
Section 1: 8-K (NATIONSTAR MORTGAGE HOLDINGS INC. 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report: July 17, 2018

Nationstar Mortgage Holdings Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35449
(Commission File Number)

45-2156869
(I.R.S. Employer
Identification Number)

**8950 Cypress Waters Boulevard
Coppell, Texas 75019**
(Address of Principal Executive Offices)

(469) 549-2000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the

following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Item 2.02 Results of Operations and Financial Condition.

On July 17, 2018, Nationstar Mortgage Holdings Inc. (the "Company") issued a press release announcing its financial results for the second quarter ended June 30, 2018. A copy of the press release is attached as Exhibit 99.1 and will be published in the Investor Information section on the Company's website at www.nationstarholdings.com. In connection with the release and the related conference call, the Company posted a presentation relating to its second quarter ended June 30, 2018 financial results in the Investor Information section on the Company's website.

The press release and presentation include certain non-generally accepted accounting principles financial measures. Reconciliations to the most directly comparable generally accepted accounting principles financial measures are included in the press release and the presentation.

The information furnished pursuant to this Item 2.02 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.

On July 16, 2018, the Company's wholly-owned subsidiaries, Nationstar Mortgage LLC and Nationstar Capital Corporation, provided notice of their election to redeem all the currently outstanding 9.625% senior notes due 2019 (the "2019 Notes") and all the currently outstanding 7.875% senior notes due 2020 (the "2020 Notes" and, together with the 2019 Notes, the "Existing Notes"). The Existing Notes will be redeemed on August 15, 2018 (the "Redemption Date") at a redemption price of (x) in the case of the 2019 Notes, 100% of the principal amount of the 2019 Notes and (y) in the case of the 2020 Notes, 101.969% of the principal amount of the 2020 Notes, in each case, plus accrued and unpaid interest on the Existing Notes to the Redemption Date.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit
Number

Exhibit

[99.1](#) [Press release of Nationstar Mortgage Holdings Inc., dated July 17, 2018](#)

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 hereunto duly authorized.

Nationstar Mortgage Holdings Inc.

Date: July 17, 2018

By: /s/ Amar Patel
Amar Patel
Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

Nationstar Reports Second Quarter 2018 Financial Results

- **Quarterly GAAP income of \$58 million, \$0.59 per diluted share and \$52 million adjusted income, \$0.53 per diluted share**
- **Adjusted servicing profitability of 5.8 basis points (bps)**
- **Servicing GAAP pretax income of \$88 million, adjusted pretax income of \$72 million**
- **Originations GAAP pretax income of \$32 million, adjusted pretax income of \$33 million**
- **Xome GAAP pretax income of \$10 million, adjusted pretax income of \$13 million**

DALLAS--(BUSINESS WIRE)--July 17, 2018--Nationstar Mortgage Holdings Inc. (NYSE:NSM), which principally operates under the Mr. Cooper® and Xome® brands, reported second quarter GAAP net income of \$58 million, or \$0.59 per diluted share. On an adjusted basis, the Company reported earnings for the second quarter of \$52 million, or \$0.53 per diluted share.

"Nationstar continues to deliver solid operating results with all segments experiencing growth. Servicing profitability is improving ahead of expectations, and significant opportunities exist for further growth. Originations grew in profitability and volume, and it is focused on providing solutions for our 3.2 million customers. Xome sales and order volumes increased with the continued addition of new third-party clients," said Jay Bray, Chairman and Chief Executive Officer. "We have received all required approvals for our merger transaction with WMIH and we expect to close the merger on July 31. We appreciate the support of our shareholders, the WMIH shareholders and our partners who have provided these approvals. We look forward to growing our differentiated platform and building value for our shareholders and customers."

Servicing

Servicing supports home ownership for our 3.2 million customers and earns recurring revenues from mortgage servicing rights and subservicing. The Servicing segment earned \$88 million GAAP pretax income or \$72 million adjusted pretax income (5.8 basis points). Adjusted pretax profitability improved 5% from the prior quarter primarily due to lower expenses. Expenses improved by \$16 million or 9% quarter-over-quarter as a result of improved efficiencies in the segment.

Nationstar boarded \$20 billion UPB, ending the second quarter at \$498 billion. An estimated \$65 billion UPB, consisting of both mortgage servicing rights and subservicing, is scheduled to board in the second half of the year. Nationstar continues to evaluate significant servicing growth opportunities and expects to end the year with over \$530 billion.

Nationstar is targeting adjusted servicing profitability in excess of 6.0 basis points on average for the full year 2018 which will be propelled by lower prepayment environment, portfolio additions, and continued cost savings initiatives.

(\$ in millions)

| | Quarter Ended | | | |
|------------------------------------|---------------|--------|--------|--------|
| | Q1'18 | | Q2'18 | |
| | \$ | BPS | \$ | BPS |
| Operational revenue | \$ 291 | 23.0 | \$ 277 | 22.3 |
| Amortization | (48) | (3.8) | (48) | (3.9) |
| Mark-to-market | 152 | 12.1 | 19 | 1.5 |
| Total revenues | 395 | 31.3 | 248 | 20.0 |
| Expenses | (182) | (14.4) | (166) | (13.4) |
| Total other income (expenses), net | 7 | 0.6 | 6 | 0.5 |

| | | | | |
|----------------------------|--------------|------------|--------------|------------|
| Income before taxes (GAAP) | 220 | 17.6 | 88 | 7.1 |
| Mark-to-market | (152) | (12.1) | (19) | (1.5) |
| Adjustments | — | — | 3 | 0.2 |
| Adjusted pretax income | <u>\$ 69</u> | <u>5.5</u> | <u>\$ 72</u> | <u>5.8</u> |

| | Quarter Ended | |
|----------------------------------|---------------|--------|
| | Q1'18 | Q2'18 |
| Ending UPB (\$B) | \$ 500 | \$ 498 |
| Average UPB (\$B) | \$ 504 | \$ 497 |
| 60+ day delinquency rate | 3.2% | 2.8% |
| Annualized CPR | 10.7% | 12.1% |
| Annualized CPR, net of recapture | 8.9% | 10.5% |
| Modifications and workouts | 19,950 | 14,715 |

Originations

Originations creates servicing assets at attractive margins through recapture of existing customers, new customer acquisitions, and correspondent originations. The Originations segment earned \$32 million GAAP pretax income or \$33 million adjusted pretax income, an increase of 32% from the prior quarter primarily attributable to higher volume and reduced expenses.

Nationstar funded over 25,000 loans totaling approximately \$5.5 billion which was composed of \$2.6 billion from the consumer direct channel and \$2.9 billion from the correspondent channel. The consumer direct channel is primarily focused on improving cash flow and consolidating debt for nearly 750,000 customers identified from the servicing portfolio. A new mobile app called Home Intelligence is expected to be available to Nationstar's 3.2 million customers later in third quarter to help them optimize their personal balance sheets and further add volume for the channel.

Nationstar is targeting Originations adjusted pretax income of \$120 million for the full year 2018.

| | Quarter Ended | |
|----------------------------|---------------|--------------|
| | Q1'18 | Q2'18 |
| <i>(\$ in millions)</i> | | |
| Income before taxes (GAAP) | \$ 19 | \$ 32 |
| Adjustments | 5 | 1 |
| Adjusted pretax income | <u>\$ 25</u> | <u>\$ 33</u> |

| | Quarter Ended | |
|--|---------------|----------|
| | Q1'18 | Q2'18 |
| <i>(\$ in millions)</i> | | |
| Total pull through adjusted volume | \$ 4,862 | \$ 5,440 |
| Funded volume | \$ 5,087 | \$ 5,542 |
| Recapture percentage | 27% | 22% |
| Purchase volume as a percentage of funded volume | 40% | 51% |

Xome

Xome provides real estate solutions including property disposition, asset management, title, close, valuation, and field services to Nationstar and third parties. The Xome segment earned \$10 million GAAP pretax income or \$13 million adjusted pretax income.

Both the Exchange and Services segments experienced sequential growth as property sales and completed order volumes increased. The Exchange business sold over 3,700 properties in the quarter, a 16% increase from prior quarter. Third-party listings accounted for over 45% of total property sales as the segment continues to attract third-party business and referral listings. During the quarter, the Exchange business added six new institutional clients. The Services business completed over 117,000 orders in the quarter, a 5% increase from prior quarter. The field services business continues to capture property inspection and preservation orders and is expected to be fully ramped by the end of the year.

Nationstar is targeting Xome adjusted pretax income of \$60 million for the full year 2018.

(\$ in millions)

Income before taxes (GAAP)
Adjustments
Adjusted pretax income

| | | Quarter Ended | |
|--|----|---------------|-------|
| | | Q1'18 | Q2'18 |
| | \$ | 22 | \$ 10 |
| | | (8) | 3 |
| | \$ | 14 | \$ 13 |

Exchange property listings sold
Exchange property listings at period end
Services orders completed
Percentage of revenue earned from third-party customers

| | | Quarter Ended | |
|--|--|---------------|---------|
| | | Q1'18 | Q2'18 |
| | | 3,202 | 3,720 |
| | | 7,594 | 7,417 |
| | | 111,339 | 117,093 |
| | | 27% | 28% |

Conference Call Webcast and Investor Presentation

The Company will host a conference call on July 17, 2018, at 9:00 A.M. Eastern Time. The conference call may be accessed by dialing 855-874-2685, or 720-634-2923 internationally. Please use the participant passcode 7668739 to access the conference call. A simultaneous audio webcast of the conference call will be available in the Investor Information section of www.nationstarholdings.com. A replay will also be available by dialing 855-859-2056, or 404-537-3406 internationally. Please use the passcode 7668739 to access the replay. The replay will be accessible through July 31, 2018.

Non-GAAP Financial Measures

The Company utilizes non-GAAP (or "adjusted") financial measures as the measures provide additional information to assist investors in understanding and assessing the Company's and our business segments' ongoing performance and financial results, as well as assessing our prospects for future performance. The adjusted financial measures facilitate a meaningful analysis and allow more accurate comparisons of our ongoing business operations because they exclude items that may not be indicative of or are unrelated to the Company's and our business segments' core operating performance, and are better measures for assessing trends in our underlying businesses. These adjustments are consistent with how management views our businesses. Management uses these non-GAAP financial measures in making financial, operational and planning decisions and evaluating the Company's and our business segment's ongoing performance. Adjusted pre-tax income (loss) in the servicing segment eliminates the effects of mark-to-market adjustments which primarily reflects unrealized gains or losses based on the changes in fair value measurements of MSRs and their related financing liabilities for which a fair value accounting election was made. These adjustments, which can be highly volatile and material due to changes in credit markets, are not necessarily reflective of the gains and losses that will ultimately be realized by the Company. Adjusted pre-tax income (loss) also eliminates in each segment, as applicable, transition and integration costs, gains (losses) on sales of fixed assets, certain settlement costs that are not considered normal operational matters, and other adjustments based on the facts and circumstances that would provide investors a supplemental means for evaluating the Company's core operating performance.

Forward Looking Statements

Any statements in this release that are not historical or current facts are forward looking statements. These forward looking statements include, but are not limited to, statements regarding estimates of Servicing's profitability, growth and Originations and Xome adjusted pre-tax income. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Results for any specified quarter are not necessarily indicative of the results that may be expected for the full year or any future period. Certain of these risks and uncertainties are described in the "Business" and "Risk Factors" sections of our most recent annual report and other required documents as filed with the SEC which are available at the SEC's website at <http://www.sec.gov>. Nationstar undertakes no obligation to publicly update or revise any forward looking statement or any other financial information contained herein, and the statements made in this press release are current as of the date of this release only.

Financial Tables

NATIONSTAR MORTGAGE HOLDINGS INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(millions of dollars, except for earnings per share data)

Quarter Ended

| | March 31, 2018 | June 30, 2018 |
|---|----------------|---------------|
| Revenues: | | |
| Service related, net | \$ 312 | \$ 298 |
| Mark-to-market | 152 | 19 |
| Net gain on mortgage loans held for sale | 124 | 127 |
| Total revenues | <u>588</u> | <u>444</u> |
| Total expenses | 364 | 339 |
| Other income (expense): | | |
| Interest income | 145 | 140 |
| Interest expense | (171) | (164) |
| Other income (expenses) | 8 | (2) |
| Total other income (expenses), net | <u>(18)</u> | <u>(26)</u> |
| Income before income tax expense | 206 | 79 |
| Income tax expense | 46 | 21 |
| Net income attributable to Nationstar | <u>\$ 160</u> | <u>\$ 58</u> |
| Earnings per share attributable to common stockholders: | | |
| Basic | \$ 1.63 | \$ 0.59 |
| Diluted | \$ 1.61 | \$ 0.59 |
| Weighted average shares of common stock outstanding (in thousands): | | |
| Basic | 97,873 | 98,203 |
| Diluted | <u>99,111</u> | <u>99,130</u> |

NATIONSTAR MORTGAGE HOLDINGS INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(millions of dollars)

| | Quarter Ended | |
|---|------------------|------------------|
| | March 31, 2018 | June 30, 2018 |
| Assets | | |
| Cash and cash equivalents | \$ 187 | \$ 185 |
| Restricted cash | 365 | 310 |
| Mortgage servicing rights | 3,194 | 3,356 |
| Advances and other receivables, net | 1,424 | 1,317 |
| Reverse mortgage interests, net | 10,225 | 9,477 |
| Mortgage loans held for sale at fair value | 1,589 | 1,635 |
| Mortgage loans held for investment, net | 136 | 132 |
| Property and equipment, net | 123 | 123 |
| Derivative financial instruments at fair value | 65 | 62 |
| Other assets | 556 | 593 |
| Total assets | <u>\$ 17,864</u> | <u>\$ 17,190</u> |
| Liabilities and Stockholders' Equity | | |
| Unsecured senior notes, net | \$ 1,859 | \$ 1,815 |
| Advance facilities, net | 562 | 516 |
| Warehouse facilities, net | 3,161 | 3,086 |
| Payables and accrued liabilities | 1,235 | 1,288 |
| MSR related liabilities - nonrecourse at fair value | 1,035 | 1,063 |
| Mortgage servicing liabilities | 30 | 27 |
| Derivative financial instruments at fair value | 9 | 9 |
| Other nonrecourse debt, net | 8,091 | 7,445 |
| Total liabilities | <u>15,982</u> | <u>15,249</u> |
| Total stockholders' equity | 1,882 | 1,941 |
| Total liabilities and stockholders' equity | <u>\$ 17,864</u> | <u>\$ 17,190</u> |

**UNAUDITED SEGMENT STATEMENT OF
OPERATIONS & EARNINGS RECONCILIATION**
(millions of dollars, except for earnings per share data)

| | Quarter ended March 31, 2018 | | | | | |
|--|------------------------------|--------------|--------------|---------------------|-------------|----------------|
| | Servicing | Originations | Xome | Corporate and Other | Elim. | Consolidated |
| REVENUES: | | | | | | |
| Service related, net | \$ 395 | \$ 15 | \$ 65 | \$ — | \$ (11) | \$ 464 |
| Net gain on mortgage loans held for sale | — | 113 | — | — | 11 | 124 |
| Total revenues | <u>395</u> | <u>128</u> | <u>65</u> | <u>—</u> | <u>—</u> | <u>588</u> |
| Total expenses | <u>182</u> | <u>109</u> | <u>52</u> | <u>21</u> | <u>—</u> | <u>364</u> |
| Other income (expense): | | | | | | |
| Interest income | 126 | 15 | — | 4 | — | 145 |
| Interest expense | (118) | (15) | — | (38) | — | (171) |
| Other expense | (1) | — | 9 | — | — | 8 |
| Total other income (expense) | <u>7</u> | <u>—</u> | <u>9</u> | <u>(34)</u> | <u>—</u> | <u>(18)</u> |
| Pretax income (loss) | <u>\$ 220</u> | <u>\$ 19</u> | <u>\$ 22</u> | <u>\$ (55)</u> | <u>\$ —</u> | <u>\$ 206</u> |
| Income tax expense | | | | | | (46) |
| Net income attributable to Nationstar | | | | | | <u>\$ 160</u> |
| Earnings per share | | | | | | |
| Basic | | | | | | <u>\$ 1.63</u> |
| Diluted | | | | | | <u>\$ 1.61</u> |
| Adjusted Earnings: | | | | | | |
| Pretax income (loss) | \$ 220 | \$ 19 | \$ 22 | \$ (55) | \$ — | \$ 206 |
| MTM | (152) | — | — | — | — | (152) |
| Adjustments | — | 5 | (8) | 6 | — | 3 |
| Adjusted pretax income (loss) | <u>\$ 69</u> | <u>\$ 25</u> | <u>\$ 14</u> | <u>\$ (49)</u> | <u>\$ —</u> | <u>\$ 58</u> |
| Income tax expense | | | | | | (14) |
| Adjusted earnings | | | | | | <u>\$ 44</u> |
| Adjusted diluted EPS | | | | | | <u>\$ 0.44</u> |

Notes: Items may not sum due to rounding

**UNAUDITED SEGMENT STATEMENT OF
OPERATIONS & EARNINGS RECONCILIATION**
(millions of dollars, except for earnings per share data)

| | Quarter ended June 30, 2018 | | | | | |
|--|-----------------------------|--------------|--------------|---------------------|-------------|--------------|
| | Servicing | Originations | Xome | Corporate and Other | Elim. | Consolidated |
| REVENUES: | | | | | | |
| Service related, net | \$ 248 | \$ 17 | \$ 62 | \$ 1 | \$ (11) | \$ 317 |
| Net gain on mortgage loans held for sale | — | 116 | — | — | 11 | 127 |
| Total revenues | <u>248</u> | <u>133</u> | <u>\$ 62</u> | <u>1</u> | <u>—</u> | <u>444</u> |
| Total expenses | <u>166</u> | <u>102</u> | <u>52</u> | <u>19</u> | <u>—</u> | <u>339</u> |
| Other income (expense): | | | | | | |
| Interest income | 121 | 17 | — | 2 | — | 140 |
| Interest expense | (115) | (16) | — | (33) | — | (164) |
| Other expense | — | — | — | (2) | — | (2) |
| Total other income (expense) | <u>6</u> | <u>1</u> | <u>—</u> | <u>(33)</u> | <u>—</u> | <u>(26)</u> |
| Pretax income (loss) | <u>\$ 88</u> | <u>\$ 32</u> | <u>\$ 10</u> | <u>\$ (51)</u> | <u>\$ —</u> | <u>\$ 79</u> |
| Income tax expense | | | | | | (21) |

Net income attributable to Nationstar

\$ 58

Earnings per share

Basic \$ 0.59

Diluted \$ 0.59

Adjusted Earnings:

| | | | | | | |
|-------------------------------|--------------|--------------|--------------|----------------|-------------|----------------|
| Pretax income (loss) | \$ 88 | \$ 32 | \$ 10 | \$ (51) | \$ — | \$ 79 |
| MTM | (19) | — | — | — | — | (19) |
| Adjustments | 3 | 1 | 3 | 2 | — | 9 |
| Adjusted pretax income (loss) | <u>\$ 72</u> | <u>\$ 33</u> | <u>\$ 13</u> | <u>\$ (49)</u> | <u>\$ —</u> | <u>\$ 69</u> |
| Income tax expense | | | | | | (17) |
| Adjusted earnings | | | | | | <u>\$ 52</u> |
| Adjusted diluted EPS | | | | | | <u>\$ 0.53</u> |

Notes: Items may not sum due to rounding

CONTACT:

Nationstar Mortgage Holdings Inc.

Rich Delgado, 214-687-4844

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