etc. Neither a failure nor a delay on the part of Agent or Purchaser in exercising any right, power or privilege under this Guaranty shall operate as a waiver thereof, nor shall a single or

partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of Agent or Purchaser herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which Agent or Purchaser may have under this Guaranty, at law, in equity, by statute, or otherwise.

SECTION 13. Modification, etc. No modification, amendment or waiver of any provision of this Guaranty, nor the consent to any departure by Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on Guarantor in any case shall entitle Guarantor to any other or further notice or demand in the same, similar or other circumstances.

SECTION 14. Severability. If any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall in no way be affected or impaired thereby.

SECTION 15. Headings. Section headings used herein are for convenience of reference only and are not to affect the construction of, or be taken into consideration in interpreting, this Guaranty.

SECTION 16. Expenses. Guarantor shall pay on demand all reasonable and documented out-of-pocket expenses (including reasonable attorneys' fees) in any way relating to the enforcement or protection of Agent's rights under this Guaranty or in respect of the Guaranteed Obligations, including any incurred during any "workout" or restructuring in respect of the Guaranteed Obligations and any incurred in the preservation, protection or enforcement of any rights of Purchaser in any insolvency proceeding. The obligations of Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

SECTION 17. Indemnification and Survival. Without limitation on any other obligations of Guarantor or remedies of Agent or Purchaser (each such Person being called an "Indemnitee") under this Guaranty, Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless Agent and Purchaser from and against, and shall pay on demand, any and all damages, losses, liabilities and expenses (including reasonable attorneys' fees) that may be suffered or incurred by Agent or Purchaser in connection with or as a result of any failure of any

Guaranteed Obligations to be the legal, valid and binding obligations of Seller enforceable against Seller in accordance with their terms; provided that such indemnity shall not be available, as to any Indemnitee, to the extent that such damages, losses, liabilities and expenses resulted from the gross negligence or willful misconduct of such Indemnitee. The obligations of Guarantor under this paragraph shall survive the payment in full of the Guaranteed Obligations and termination of this Guaranty.

SECTION 18. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH OF AGENT AND GUARANTOR HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS GUARANTY OR THE SUBJECT MATTER HEREOF, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING OR WHETHER IN CONTRACT OR TORT OR OTHERWISE. GUARANTOR ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY AGENT THAT THE PROVISIONS OF THIS SECTION 18 CONSTITUTE A MATERIAL INDUCEMENT UPON WHICH AGENT HAS RELIED, IS RELYING AND WILL RELY IN ENTERING INTO THIS GUARANTY. GUARANTOR MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 18 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF AGENT TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY. AGENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 18 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF GUARANTOR TO THE WAIVER OF ITS RIGHTS TO TRIAL BY JURY.

SECTION 19. Obligations Independent. The obligations of Guarantor hereunder are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations. A separate action

may be brought against Guarantor to enforce this Guaranty whether or not Seller or any other person or entity is joined as a party.

[Signature Page Follows]

Signature Page to Guaranty Agreement

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed by its duly authorized officer as of the date first written above.

NATIONSTAR MORTGAGE LLC, as Guarantor

By: -
Name: -
Title: -

Address for Notices:
8950 Cypress Waters Boulevard
Coppell, Texas 75019
Attention: General Counsel

Acknowledged and Agreed By:

BARCLAYS BANK PLC, as Purchaser and Agent

By: -
Name: -
Title: -

Address for Notices:

745 Seventh Avenue, 4th Floor
New York, New York 10019
Attention: Joseph O'Doherty

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Section 3: EX-31.1 (EXHIBIT 31.1)

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 quarter ended March 31, 2016 of Nationstar Mortgage Holdings 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 15(d) - 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: May 5, 2016

/s/ Jay Bray

Jay Bray

Chief Executive Officer

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Section 4: 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, Robert D. Stiles, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2016 of Nationstar Mortgage Holdings 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: May 5, 2016

/s/ Robert D. Stiles

Robert D. Stiles

Chief Financial Officer

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Section 5: 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 Nationstar Mortgage Holdings Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016, 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: May 5, 2016

/s/ Jay Bray

Jay Bray

Chief Executive Officer

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Section 6: EX-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 Nationstar Mortgage Holdings Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert D. Stiles, 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: May 5, 2016

/s/ Robert D. Stiles

Robert D. Stiles

Chief Financial Officer

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