



Mr. Cooper<sup>®</sup>Group

# 3Q'20 EARNINGS REVIEW

*October 29, 2020*

# IMPORTANT INFORMATION

This presentation contains summarized information concerning Mr. Cooper Group Inc. ("Mr. Cooper" or the "Company") and the Company's business, operations, financial performance and trends. No representation is made that the information in this presentation is complete. For additional financial, statistical and business related information, as well as information regarding business and segment trends, see the Company's most recent Annual Report on Form 10-K ("Form 10-K") and Quarterly Reports on Form 10-Q filed with the U.S. Securities and Exchange Commission (the "SEC"), as well other reports filed with the SEC from time to time. Such reports are or will be available in the Investors section of the Company's website ([www.mrcoopergroup.com](http://www.mrcoopergroup.com)) and the SEC's website ([www.sec.gov](http://www.sec.gov)).

**Forward Looking Statements.** This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding refinancing opportunities, portfolio growth and a rebound in servicing margins. All statements other than statements of historical or current fact included in this presentation that address activities, events, conditions or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business and these statements are not guarantees of future performance.

Forward-looking statements may include the words "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "strategy," "future," "opportunity," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Such forward-looking statements involve risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by such statements, including the severity and duration of the COVID-19 pandemic; the pandemic's impact on the U.S. and the global economies; federal, state, and local government responses to the pandemic; borrower forbearance rates and availability of financing. Certain of these risks are identified and discussed in documents Mr. Cooper has filed or will file from time to time with the SEC. These risk factors will be important to consider in determining future results and should be reviewed in their entirety. These forward-looking statements are expressed in good faith, and Mr. Cooper believes there is a reasonable basis for them. However, the events, results or trends identified in these forward-looking statements may not occur or be achieved. Forward-looking statements speak only as of the date they are made, and Mr. Cooper is not under any obligation, and expressly disclaims any obligation, to update, alter or otherwise revise any forward-looking statement, except as required by law. Readers should carefully review the statements set forth in the reports that Mr. Cooper has filed or will file from time to time with the SEC.

**Non-GAAP Measures.** This presentation contains certain references to non-GAAP measures. Please refer to the Appendix for more information on non-GAAP measures.

## THIRD QUARTER HIGHLIGHTS

- Reported net income of \$214 million<sup>(1)</sup> and \$2.18 per diluted share
- Generated pretax operating income of \$348 million, equivalent to ROTCE of 51%
- Tangible book value per share increased to \$23.95 from \$21.42
- Record Originations pretax operating income of \$438 million on record funded volume of \$15.6 billion
- Xome generated \$18 million in pretax operating income
- As of October 25<sup>th</sup>, 2020, 6.1% of customers on forbearance, down from peak of 7.2%
- Redeemed \$950 million senior notes with \$100 million cash and issued new debt of \$850 million at 5.5%, extending liquidity runway to 5+ years
- Expanded total committed advance financing capacity to \$2.0 billion, of which \$1.5 billion was unused as of 3Q'20
- Repurchased 1.2 million shares of common stock for \$23.3 million
- Quarter-end unrestricted cash of \$946 million

# CULTURAL TRANSFORMATION



Certified Great Place To Work® for the 2<sup>nd</sup> year in a row, in both the U.S. and India

- Survey participation rate of 88%, and 87% of team members described Mr. Cooper as a great place to work

Received the 2020 MBA Diversity and Inclusion Residential Leadership Award

Added 1,120 new employees

# DIGITAL TRANSFORMATION

## Front-End Tools

Engage/educate customers with best-in-class digital tools



Payments, Escrow,  
Loan Mods,  
Forbearance



Home  
Intelligence®



Mortgage  
Tune-Up



Loan  
Tracker

## Middle Office Tools

Equip agents to handle customer needs



**Sales Desk**  
Drives higher lead-lock conversions by providing Home Advisor agents with multiple customer options



**iAssist**  
Proprietary servicing platform provides superior experience for customer service reps

## Back Office Tools

Drive greater fulfillment efficiency

### ICE

Next-generation optical scanning speeds portfolio onboarding and claims resolution

### FLASH

Automated identification of micro-tasks to drive lower Originations costs, faster cycle times

### AUTONOMOUS VIRTUAL ASSISTANTS

Faster Originations fulfillment through machine connectivity with vendor feeds

### BEST-FIT BENEFITS ENGINE

Provides best refi options for customers from 1000s of product and pricing permutations

### SMART PRICING

Correspondent pricing engine maximizes margins using proprietary customer/product elasticity estimates

### ONE-CLICK DISCLOSURES MGMT

Provides best-in-class customer experience

## OUTCOMES



Lower Unit Costs



Faster Cycle Times



Improved Customer Engagement



Improved Team Member Experience

# BALANCED BUSINESS MODEL

## SERVICING

3.4 million Customers with \$588 bn UPB

\$287 bn Owned UPB

\$301 bn Subservicing UPB

## ORIGINATIONS

\$51.2 bn in Total Funded Volume LTM

\$29.9 bn in DTC LTM

\$20.1 bn in Correspondent LTM



## CASH PRIORITIES

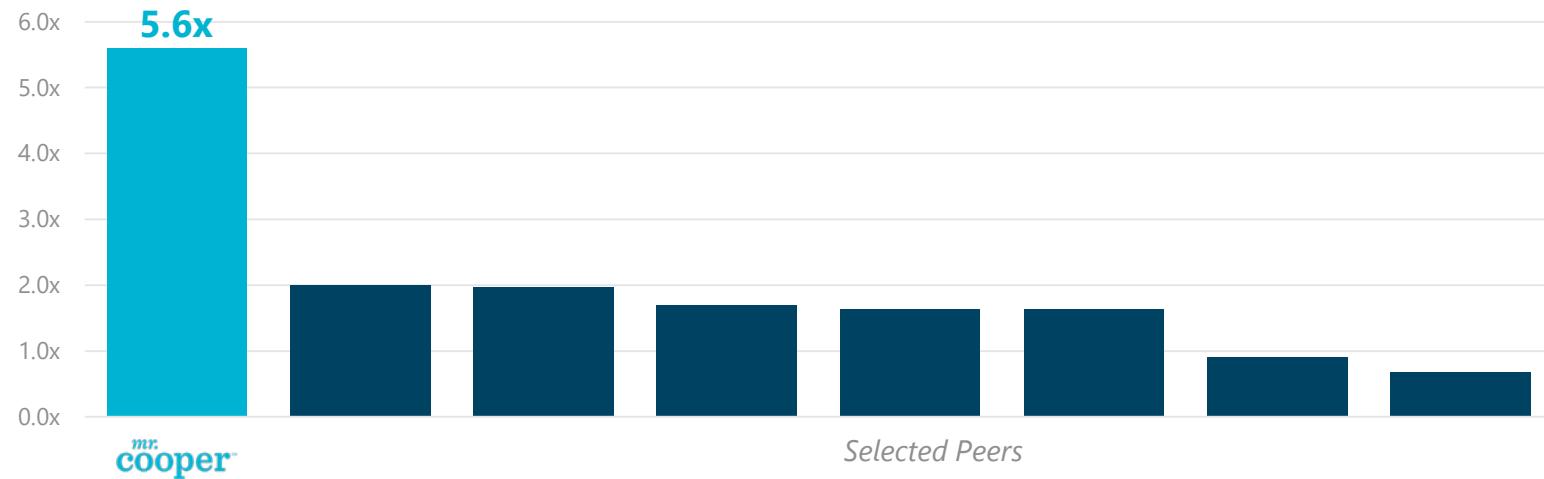
Liquidity

Deleveraging

Growth

Stock Repurchase

Owned Servicing to LTM Originations Funded Volume



# SUMMARY 3Q'20 FINANCIAL RESULTS

\$ mm's, except per share data	3Q'20	2Q'20	3Q'19
Servicing	(\$27)	(\$19)	\$60
Originations	438	434	178
Xome	18	13	13
Corporate debt interest expense	(44)	(47)	(51)
Corporate expense/other	(37)	(31)	(29)
<b>Pretax operating income<sup>(1)</sup></b>	<b>\$348</b>	<b>\$350</b>	<b>\$171</b>
Other mark-to-market <sup>(2)</sup>	(4)	(232)	(51)
Loss on redemption of unsecured senior notes	(53)	-	-
Adjustments	(1)	(1)	(1)
Intangible amortization	(9)	(7)	(12)
Pretax income	\$281	\$110	\$107
Income tax expense	(67)	(37)	(24)
<b>Net income</b>	<b>\$214</b>	<b>\$73</b>	<b>\$83</b>
Weighted average diluted sharecount	95.0	93.0	92.0
Diluted EPS <sup>(4)</sup>	\$2.18	\$0.77	\$0.90
<b>TBV Rollforward<sup>(1)</sup></b>	<b>\$ mm's</b>	<b>Per share</b>	
<b>2Q'20</b>	<b>\$1,971</b>	<b>\$21.42</b>	
3Q'20 net income <sup>(4)</sup>	214	2.18	
Intangible amortization	9	0.10	
Other	(18)	(0.20)	
<b>3Q'20</b>	<b>\$2,176</b>	<b>\$23.95</b>	

<sup>(1)</sup> Please see appendix for reconciliations of non-GAAP items

<sup>(2)</sup> Other mark-to-market does not include fair value amortization. Fair value amortization represents the additional amortization required under the fair value amortization method over the cost amortization method

	\$ mm's	ROTCE
GAAP net income	\$214	41.3%
Fully-taxed operating income <sup>(1)(3)</sup>	\$264	50.9%
Discretionary steady state cash flow	\$383	n/a

- Excluding reversal of charges in 2Q, operating earnings grew 10% sequentially
- DTA declined by \$47 million in 3Q'20, bringing DTA to 62% of TBV from 71% in the prior quarter
- Share count increased to 95.0 million, net of 1.2 million buyback, due to stock price impact on equity incentives. 3Q pro forma share count sensitivity to higher average share price:

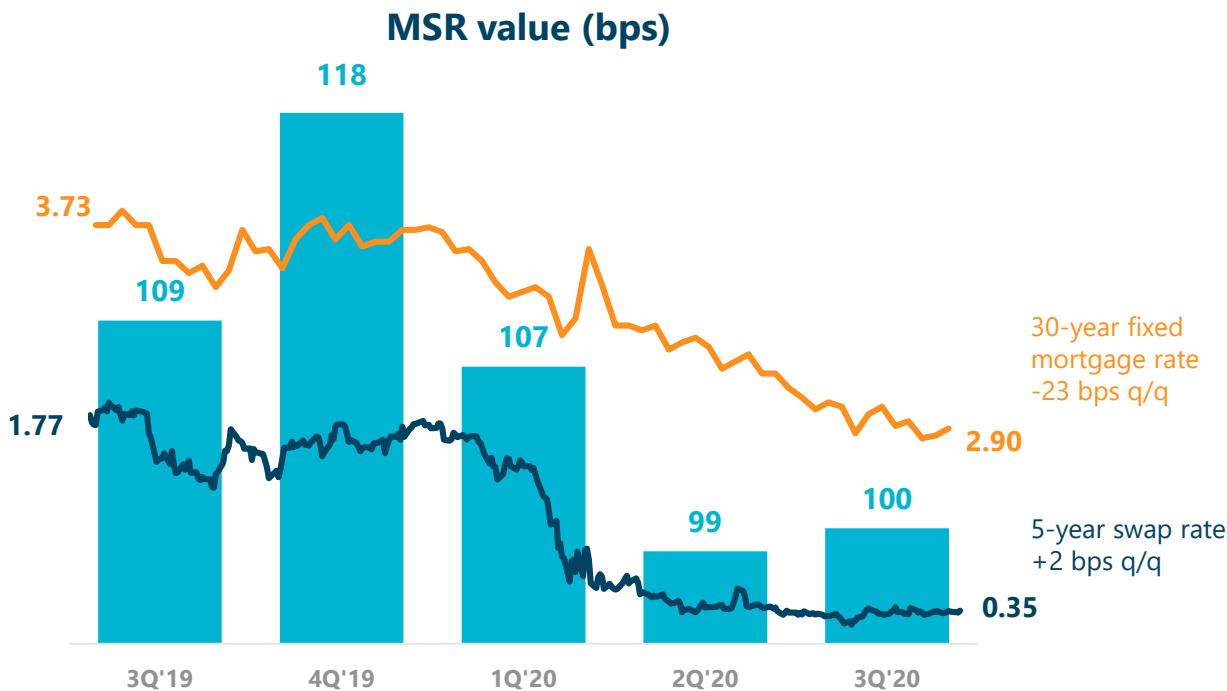
Avg stock price	\$25	\$30	\$35	\$40
Sharecount	96.0	96.3	96.5	96.7

- Adjustments includes \$1 million in severance in Servicing
- Other notable items include \$46 million investor settlement recoveries in Servicing

<sup>(3)</sup> Assumes GAAP tax-rate of 24.2% and does not give credit to cash flow benefits of the DTA

<sup>(4)</sup> Per share data calculated based on net income (loss) attributable to common shareholders

# MSR VALUE STABLE AT 100 BPS



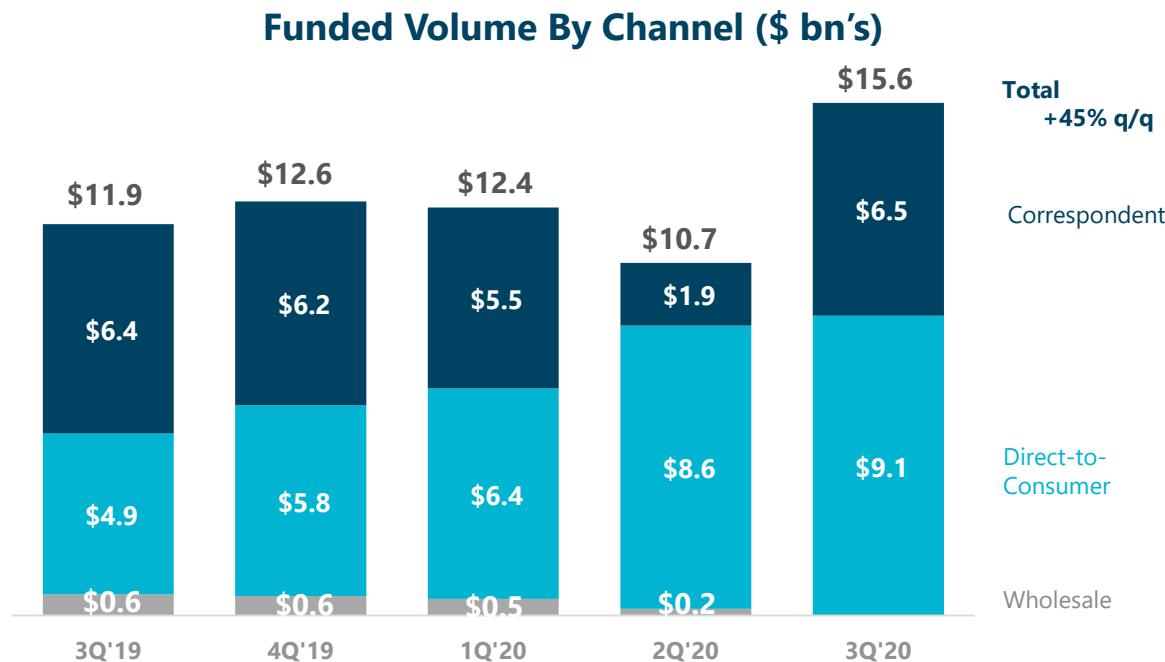
## Rate/term Refinance Opportunity

Mortgage Rate	Customers in Thousands	Eligible Portfolio %
+50 bps	645.1	38%
+25 bps	729.7	43%
<b>Current rate</b>	<b>819.7</b>	<b>48%</b>
-25 bps	910.3	53%
-50 bps	995.3	58%

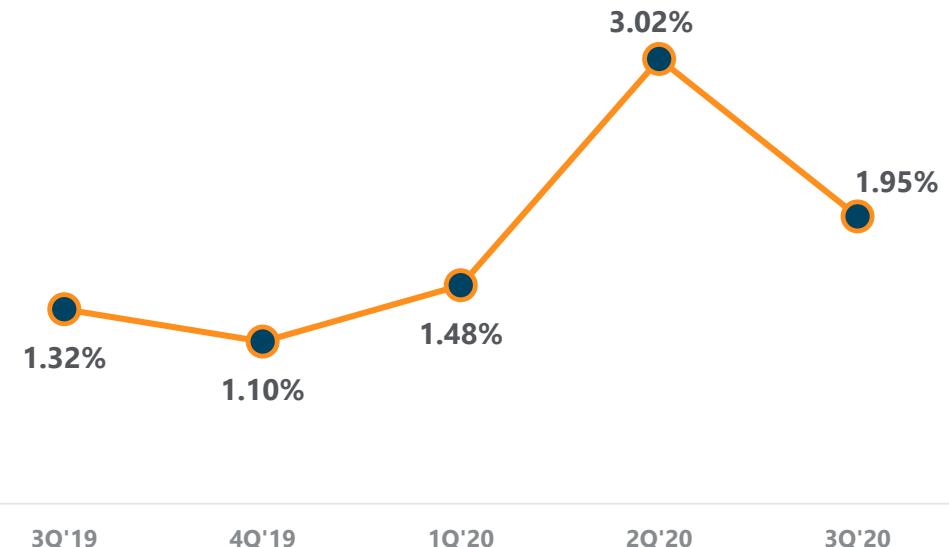
- The Company reported a negative mark-to-market of \$29 mm largely driven by a decline in interest rates, offset by a \$46 million preliminary estimate of revenues for loans exiting forbearance
- As of September 30, 2020 a 25-bp downward shock to rates would result in a \$106 million mark-to-market charge

- At current rates, we expect the refinance opportunity to extend well into 2021

# RECORD PRETAX EARNINGS AND FUNDED VOLUME



## Originations Pretax Margin<sup>(1)</sup>



## 3Q'20 REFINANCE RECAPTURE RATES

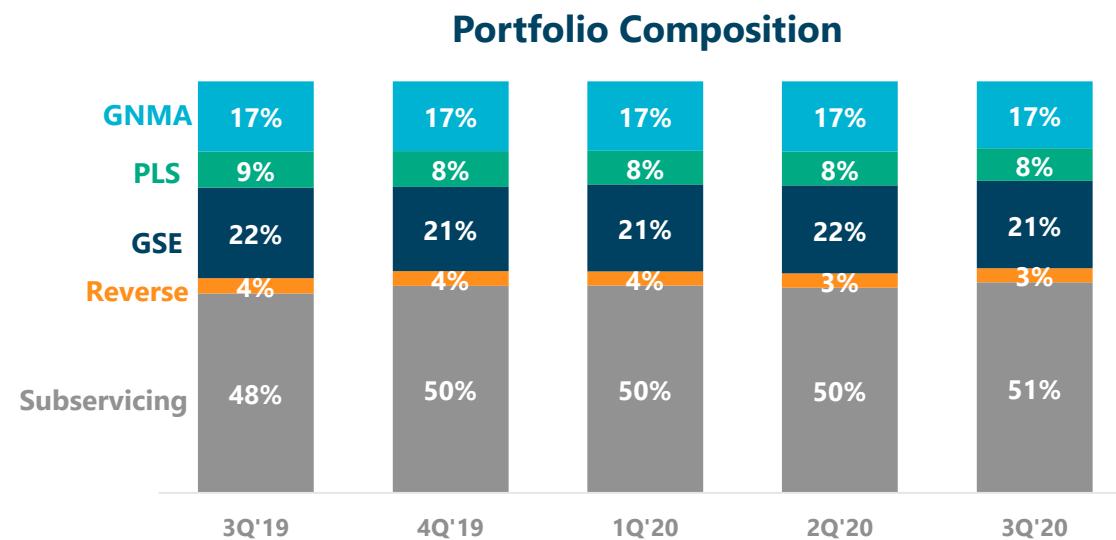
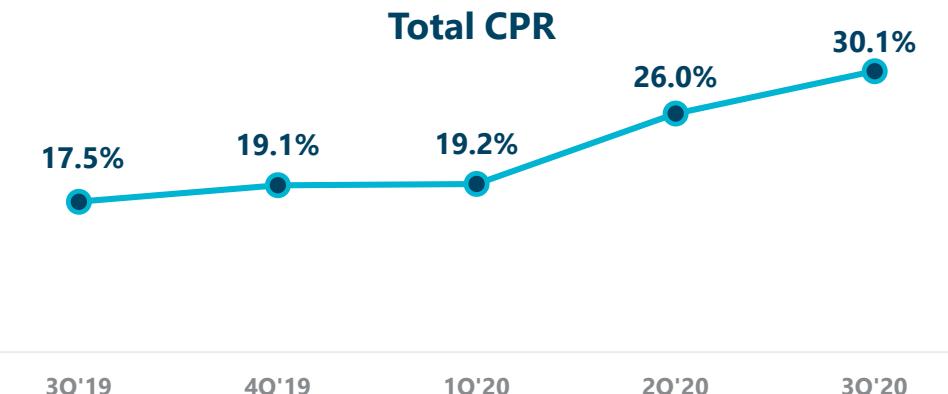
DTC	Correspondent	Bulk	Total
63%	41%	24%	31%

- Originations produced record funded volume of \$15.6 billion up 45% quarter-over-quarter and record locked volume of \$19.8 billion up 60% quarter-over-quarter
- Origination pretax margins reverted to 1.95% from 3.02% quarter-over-quarter, as funding mix shifted back to 42% correspondent from 18% in the second quarter

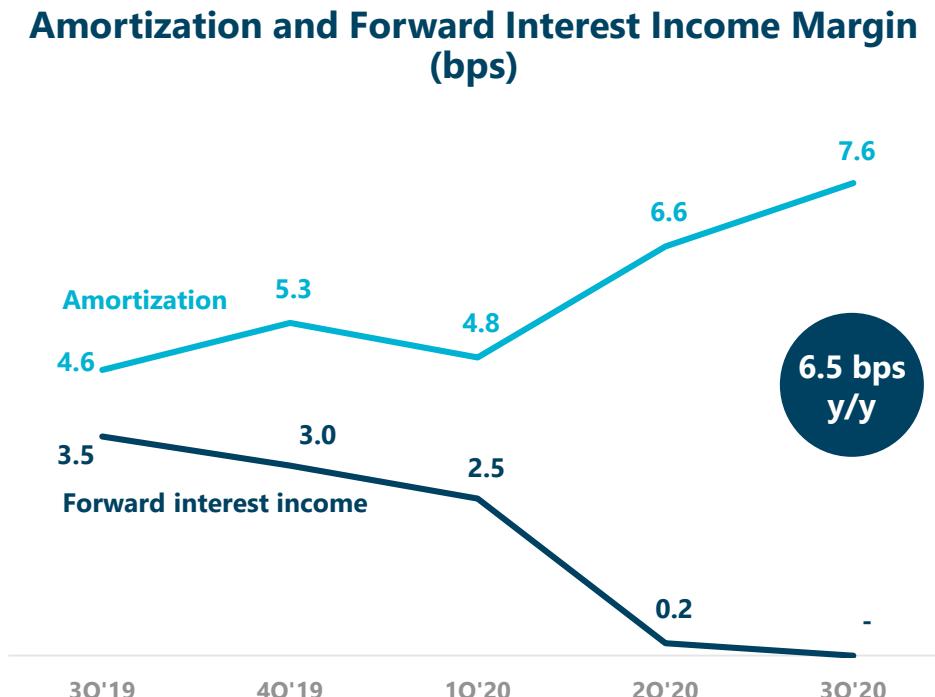
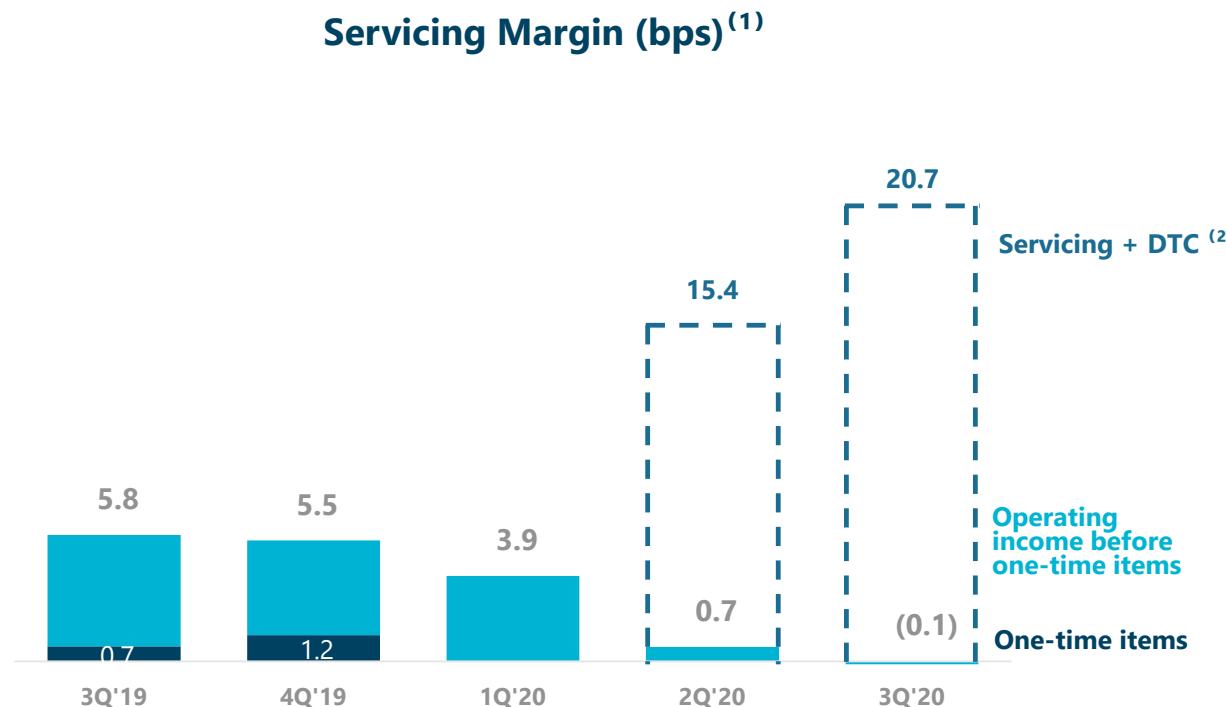
# SERVICING PORTFOLIO STABLE



- The portfolio was stable in 3Q'20 as CPR spiked to 30%
- We expect single-digit portfolio growth in 4Q'20 on new subservicing relationship and further ramp in correspondent volumes



# SERVICING MARGIN IMPACTED BY LOW INTEREST RATES



- Servicing margin compressed to (0.1) bps due to the impact of low interest rates, including higher amortization and reduced interest income on custodial deposits, offset by investor settlement recoveries of \$46 million
- We expect a rebound in servicing margins in 2021 on declining CPR and higher revenues from loans exiting forbearance

- Combined effect of higher amortization and lower yields on custodial deposits has reduced servicing margin by 6.5 bps year-over-year. Impact of higher year-over-year amortization alone is \$156 million on an annualized basis

<sup>(1)</sup> Please see appendix for reconciliations of non-GAAP measures

<sup>(2)</sup> Calculated using pretax income from servicing and DTC, less MSR mark, excluding the \$64 mm higher cost-to-service assumptions in 1Q'20, and \$46 mm revenue estimates related to loans exiting forbearance

# INNOVATIVE FORBEARANCE SOLUTIONS

- 78% of customers digitally engaged
- 61% digital uptake for entry and 43% forbearance exit
- As of October 25<sup>th</sup>, 2020, 6.1% of customers on forbearance, down from peak of 7.2%
- 17% of customers on forbearance are current

The image shows two mobile devices (a tablet and a smartphone) displaying the Mr. Cooper Pandemic Forbearance Plan. The tablet screen shows the main overview page with a customer profile (Hello Olivia), start date (May 1<sup>st</sup>), end date (July 31<sup>st</sup>), and days until plan ends (29). It includes sections for 'Amount Due' (payments paused), 'Action Required' (contact us or extend plan), and 'Explore Options'. The smartphone screen shows a 'Missed Payments' section with options like 'Reinstatement', 'Repayment', and 'Deferral', followed by a 'Financial Estimate' table.

Total Missed Amount	\$12,000.00
Missed Principal & Interest Payment Amounts	\$8,400.00
Missed Tax & Insurance (Escrow) Payment Amounts	\$3,600.00
Estimated Monthly Payment	\$1,150.00
Principal & Interest	\$700.00
Escrow	\$450.00
Note: Your escrow payment will increase to \$450.00 per month to make up the \$3,600.00 in missed taxes and insurance during your forbearance. This increase is based on a 24-month repayment period. Escrow is subject to change in the future based on a review of your account (also known as Escrow Analysis).	
Estimated Deferred Amount (Paid at loan maturity)	\$8,400.00
Missed Principal & Interest Payment Amounts	\$8,400.00
Escrow Advances (Determined during underwriting)	If Applicable
Servicing Advances (Determined during underwriting)	If Applicable

## KEEPING CUSTOMERS IN THE KNOW

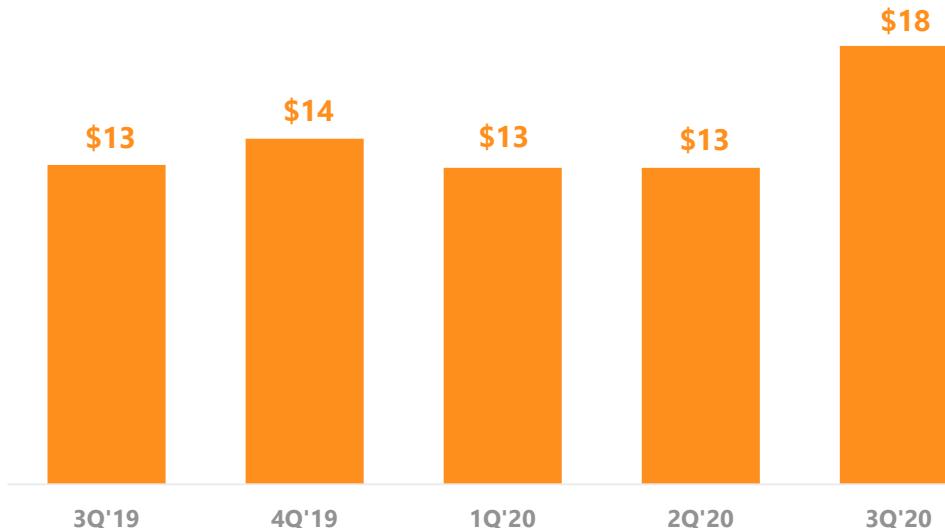
Quick status and countdown-specific  
to customer's forbearance plan  
Payment terms reminder,  
credit impact, fees impact  
Contextual education

## OPTION SELECTION SIMPLIFIED

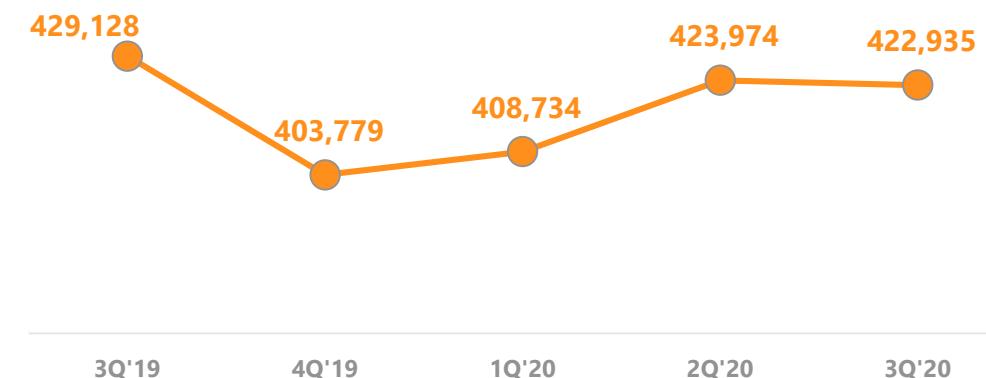
Easy Extend Option if available  
Situation-Based Approach to selecting  
post-forbearance solutions  
Chat with An Agent

# XOME CONTINUES TO BENEFIT FROM STRONG TITLE RESULTS

Operating Profitability (\$ mm's)<sup>(1)</sup>



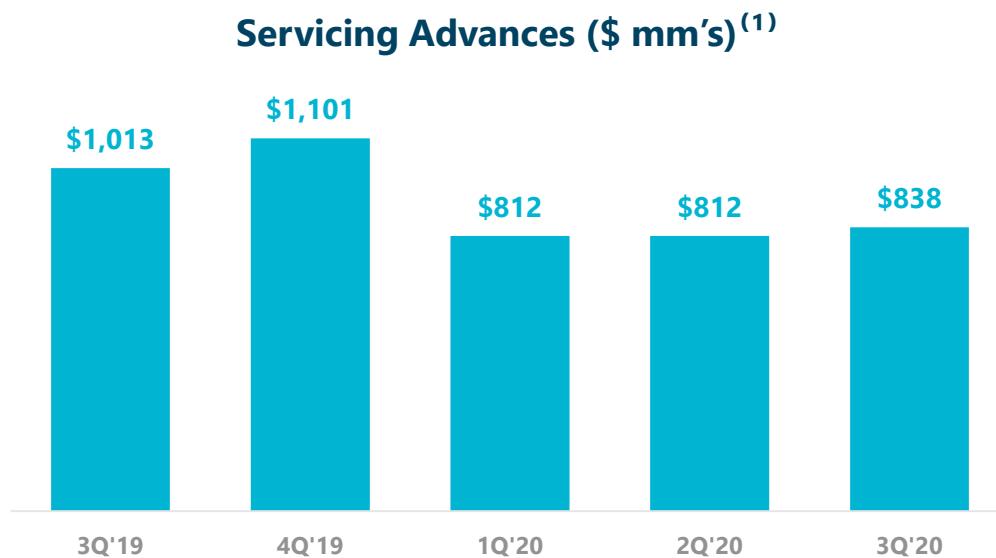
Services Completed Orders



- Xome benefitted from strong results in title, reflecting high refinance-related orders, and a one-time \$2 million settlement with an insurance carrier

- Third-party revenue percentage decreased from 53% to 50% quarter-over-quarter

# TOTAL ADVANCE FUNDING CAPACITY INCREASED TO \$2.0 BILLION



<b>Financing Capacity</b>				
<b>\$ mm's</b>	<b>Maturity</b>	<b>Capacity</b>	<b>Outstanding</b>	<b>Utilization</b>
PLS	Oct'21	\$425	\$206	48%
GSE	Apr'21	875	144	16%
GNMA <sup>(4)</sup>	Aug'22	640	144	23%
Other	Jan'21	100	75	75%
<b>Advance facilities</b>		<b>\$2,040</b>	<b>\$569</b>	<b>28%</b>
MSR	Nov'20-Sep'22	660	266	40%
Origination	Oct'20-Sep'22	8,840	4,028	46%
<b>Total warehouse facilities</b>		<b>\$9,500</b>	<b>4,294</b>	<b>45%</b>

## Advances by Investor as of September 30, 2020

<b>\$ mm's</b>	<b>P&amp;I</b>	<b>T&amp;I<sup>(2)</sup></b>	<b>Total</b>
GNMA	\$3	\$245	\$248
GSE	11	173	184
PLS	138	235	373
Other <sup>(3)</sup>	14	19	33
<b>Total advances</b>	<b>\$165</b>	<b>\$673</b>	<b>\$838</b>

- Expanded capacity with new committed two-year \$900 million GNMA MSR and advance facility
- Advance funding increased to \$2.0 billion from \$1.5 billion last quarter, of which \$1.5 billion was unused
- Strong cash flow allowed us to redeem \$100 million in senior notes, pay down \$179 million in MSR lines, and still end the quarter with \$946 million in cash

# STEADY PROGRESS IN DELEVERAGING



- Loans subject to repurchase from GNMA increased from \$1.2 bn to \$5.4 bn in the quarter primarily due to forbearance plans, resulting in a -2.5% impact to the capital ratio
- Stock repurchase impacted the capital ratio by -0.1%

- On the basis of the debt:tangible net worth ratio, the Company is almost back to where it operated prior to the WMIH merger

# *Appendix*

# SEGMENT OPERATING INCOME AND NON-GAAP RECONCILIATION

\$ mm's	Servicing	Originations	Xome	Corporate / Other	Consolidated
Servicing related excluding MTM	\$121	\$27	\$108	\$ -	\$256
Net gain on mortgage loans held for sale	40	605	-	-	645
Operating revenue excluding MTM	161	632	108	-	901
Salaries, wages, and benefits	77	140	32	26	275
General and administrative	22	55	62	17	156
Total expenses	99	195	94	43	431
Interest income / other	40	16	-	-	56
Interest expense	(105)	(15)	-	(1)	(121)
Corporate debt interest expense	-	-	-	(44)	(44)
Other income, net	-	-	1	(52)	(51)
Total other (expenses) income, net	(65)	1	1	(97)	(160)
Pretax (loss) income before MTM	(3)	438	15	(140)	310
Fair value amortization <sup>(1)</sup>	(25)	-	-	-	(25)
Other MTM	(4)	-	-	-	(4)
MTM	(29)	-	-	-	(29)
<b>Pretax (loss) income</b>	<b>(32)</b>	<b>438</b>	<b>15</b>	<b>(140)</b>	<b>281</b>
Other MTM	4	-	-	-	4
Adjustments	1	-	-	53	54
Intangible amortization	-	-	3	6	9
<b>Pretax operating (loss) income</b>	<b>(\$27)</b>	<b>\$438</b>	<b>\$18</b>	<b>(\$81)</b>	<b>\$348</b>

# TANGIBLE BOOK VALUE (TBV) AND TNW/ASSETS RECONCILIATION

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
<b>Stockholders' equity</b>	<b>\$1,767</b>	<b>\$2,231</b>	<b>\$2,066</b>	<b>\$2,145</b>	<b>\$2,341</b>
Goodwill	(120)	(120)	(120)	(120)	(120)
Intangible assets	(93)	(74)	(61)	(54)	(45)
<b>Tangible book value (TBV)</b>	<b>\$1,554</b>	<b>\$2,037</b>	<b>\$1,885</b>	<b>\$1,971</b>	<b>\$2,176</b>
Ending outstanding sharecount	91.1	91.1	92.0	92.0	90.9
TBV/share	\$17.06	\$22.36	\$20.50	\$21.42	\$23.95
Assets	\$18,478	\$18,305	\$17,613	\$17,300	\$21,755
Tangible assets <sup>(1)</sup>	\$18,265	\$18,111	\$17,432	\$17,126	\$21,590
TNW/Assets <sup>(2)</sup>	8.5%	11.2%	10.8%	11.5%	10.1%

18 | <sup>(1)</sup> Tangible assets excludes goodwill and intangible assets

<sup>(2)</sup> Based on TBV divided by Tangible assets

# ROTCE RECONCILIATION

\$ mm's	<b>3Q'20</b>
Pretax income	\$281
Income tax expense	(67)
<b>Net income</b>	<b>\$214</b>
<b>ROTCE</b>	<b>41.3%</b>
Pretax income	281
Mark-to-market	29
Fair value amortization	(25)
Accounting items	54
Intangible amortization	9
<b>Pretax operating income</b>	<b>\$348</b>
Income tax expense <sup>(1)</sup>	(84)
<b>Fully-taxed operating income</b>	<b>\$264</b>
<b>ROTCE</b>	<b>50.9%</b>
<b>Average TBV</b>	<b>\$2,074</b>

ROTCE is a non-GAAP financial measure that is computed by dividing annualized earnings by average tangible common equity. Tangible common equity equals total stockholders' equity less goodwill and intangible assets. The methodology of determining tangible common equity may differ among companies. Management believes that ROTCE is a useful financial measure because it measures the performance of a business consistently and enables investors and others to assess the Company's use of equity. We are unable to provide a reconciliation of the forward-looking non-GAAP financial measure to its most directly comparable GAAP financial measure because we are unable to provide, without unreasonable effort, a meaningful or accurate calculation or estimate of amounts that would be necessary for the reconciliation due to the complexity and inherent difficulty in forecasting and quantifying future amounts or when they may occur. Such unavailable information could be significant to future results.

# SERVICING NON-GAAP RECONCILIATION

\$ mm's	3Q'19		4Q'19		1Q'20		2Q'20		3Q'20	
	\$	Bps	\$	Bps	\$	Bps	\$	Bps	\$	Bps
Pretax income (loss)	\$9	0.6	\$189	12.0	(\$325)	(20.4)	(\$251)	(16.4)	(\$32)	(2.2)
Mark-to-market (MTM)	83	5.2	(102)	(6.5)	383	24.1	261	17.1	29	2.0
Accounting item	-	-	-	-	4	0.2	-	-	1	0.1
Pretax income (loss) excluding MTM and other notable items	\$92	5.8	\$87	5.5	\$62	3.9	\$10	0.7	(\$2)	(0.1)
Average UPB (\$bn)	\$637		\$630		\$636		\$612		\$591	

# SERVICING PROFITABILITY

\$ mm's	3Q'19		4Q'19		1Q'20		2Q'20		3Q'20	
	\$	Bps	\$	Bps	\$	Bps	\$	Bps	\$	Bps
<b>Operational Revenue</b>										
Base servicing fees	\$252	15.8	\$250	15.9	\$250	15.7	\$239	15.6	\$231	15.6
Modification fees	4	0.3	4	0.3	3	0.2	2	0.1	3	0.2
Incentive fees	6	0.4	7	0.4	4	0.3	5	0.3	-	-
Late payment fees	23	1.4	22	1.4	23	1.4	16	1.1	15	1.0
Other ancillary revenues	48	3.0	46	2.9	38	2.4	44	2.9	51	3.5
Total forward MSR operational revenue	333	20.9	329	20.9	318	20.0	306	20.0	300	20.3
Base subservicing fee and other subservicing revenue	65	4.1	60	3.8	65	4.1	69	4.5	71	4.8
Reverse servicing fees	7	0.4	7	0.4	6	0.4	7	0.5	6	0.4
Total servicing fee revenue	405	25.4	396	25.1	389	24.5	382	25.0	377	25.5
MSR financing liability costs	(9)	(0.6)	(9)	(0.6)	(8)	(0.5)	(9)	(0.6)	(8)	(0.5)
Excess spread payments - principal	(77)	(4.8)	(71)	(4.5)	(68)	(4.3)	(79)	(5.2)	(96)	(6.5)
Total operational revenue	319	20.0	316	20.0	313	19.7	294	19.2	273	18.5
<b>Amortization</b>										
Forward MSR amortization	(162)	(10.1)	(161)	(10.2)	(152)	(9.6)	(186)	(12.1)	(212)	(14.4)
Excess spread accretion	77	4.8	71	4.5	68	4.3	79	5.2	96	6.5
Reverse MSL accretion	10	0.6	8	0.5	8	0.5	5	0.3	4	0.3
Reverse MSR amortization	2	0.1	(2)	(0.1)	-	-	-	-	-	-
Total amortization	(73)	(4.6)	(84)	(5.3)	(76)	(4.8)	(102)	(6.6)	(112)	(7.6)
<b>Mark-to-Market Adjustments</b>										
MSR MTM	(195)	(12.2)	113	7.2	(412)	(25.9)	(321)	(21.0)	(63)	(4.3)
Excess spread / financing MTM	112	7.0	(11)	(0.7)	29	1.8	60	3.9	34	2.3
Total MTM adjustments	(83)	(5.2)	102	6.5	(383)	(24.1)	(261)	(17.1)	(29)	(2.0)
<b>Total revenues</b>	<b>\$163</b>	<b>10.2</b>	<b>\$334</b>	<b>21.2</b>	<b>(\$146)</b>	<b>(9.2)</b>	<b>(\$69)</b>	<b>(4.5)</b>	<b>\$132</b>	<b>8.9</b>
Average UPB (\$bn)	\$637		\$630		\$636		\$612		\$591	

## SERVICING PROFITABILITY [CONT.]

\$ mm's	3Q'19		4Q'19		1Q'20		2Q'20		3Q'20	
	\$	Bps	\$	Bps	\$	Bps	\$	Bps	\$	Bps
Salaries, wages and benefits	\$85	5.3	\$85	5.4	\$86	5.4	\$75	4.9	\$77	5.2
Servicing support fees	30	1.9	28	1.8	25	1.5	27	1.8	28	1.9
Corporate and other general and administrative expenses	40	2.5	44	2.8	35	2.2	32	2.1	33	2.2
Foreclosure and other liquidation related expenses	11	0.7	(28)	(1.8)	-	-	(17)	(1.1)	(45)	(3.0)
Depreciation and amortization	5	0.3	6	0.4	3	0.2	5	0.3	6	0.4
Total general and administrative expenses	86	5.4	50	3.2	63	3.9	47	3.1	22	1.5
<b>Total expenses</b>	<b>\$171</b>	<b>10.7</b>	<b>\$135</b>	<b>8.6</b>	<b>\$149</b>	<b>9.3</b>	<b>\$122</b>	<b>8.0</b>	<b>\$99</b>	<b>6.7</b>
Reverse mortgage interest income	81	5.1	64	4.1	43	2.7	54	3.5	40	2.7
Other interest income	56	3.5	48	3.0	40	2.5	3	0.2	-	-
Interest income	137	8.6	112	7.1	83	5.2	57	3.7	40	2.7
Reverse mortgage interest expense	(58)	(3.6)	(61)	(3.9)	(52)	(3.3)	(51)	(3.3)	(37)	(2.5)
Advance interest expense	(6)	(0.4)	(6)	(0.4)	(5)	(0.3)	(8)	(0.5)	(7)	(0.5)
Other interest expense	(56)	(3.5)	(59)	(3.7)	(56)	(3.5)	(58)	(3.8)	(61)	(4.1)
Interest expense	(120)	(7.5)	(126)	(8.0)	(113)	(7.1)	(117)	(7.6)	(105)	(7.1)
Other income, net	-	-	4	0.3	-	-	-	-	-	-
<b>Total other income (expense), net</b>	<b>\$17</b>	<b>1.1</b>	<b>(\$10)</b>	<b>(0.6)</b>	<b>(\$30)</b>	<b>(1.9)</b>	<b>(\$60)</b>	<b>(3.9)</b>	<b>(\$65)</b>	<b>(4.4)</b>
<b>Pretax income (loss)</b>	<b>\$9</b>	<b>0.6</b>	<b>\$189</b>	<b>12.0</b>	<b>(\$325)</b>	<b>(20.4)</b>	<b>(\$251)</b>	<b>(16.4)</b>	<b>(\$32)</b>	<b>(2.2)</b>
Average UPB (\$bn)	\$637		\$630		\$636		\$612		\$591	

# SERVICING PORTFOLIO

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
<b>Unpaid Principal Balance (UPB) Rollforward</b>					
Originations	\$11,398	\$12,160	\$11,635	\$9,478	\$14,517
Flow acquisitions	2,372	1,917	2,532	126	541
Bulk acquisitions	164	6,964	178	36	21
Dispositions	(959)	(3,352)	(40)	(31)	(23)
Transfers to/from Subservicing	(3,952)	(9,460)	(3,383)	(1,796)	(3,222)
Runoff	(18,354)	(18,128)	(17,070)	(20,472)	(23,142)
<b>Forward owned<sup>(1)</sup></b>	<b>\$306,681</b>	<b>\$296,782</b>	<b>\$290,634</b>	<b>\$277,975</b>	<b>\$266,667</b>
Subservicing	310,531	323,983	316,933	296,792	300,855
Reverse	23,990	22,725	21,590	20,758	20,006
<b>Total Servicing</b>	<b>\$641,202</b>	<b>\$643,490</b>	<b>\$629,157</b>	<b>\$595,525</b>	<b>\$587,528</b>
<b>Valuation Data</b>					
MSR original cost	86 bps				
MSR carrying value	109 bps	118 bps	107 bps	99 bps	100 bps
<b>Runoff Rates</b>					
CPR	18.1%	18.6%	17.5%	22.0%	25.9%
Principal payments	3.8%	3.7%	3.7%	3.7%	2.8%
Forward owned runoff rate	21.9%	22.3%	21.2%	25.7%	28.7%
<b>Total Servicing CPR</b>	<b>17.5%</b>	<b>19.1%</b>	<b>19.2%</b>	<b>26.0%</b>	<b>30.1%</b>
<b>Portfolio Composition</b>					
GSE	22%	21%	21%	22%	21%
GNMA	17%	17%	17%	17%	17%
PLS	9%	8%	8%	8%	8%
Forward owned	48%	46%	46%	47%	46%
Subservicing	48%	50%	50%	50%	51%
Reverse	4%	4%	4%	3%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# ORIGINATIONS PROFITABILITY

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
Service related, net - Originations	\$22	\$23	\$20	\$21	\$27
<b>Net gain on mortgage loans held for sale</b>					
Net gain on loans originated and sold	191	147	183	453	449
Capitalized servicing rights	126	133	119	123	162
Provision for repurchase reserves, net of release	(5)	(4)	(5)	(3)	(6)
Total net gain on mortgage loans held for sale	312	276	297	573	605
<b>Total revenues</b>	<b>\$334</b>	<b>\$299</b>	<b>\$317</b>	<b>\$594</b>	<b>\$632</b>

## Supplemental Data

Pull through adjusted lock volume	\$12,699	\$12,537	\$12,677	\$12,394	\$19,794
Funded volume	\$11,911	\$12,559	\$12,359	\$10,729	\$15,598
Loans sold, servicing retained	\$8,199	\$9,347	\$8,696	\$9,250	\$12,123
GOS margin <sup>(1)</sup>	2.46%	2.20%	2.34%	4.62%	3.06%
Revenue margin <sup>(1)</sup>	2.63%	2.38%	2.50%	4.79%	3.19%
Value of capitalized servicing retained	154 bps	143 bps	137 bps	133 bps	133 bps

## ORIGINATIONS PROFITABILITY [CONT.]

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
Salaries, wages and benefits	\$104	\$114	\$117	\$120	\$140
Loan originations expenses	16	15	16	16	20
Corporate and other general and administrative expenses	16	18	18	16	16
Marketing and professional service fee	12	12	12	11	14
Depreciation and amortization	4	5	3	4	5
Loss on impairment of assets	3	-	-	-	-
<b>Total expenses</b>	<b>\$155</b>	<b>\$164</b>	<b>\$166</b>	<b>\$167</b>	<b>\$195</b>
Funded volume	\$11,911	\$12,559	\$12,359	\$10,729	\$15,598
Expenses margin <sup>(1)</sup>	1.30%	1.31%	1.34%	1.56%	1.25%
Interest income	\$24	\$34	\$34	\$19	\$16
Interest expense	(24)	(31)	(27)	(13)	(15)
Other income (expense), net	(1)	-	-	-	-
<b>Total other (expense) income, net</b>	<b>(\$1)</b>	<b>\$3</b>	<b>\$7</b>	<b>\$6</b>	<b>\$1</b>
Funded volume	\$11,911	\$12,559	\$12,359	\$10,729	\$15,598
Other (expense) income, net margin <sup>(1)</sup>	-0.01%	0.02%	0.06%	0.06%	0.01%
<b>Pretax income</b>	<b>\$178</b>	<b>\$138</b>	<b>\$158</b>	<b>\$433</b>	<b>\$438</b>
Pretax income margin <sup>(2)</sup>	1.32%	1.10%	1.22%	3.29%	1.95%

25 | <sup>(1)</sup> Calculated on funded volume as expenses are incurred based on closing of the loan

<sup>(2)</sup> Revenue based on pull through adjusted lock volume, expenses based on funded volume

# XOME NON-GAAP RECONCILIATION

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
<b>Pretax income</b>	<b>\$14</b>	<b>\$9</b>	<b>\$11</b>	<b>\$12</b>	<b>\$15</b>
Accounting item	(4)	3	-	-	-
Intangible amortization	3	2	2	1	3
<b>Pretax income excluding notable items</b>	<b>\$13</b>	<b>\$14</b>	<b>\$13</b>	<b>\$13</b>	<b>\$18</b>

# XOME PROFITABILITY

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
Exchange	\$19	\$20	\$16	\$9	\$6
Services	87	83	85	94	99
Data/Technology	6	3	5	3	3
<b>Total revenues</b>	<b>\$112</b>	<b>\$106</b>	<b>\$106</b>	<b>\$106</b>	<b>\$108</b>
Salaries, wages and benefits	\$37	\$37	\$35	\$33	\$32
Operational expenses	60	57	58	59	57
Depreciation and amortization	4	3	3	3	5
<b>Total expenses</b>	<b>\$101</b>	<b>\$97</b>	<b>\$96</b>	<b>\$95</b>	<b>\$94</b>
<b>Total other income, net</b>	<b>\$3</b>	<b>\$-</b>	<b>\$1</b>	<b>\$1</b>	<b>\$1</b>
<b>Pretax income</b>	<b>\$14</b>	<b>\$9</b>	<b>\$11</b>	<b>\$12</b>	<b>\$15</b>
Margin	12.5%	8.4%	10.4%	11.3%	13.9%
Exchange properties sold	2,453	2,332	2,114	1,191	860
Average Exchange properties under management	6,688	11,917	17,777	17,438	15,067
Services completed orders	429,128	403,779	408,734	423,974	422,935
Percentage of revenue earned from third-party customers	53%	51%	55%	53%	50%

## ADJUSTED EBITDA

\$ mm's	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20
Consolidated GAAP pretax income (loss)	\$107	\$240	(\$239)	\$110	\$281
Mark-to-market	83	(102)	383	261	29
Adjustments <sup>(1)</sup>	10	15	4	1	54
MSR amortization, net	73	84	76	102	112
Capitalized servicing rights	(129)	(136)	(123)	(126)	(163)
Depreciation and amortization	22	24	19	18	19
Corporate debt interest expense	51	50	51	47	44
Other	11	4	7	5	6
<b>Adjusted EBITDA</b>	<b>\$228</b>	<b>\$179</b>	<b>\$178</b>	<b>\$418</b>	<b>\$382</b>

# 3Q'20 SOURCES AND USES CASH FLOW

	Servicing	Originations	Xome	Corporate / Other	Consolidated	Illustrative Steady State Discretionary Cashflow
\$mm's						
GAAP pretax (loss) income	(32)	\$438	\$15	(\$140)	\$281	
Depreciation and amortization	6	5	5	3	19	
Share-based compensation	1	-	1	4	6	
Amortization of premiums, net of discount accretion	5	-	-	6	11	
Settlement of excess spread financing	(49)	-	-	-	(49)	
MSR/MSL amortization/accretion	208	-	-	-	208	
Total MTM adjustments	29	-	-	-	29	
Loss on redemption of unsecured senior notes	-	-	-	53	53	
<b>Business segment cash flow from operations</b>	<b>\$168</b>	<b>\$443</b>	<b>\$21</b>	<b>(\$74)</b>	<b>\$558</b>	<b>\$558</b>
State/local taxes <sup>(1)</sup>					-	(18)
Total working capital change <sup>(2)</sup>					(374)	-
<b>Total sources, net</b>					<b>\$184</b>	<b>\$540</b>
Capex					(17)	(17)
Capitalized servicing rights - Originations/EBO					(163)	(163)
MSR purchases, MSR sales and excess spread financing					(7)	23
Net investment in MSR					(170)	(140) <sup>(3)</sup>
Redemption of unsecured senior notes					(100)	-
Repurchase of common stock					(23)	-
<b>Total uses, net</b>					<b>(310)</b>	<b>(157)</b>
<b>Change in cash</b>					<b>(\$126)</b>	<b>\$383</b>
<b>Change in unrestricted cash</b>					<b>(\$95)</b>	

<sup>(1)</sup> Based on marginal tax rate of 3.2%, net of federal benefit. Actual tax payments/refunds included in total working capital changes.

<sup>(2)</sup> Includes mortgage loans originated, sold or repurchased, net gains on mortgage loans held for sale excluding capitalized servicing rights, reverse mortgage interests, interest income on reverse mortgage loans, and HECM and participating interest activities, repayment of nonrecourse debt – legacy assets, and changes in warehouse facilities, advance facilities, advances and other receivables, other assets, payables and other liabilities, taxes, and other activities

<sup>(3)</sup> Required investment to sustain the net MSR is based on sum of (\$212) mm forward MSR amortization, \$96 mm excess spread accretion, and (\$25) mm fair value amortization