2017 ANNUAL REPORT

Dear stockholders,

I joined Ditech Holding Corporation (Ditech) as Chairman of the Board on February 9, 2018 following a lengthy and complicated financial restructuring of the company, and was appointed Chief Executive Officer and President of Ditech on April 18, 2018. Our 2017 operating results reflect the efforts of the prior management team, which led the company through a very challenging time that culminated in the recent restructuring of our balance sheet. Despite the restructuring process, Ditech emerged from bankruptcy with a substantial amount of debt and significantly more leverage than its peers.

Given the company's leverage and the cash consumptive nature of the mortgage originations business, it is essential that we move expeditiously to improve our cashflow position, grow our revenue base, and reduce expenses in a meaningful way.

The restructuring process resulted in a number of senior executives leaving the company, and as a result we have begun the process of rebuilding our senior team, which includes Jerry Lombardo, our new CFO, and Ritesh Chaturbedi, our new COO. In addition, as part of this team rebuild the board concluded that we could more effectively address the challenges the company faces by naming me as CEO.

As I look forward to the remainder of 2018 it is my intention to lead the company in its efforts to improve cashflow, reduce our debt, grow our originations business, improve our customer service experience and apply technology to our business in a responsible and thoughtful manner designed to enhance long term profitability and liquidity. We will be focused squarely on these efforts against the back drop of a rising interest rate environment which will add additional challenges to our efforts to grow the originations franchise. We must expand the company's originations capability to be successful. Over the last several years, the company has relied on refinancing existing loans in its servicing portfolio in a historically low interest rate environment with the assistance of government programs such as HARP (which is scheduled to expire in 2018).

We also plan to increase our focus on our Capital Markets area in order to bring a discipline and rigor to everything we do. Our goal is to originate new and existing products that we can sell profitably. We will also look to the capital markets to sell non-core assets or take gains which will improve our cashflow and profitability.

We are also in the process of implementing a number of cost controls in areas such as vendor management, procurement and process design, and are utilizing work flow analysis in an effort to eliminate the root cause of errors that negatively impact the company's profitability. We are very focused on ensuring that we continue to identify and capture cost savings and that our site footprint is rationalized with the right people doing the right jobs in the right locations.

Although the current rate environment along with the anticipated expiration of HARP will negatively impact our originations business, I believe we have a talented group of professionals on our originations team and our planned increase in our marketing and technology spend is expected to allow us to reach and convert more prospects, improve the customer experience, and help our employees close more loans.

We have a talented and dedicated team that is focused on rebuilding Ditech to become a profitable and successful company. I am convinced that as we execute our plan we will succeed for our customers, stockholders and teammates.

Thomas F. Marano

Chairman, Chief Executive Officer and President

Ditech Holding Corporation

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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: 001-13417

Ditech Holding Corporation

(Exact name of registrant as specified in its charter)

(Successor Registrant to Walter Investment Management Corp.)

Maryland	**13-3950486**
State or other jurisdiction of incorporation or organization	*(I.R.S. Employer Identification No.)*
1100 Virginia Drive, Suite 100 Fort Washington, PA	**19034**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (844) 714-8603

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

Title of Class	Name of Exchange on Which Registered
Common Stock, $0.01 Par Value per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

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

Large accelerated filer ☐		Accelerated filer ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☑
		Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the predecessor registrant's stock held by non-affiliates as of June 30, 2017 was approximately $18.9 million, based on the closing sale price of the registrant’s common stock on June 30, 2017. For purposes of this calculation the registrant has considered all Schedule 13G filers as of such date to be non-affiliates.

Indicate by check mark whether the registrant has filed all document and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

On February 9, 2018, the predecessor registrant's common stock, par value $0.01 per share, was canceled and the successor registrant issued 4,252,500 shares of Ditech Holding Corporation common stock, par value $0.01 per share. The registrant had 4,252,500 shares of common stock outstanding as of March 23, 2018.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission under Regulation 14A within 120 days after the end of registrant's fiscal year covered by this Annual Report are incorporated by reference into Part III.

DITECH HOLDING CORPORATION AND SUBSIDIARIES
FORM 10-K
ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
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Certain acronyms and terms used throughout this Form 10-K are defined in the Glossary of Terms located at the end of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Explanatory Note:

On November 30, 2017, Walter Investment Management Corp. filed a Bankruptcy Petition under the Bankruptcy Code to pursue the Prepackaged Plan announced on November 6, 2017. On January 17, 2018, the Bankruptcy Court approved the amended Prepackaged Plan and on January 18, 2018, entered a confirmation order approving the Prepackaged Plan. On February 9, 2018, the Prepackaged Plan became effective pursuant to its terms and Walter Investment Management Corp. emerged from the Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. From and after effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Certain statements in this report, including matters discussed under Item 1. Business, Item 3. Legal Proceedings and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and including matters discussed elsewhere in this report, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Statements that are not historical fact are forward-looking statements. Certain of these forward-looking statements can be identified by the use of words such as "believes," "anticipates," "expects," "intends," "plans," "projects," "estimates," "assumes," "may," "should," "will," "seeks," "targets," or other similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors, and our actual results, performance or achievements could differ materially from future results, performance or achievements expressed in these forward-looking statements. These forward-looking statements are based on our current beliefs, intentions and expectations. These statements are not guarantees or indicative of future performance, nor should any conclusions be drawn or assumptions be made as to any potential outcome of any strategic review we conduct, including any changes in strategy. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements include, but are not limited to, those factors, risks and uncertainties described below and in more detail in Item 1A. Risk Factors and in our other filings with the SEC.

In particular (but not by way of limitation), the following important factors, risks and uncertainties could affect our future results, performance and achievements and could cause actual results, performance and achievements to differ materially from those expressed in the forward-looking statements:

- our ability to operate our business in compliance with existing and future laws, rules, regulations and contractual commitments affecting our business, including those relating to the origination and servicing of residential loans, default servicing and foreclosure practices, the management of third-party assets and the insurance industry, and changes to, and/or more stringent enforcement of, such laws, rules, regulations and contracts;
- scrutiny of our industry by, and potential enforcement actions by, federal and state authorities;
- the substantial resources (including senior management time and attention) we devote to, and the significant compliance costs we incur in connection with, regulatory compliance and regulatory examinations and inquiries, and any consumer redress, fines, penalties or similar payments we make in connection with resolving such matters;
- uncertainties relating to interest curtailment obligations and any related financial and litigation exposure (including exposure relating to false claims);
- potential costs and uncertainties, including the effect on future revenues, associated with and arising from litigation, regulatory investigations and other legal proceedings, and uncertainties relating to the reaction of our key counterparties to the announcement of any such matters;
- our dependence on U.S. GSEs and agencies (especially Fannie Mae, Freddie Mac and Ginnie Mae) and their residential loan programs and our ability to maintain relationships with, and remain qualified to participate in programs sponsored by, such entities, our ability to satisfy various existing or future GSE, agency and other capital, net worth, liquidity and other financial requirements applicable to our business, and our ability to remain qualified as a GSE and agency approved seller, servicer or component servicer, including the ability to continue to comply with the GSEs' and agencies' respective residential loan selling and servicing guides;
- uncertainties relating to the status and future role of GSEs and agencies, and the effects of any changes to the origination and/or servicing requirements of the GSEs, agencies or various regulatory authorities or the servicing compensation structure for mortgage servicers pursuant to programs of GSEs, agencies or various regulatory authorities;

- our ability to maintain our loan servicing, loan origination or collection agency licenses, or any other licenses necessary to operate our businesses, or changes to, or our ability to comply with, our licensing requirements;
- our ability to comply with the terms of the stipulated orders resolving allegations arising from an FTC and CFPB investigation of Ditech Financial and a CFPB investigation of RMS;
- operational risks inherent in the mortgage servicing and mortgage originations businesses, including our ability to comply with the various contracts to which we are a party, and reputational risks;
- risks related to the significant amount of senior management turnover and employee reductions recently experienced by us;
- risks related to our substantial levels of indebtedness, including our ability to comply with covenants contained in our debt agreements or obtain any necessary waivers or amendments, generate sufficient cash to service such indebtedness and refinance such indebtedness on favorable terms, or at all, as well as our ability to incur substantially more debt;
- our ability to renew advance financing facilities or warehouse facilities on favorable terms, or at all, and maintain adequate borrowing capacity under such facilities;
- our ability to maintain or grow our residential loan servicing or subservicing business and our mortgage loan originations business;
- risks related to the concentration of our subservicing portfolio and the ability of our subservicing clients to terminate us as subservicer;
- our ability to achieve our strategic initiatives, particularly our ability to: increase the mix of our fee-for-service business, including by entering into new subservicing arrangements; improve servicing performance; successfully develop our originations capabilities; and execute and realize planned operational improvements and efficiencies;
- the success of our business strategy in returning us to sustained profitability;
- changes in prepayment rates and delinquency rates on the loans we service or subservice;
- the ability of Fannie Mae, Freddie Mac and Ginnie Mae, as well as our other clients and credit owners, to transfer or otherwise terminate our servicing or subservicing rights, with or without cause;
- a downgrade of, or other adverse change relating to, or our ability to improve, our servicer ratings or credit ratings;
- our ability to collect reimbursements for servicing advances and earn and timely receive incentive payments and ancillary fees on our servicing portfolio;
- our ability to collect indemnification payments and enforce repurchase obligations relating to mortgage loans we purchase from our correspondent clients and our ability to collect in a timely manner indemnification payments relating to servicing rights we purchase from prior servicers;
- local, regional, national and global economic trends and developments in general, and local, regional and national real estate and residential mortgage market trends in particular, including the volume and pricing of home sales and uncertainty regarding the levels of mortgage originations and prepayments;
- uncertainty as to the volume of originations activity we can achieve and the effects of the expiration of HARP, which is scheduled to occur on December 31, 2018, including uncertainty as to the number of "in-the-money" accounts we may be able to refinance and uncertainty as to what type of product or government program will be introduced, if any, to replace HARP;
- risks associated with the reverse mortgage business, including changes to reverse mortgage programs operated by FHA, HUD or Ginnie Mae, our ability to accurately estimate interest curtailment liabilities, our ability to fund HECM repurchase obligations, our ability to assign repurchased HECM loans to HUD, our ability to fund principal additions on our HECM loans, and our ability to securitize our HECM tails;
- our ability to realize all anticipated benefits of past, pending or potential future acquisitions or joint venture investments;
- the effects of competition on our existing and potential future business, including the impact of competitors with greater financial resources and broader scopes of operation;
- changes in interest rates and the effectiveness of any hedge we may employ against such changes;
- risks and potential costs associated with technology and cybersecurity, including: the risks of technology failures and of cyber-attacks against us or our vendors; our ability to adequately respond to actual or alleged cyber-attacks; and our ability to implement adequate internal security measures and protect confidential borrower information;

- risks and potential costs associated with the implementation of new or more current technology, such as MSP, the use of vendors (including offshore vendors) or the transfer of our servers or other infrastructure to new data center facilities;
- our ability to comply with evolving and complex accounting rules, many of which involve significant judgment and assumptions;
- risks related to our deferred tax assets, including the risk of an "ownership change" under Section 382 of the Code;
- our ability to maintain compliance with the continued listing requirements of the NYSE;
- our ability to continue as a going concern;
- uncertainties regarding impairment charges relating to our goodwill or other intangible assets;
- risks associated with one or more material weaknesses identified in our internal controls over financial reporting, including the timing, expense and effectiveness of our remediation plans;
- our ability to implement and maintain effective internal controls over financial reporting and disclosure controls and procedures;
- our ability to manage potential conflicts of interest relating to our relationship with WCO; and
- risks related to our relationship with Walter Energy and uncertainties arising from or relating to its bankruptcy filings and liquidation proceedings, including potential liability for any taxes, interest and/or penalties owed by the Walter Energy consolidated group for the full or partial tax years during which certain of our former subsidiaries were a part of such consolidated group and certain other tax risks allocated to us in connection with our spin-off from Walter Energy.

All of the above factors, risks and uncertainties are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors, risks and uncertainties emerge from time to time, and it is not possible for our management to predict all such factors, risks and uncertainties.

Although we believe that the assumptions underlying the forward-looking statements (including those relating to our outlook) 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. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made, except as otherwise required under the federal securities laws. If we were in any particular instance to update or correct a forward-looking statement, investors and others should not conclude that we would make additional updates or corrections thereafter except as otherwise required under the federal securities laws.

In addition, this report may contain statements of opinion or belief concerning market conditions and similar matters. In certain instances, those opinions and beliefs could be based upon general observations by members of our management, anecdotal evidence and/or our experience in the conduct of our business, without specific investigation or statistical analyses. Therefore, while such statements reflect our view of the industries and markets in which we are involved, they should not be viewed as reflecting verifiable views and such views may not be shared by all who are involved in those industries or markets.

PART I

ITEM 1. *BUSINESS*

The Company

We are an independent servicer and originator of mortgage loans and servicer of reverse mortgage loans. We service a wide array of loans across the credit spectrum for our own portfolio and for GSEs, government agencies, third-party securitization trusts and other credit owners. Through our consumer, correspondent and wholesale lending channels, we originate and purchase residential mortgage loans that we predominantly sell to GSEs and government agencies. We also operate two complementary businesses: asset receivables management and real estate owned property management and disposition. Our goal is to become a partner with our customers; assisting them with the originations process and through the life of their loan, with a highly regarded originations and servicing platform and quality customer service in an open, honest and straightforward manner.

We are a Maryland corporation incorporated in 1997 and operate throughout the U.S. In April 2009, we were spun off from Walter Energy. Since then, we have grown our servicing and originations businesses both organically and through a number of acquisitions. On February 9, 2018 we changed our name to Ditech Holding Corporation.

The terms "Ditech Holding," the "Company," "we," "us" and "our" as used throughout this report refer to Ditech Holding Corporation (successor) and its consolidated subsidiaries after the Effective Date, and/or Walter Investment Management Corp. (predecessor) and its consolidated subsidiaries prior to the Effective Date.

Emergence from Reorganization Proceedings

On November 30, 2017, Walter Investment Management Corp. filed a Bankruptcy Petition under the Bankruptcy Code to pursue the Prepackaged Plan announced on November 6, 2017. On January 17, 2018, the Bankruptcy Court approved the amended Prepackaged Plan and on January 18, 2018, entered a confirmation order approving the Prepackaged Plan. On February 9, 2018, the Prepackaged Plan became effective pursuant to its terms and Walter Investment Management Corp. emerged from the Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. From and after effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business.

On the Effective Date, all of our previously existing equity interests, including our predecessor common stock, were canceled. Our obligations under our previously outstanding Convertible Notes and Senior Notes, except to the limited extent set forth in the Prepackaged Plan, were also extinguished. Previously outstanding equity and debt interests were exchanged as follows:

- Senior Notes were exchanged at a rate of 464.11293167 Second Lien Notes and 0.18564517 shares of Convertible Preferred Stock per $1,000 principal amount of Senior Notes;
- Convertible Notes were exchanged at a rate of 8.76919841 shares of successor common stock, 14.94011581 Series A Warrants and 11.85465711 Series B Warrants per $1,000 principal amount of Convertible Notes; and
- shares of common stock were exchanged at a rate of 0.05689208 shares of successor common stock, 0.09692659 Series A Warrants and 0.07690920 Series B Warrants per share of predecessor common stock.

Accordingly, we issued:

- to the holders of predecessor shares of common stock, an aggregate of 2,126,250 shares of successor common stock, 3,622,500 Series A Warrants and 2,874,375 Series B Warrants;
- to the holders of Senior Notes claims (as defined in the Prepackaged Plan), $250.0 million aggregate principal amount of our Second Lien Notes and $100 million aggregate initial liquidation preference of Convertible Preferred Stock, convertible into common stock at a ratio of 114.9750 per share of preferred stock; and
- to the holders of Convertible Notes claims (as defined in the Prepackaged Plan), an aggregate of 2,126,250 shares of successor common stock, 3,622,500 Series A Warrants and 2,874,375 Series B Warrants.

In addition, we authorized and reserved for future issuance:

- 3,193,750 shares of successor common stock for issuance under an equity incentive plan;
- 7,245,000 shares of successor common stock issuable upon the exercise of the Series A Warrants;
- 5,748,750 shares of successor common stock issuable upon the exercise of the Series B Warrants; and
- 11,497,500 shares of successor common stock issuable upon conversion of the preferred stock.

As of February 12, 2018, our newly issued common stock commenced trading on the NYSE under the symbol "DHCP."

Pursuant to the terms of the Prepackaged Plan, we entered into the 2018 Credit Agreement, providing for the 2018 Term Loan in the amount of $1.2 billion. For a period of approximately one year following the Effective Date, we will continue to receive financing through a master repurchase agreement for a maximum committed purchase price of $1.0 billion used principally to fund Ditech Financial's mortgage loan origination business, and a master repurchase agreement providing for a maximum committed purchase price of $800.0 million used principally to fund RMS's purchase of home equity conversion mortgage loans and foreclosed real estate from certain securitization pools. We also issued variable funding notes under the DAAT Facility and the DPATII Facility for advances made in connection with certain mortgage loan servicing operations. These facilities have aggregate capacities of $475.0 million and $75.0 million, respectively. In addition to the foregoing facility sub-limits, the DAAT Facility, the DPATII Facility, Ditech Financial's master repurchase agreement and RMS's master repurchase agreement are subject, collectively, to a combined maximum outstanding amount of $1.9 billion.

For a more detailed discussion of our emergence, refer to the Emergence from Reorganization Proceedings section under Part II, Item 7. Management's Discussion and Analysis of Financial Conditions and Analysis.

We believe that we will meet the conditions to qualify under GAAP for fresh start accounting, and accordingly expect to adopt fresh start accounting effective February 10, 2018. The financial statements for the periods prior to such date do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting. The actual impact at emergence from reorganization and anticipated fresh start accounting will be reported in our Quarterly Report on Form 10-Q for the first quarter of 2018. See Note 3 to the Consolidated Financial Statements for additional information on fresh start accounting.

Beginning in 2016, we have been pursuing various strategies intended to improve our financial and operating performance. These strategies include shifting our servicing business towards subservicing, reducing our investment in mortgage servicing rights, exiting the reverse mortgage originations business, and implementing various measures designed to result in operating improvements. Further detail on our efforts to improve our financial performance and ensure our compliance with regulatory and contractual obligations can be found under the Strategy section of Part II, Item 7. Management's Discussion and Analysis of Financial Conditions and Analysis.

Business Segments

We manage our Company in three reportable segments: Servicing; Originations; and Reverse Mortgage. At December 31, 2017, we serviced 1.7 million residential loans with an unpaid principal balance of $207.9 billion. We originated $15.6 billion in unpaid principal balance of mortgage loan volume in 2017. A description of the business conducted by each of these segments is provided below.

Servicing

Our Servicing segment performs servicing for our own mortgage loan portfolio, on behalf of third-party credit owners of mortgage loans for a fee and on behalf of third-party owners of MSR for a fee, which we refer to as subservicing. The Servicing segment also operates complementary businesses including asset receivables management that performs collections of post charge-off deficiency balances for third parties and us. In addition, the Servicing segment holds the assets and mortgage-backed debt of the Residual Trusts.

Our servicing and subservicing activities relating to our mortgage loan portfolio involve the management (e.g., calculation, collection and remittance) of mortgage payments, escrow accounts, insurance claims and customer service. For certain accounts, we perform specialty servicing activities utilizing a "high-touch" model to establish and maintain borrower contact and facilitate loss-mitigation strategies in an attempt to keep defaulted borrowers in their homes. Borrower interactions rely on loss mitigation strategies that apply predictive analytics to identify risk factors and severity grades to determine appropriate loss mitigation options and strategies. We assign a single point of contact to accounts experiencing difficulties in order to make collection calls and coordinate loss mitigation efforts. The single point of contact allows us to build one-on-one relationships with our consumers. We generally follow GSE and agency servicing guidelines (as well as other credit-owner guidelines) to implement a standardized loss mitigation process, which may include loan modification programs for borrowers experiencing temporary hardships. Our loan modification offerings include short-term interest rate reductions and/or payment deferrals and, until recently, also included loan modifications through HAMP, a federally sponsored loan modification program established to assist eligible home owners with loan modifications on their home mortgage debt. When loan modification and other efforts are unable to cure a default, we pursue alternative property resolutions prior to pursuing foreclosure, including short sales (in which the borrower agrees to sell the property for less than the loan balance and the difference is forgiven) and deeds-in-lieu of foreclosure (in which the borrower agrees to convey the property deed outside of foreclosure proceedings).

With respect to mortgage loans for which we own the MSR, we perform mortgage servicing primarily in accordance with Fannie Mae, Freddie Mac and Ginnie Mae servicing guidelines, as applicable. In 2017, we earned approximately 37%, 8% and 12% of our total revenues from servicing Fannie Mae, Freddie Mac and Ginnie Mae residential loans, respectively. Under our numerous master servicing agreements and subservicing contracts, we agree to service loans in accordance with servicing standards that the credit owners and/or subservicing clients may change from time to time. These agreements and contracts can typically be terminated by the counterparties thereto, with or without cause. Refer to Item 1A. Risk Factors for a discussion of certain risks relating to our master servicing agreements and subservicing contracts.

We have acquired servicing rights in bulk transactions, pursuant to co-issue arrangements and in connection with business acquisitions, and by retaining servicing rights relating to mortgage loans we originate. As the owner of servicing rights, we act on behalf of loan owners and have the contractual right to receive a stream of cash flows (expressed as a percentage of unpaid principal balance) in exchange for performing specified servicing functions and temporarily advancing funds to meet contractual payment requirements for loan owners and to pay taxes, insurance and foreclosure costs on delinquent or defaulted mortgages. As a subservicer, we earn a contractual fee on a per-loan basis and we are reimbursed for servicing advances we make on delinquent or defaulted mortgages, generally in the following month. We can earn incentive fees based on the performance of certain loan pools serviced by us and also have the ability, under certain circumstances, to earn modification fees and other program-specific incentives, and ancillary fees, such as late fees. Our specialty servicing fees typically include a base servicing fee and activity-based fees for the successful completion of default-related services.

The value of a servicing right asset is based on the present value of the stream of expected servicing-related cash flows from a loan and is largely dependent on market interest rates, prepayment speeds and delinquency performance. Generally, a rising interest rate environment drives a decline in prepayment speeds and thus increases the value of servicing rights, while a declining interest rate environment drives increases in prepayment speeds and thus reduces the value of servicing rights.

Our Servicing segment procured voluntary insurance for residential loan borrowers, lender-placed hazard insurance for residential loan borrowers and credit owners and other ancillary products through our principal insurance agency until the sale of such agency and substantially all of our insurance agency business on February 1, 2017. This agency earned commissions on insurance sales, and commissions were earned on lender-placed insurance in certain circumstances and if permitted under applicable laws and regulations. Mortgage loans require borrowers to maintain insurance coverage to protect the collateral securing the loan. To the extent a borrower fails to maintain the necessary coverage, we are generally contractually required to add the borrower’s property to our own hazard insurance policy and charge the borrower his/her allocated premium amount. Though we are licensed nationwide to sell insurance products on behalf of third-party insurance carriers, we neither underwrote insurance policies nor adjudicated claims.

Insurance revenues were historically aligned with the size of our servicing portfolio. However, due to Fannie Mae and Freddie Mac restrictions that became effective on June 1, 2014, as well as other regulatory and litigation developments with respect to lender-placed insurance, our insurance commissions related to lender-placed insurance policies began to decrease materially beginning in 2014. On February 1, 2017, we completed the sale of our principal insurance agency and substantially all of our insurance agency business. As a result of this sale, we no longer receive any insurance commissions on lender-placed insurance policies. Commencing February 1, 2017, another insurance agency owned by us (and retained by us following the aforementioned sale) began to provide insurance marketing services to third-party insurance agencies and carriers with respect to voluntary insurance policies, including hazard insurance. This insurance agency receives premium-based commissions for its insurance marketing services.

Our Servicing segment performs collections of post charge-off or foreclosure deficiency balances for itself and on behalf of third-party securitization trusts and other asset owners. The third-party fee we earn is based on a percentage of our collections or a percentage of the unpaid principal balance. We recognize revenues associated with our on-balance sheet charged-off loan portfolio through its change in fair value.

Subservicing

As of December 31, 2017, we were the subservicer for approximately 0.7 million accounts with an unpaid principal loan balance of approximately $102.7 billion. These subserviced accounts represented approximately 49% of our total servicing portfolio based on unpaid principal loan balance at that date. Our largest subservicing customer, NRM, represented approximately 69% of our total subservicing portfolio based on unpaid principal loan balance on December 31, 2017. Our next largest subservicing customer represented approximately 21% of our total subservicing portfolio based on unpaid principal loan balance on December 31, 2017.

The subservicing contracts pursuant to which we are retained to subservice mortgage loans generally provide that our customer, the owner of the MSR that we subservice on behalf of, can terminate us as subservicer with or without cause, and each such contract has unique terms establishing the fees we will be paid for our work under the contract or upon the termination of the contract, if any, and the standards of performance we are required to meet in servicing the relevant mortgage loans, such that the profitability of our subservicing activity may vary among different contracts. We believe that our subservicing customers consider various factors from time to time in determining whether to retain or change subservicers, including the financial strength and servicer ratings of the subservicer, the subservicer's record of compliance with regulatory and contractual obligations (including any enhanced, "high touch" processes required by the contract) and the success of the subservicer in limiting the delinquency rate of the relevant portfolio. The termination of one or more of our subservicing contracts could have a material adverse effect on us, including on our business, financial condition, liquidity and results of operations. Refer to Item 1A. Risk Factors for a discussion of certain additional risks and uncertainties relating to our subservicing contracts.

In April 2017, during discussions with a subservicing counterparty regarding our business relationship and our review of our portfolios, this counterparty indicated it was exploring alternatives for certain portfolios we subserviced for such counterparty. At this counterparty's request, we transferred subservicing on mortgage loans with an unpaid principal balance of approximately $7.1 billion to other subservicers or counterparties during 2017.

Originations

Our Originations segment originates and purchases mortgage loans through the following channels:

- consumer originations, which is comprised of:
    - consumer retention - originates mortgage loans primarily through the use of a centralized call center that utilizes leads generated through solicitations of consumers in our existing servicing portfolio and through referrals from our servicing call centers; and
    - consumer direct - originates mortgage loans primarily through the use of a centralized call center that utilizes origination leads generated through direct mail, internet, telephone and general advertising campaign solicitations of consumers, some of whom who are not currently in our existing servicing portfolio;
- correspondent lending - purchases closed mortgage loans from a network of lenders in the marketplace; and
- wholesale lending - originates mortgage loans through a network of approved brokers.

Beginning in 2016, we combined our consumer retention and consumer direct call centers to pursue a more streamlined consumer lending process. In January 2016, we exited activities associated with our consumer retail channel, which originated mortgage loans through loan officers. Our consumer retail channel originated $14.9 million in mortgage loans during the year ended December 31, 2016. During the third quarter of 2016, we re-entered the wholesale channel in an effort to expand our customer base, after we had initially exited the wholesale channel in the first quarter of 2014.

Our consumer originations operations offer a range of home purchase and refinance mortgage loan options, including fixed and adjustable rate conventional conforming, Ginnie Mae, FHA, VA, USDA and jumbo products. A conventional conforming loan is a mortgage loan that conforms to GSE guidelines, which include, but are not limited to, limits on loan amount, loan-to-value ratios, debt-to-income ratios, and minimum credit scores. Our product offerings include special financing programs such as HARP, which has expanded loan-to-value limits for qualified applicants as compared to conventional conforming loans. The mortgage loans we fund are generally eligible for sale to GSEs or insured by government agencies.

We underwrite the mortgage loans we originate generally to secondary market standards, including the standards set by Fannie Mae, Freddie Mac, Ginnie Mae, the FHA, the USDA, the VA, and jumbo loan investor programs. Loans are reviewed by our underwriters in an attempt to ensure each mortgage loan is documented according to, and its terms comply with, the applicable secondary market standard. Our underwriters determine loan eligibility based on specific loan product requirements, such as loan-to-value, FICO, or maximum loan amount. Third-party diligence tools are utilized by our underwriters to validate data supplied by the potential borrower and to uncover potential discrepancies. We conduct audits on our underwriters to confirm proper adherence to our internal guidelines and polices, which audits are in addition to our standard quality control review. These audits are designed to provide an additional layer of internal review in an attempt to further mitigate quality defects and repurchase risk in the originations process.

Within our correspondent lending channel, we generally purchase the same types of loans that we originate in our consumer originations channel, although the mix varies among these channels. Correspondent lenders with which we do business agree to comply with our client guide, which sets forth the terms and conditions for selling loans to us and generally governs the business relationship. We monitor and attempt to mitigate counterparty risk related to loans that we acquire through our correspondent lending channel by conducting quality control reviews of correspondent lenders, reviewing compliance by correspondent lenders with applicable underwriting standards and our client guide, and evaluating the credit worthiness of correspondent lenders on a periodic basis. In 2017, our correspondent lending channel purchased loans from 488 lenders in the marketplace, of which 39 were associated with approximately half of our purchases.

Within our wholesale lending channel, we originate loans through mortgage brokers. Loans sourced by mortgage brokers are underwritten and funded by us and generally close in our name. Through the wholesale channel, we generally originate the same types of loans that we originate in our consumer originations channel, although the mix varies among these channels. We underwrite and process all loan applications submitted by the mortgage brokers in a manner consistent with that described above for the consumer originations channel. Mortgage brokers with whom we do business agree to comply with our client guide, which sets forth the terms and conditions for brokering loans to us and generally governs the business relationship. We monitor and attempt to mitigate counterparty risk related to loans that we originate through our wholesale lending channel by conducting quality control reviews of mortgage brokers, reviewing compliance by brokers with applicable underwriting standards and our client guide, and evaluating the credit worthiness of brokers on a periodic basis.

Our capital markets group is responsible for pricing loans and managing the interest rate risk through the time a loan is sold to third parties and managing the risk (which we call the “pull-through risk”) that loans we have locked will not be closed and funded in an attempt to maximize loan sale profitability through our various originations channels. The capital markets group uses models and hedging analysis in an attempt to maximize profitability while minimizing the risks inherent in the originations business.

In 2017, the mix of mortgage loans originated by our Originations segment, based on unpaid principal balance, consisted of (i) 50% Fannie Mae conventional conforming loans, (ii) 41% Ginnie Mae loans and (iii) 9% Freddie Mac conventional conforming loans.

Our Originations segment revenue, which is primarily net gains on sales of loans, is impacted by interest rates and the volume of loans locked. The margins earned by our Originations segment are impacted by our cost to originate the loans including underwriting, fulfillment and lead costs. We have historically sold our originated and purchased mortgage loans to third parties while retaining the servicing rights. During 2017, our strategy shifted from retaining servicing rights to subservicing as part of our initiative to generate liquidity and reduce our debt. Going forward, we expect to sell servicing rights to third parties on a more selective basis while continuing to grow our subservicing business with third-party servicing rights owners.

Reverse Mortgage

Our Reverse Mortgage segment primarily focuses on the servicing of reverse loans. Effective January 2017, we exited the reverse mortgage originations business. As of December 31, 2017, we did not have any reverse loans remaining in the originations pipeline and have finalized the shutdown of the reverse mortgage originations business. We will continue to fund undrawn amounts available to borrowers under their loans and, from time to time, securitize these amounts.

As a prior originator of reverse mortgages, this segment received cash proceeds at the time reverse loans were securitized and continues to receive cash proceeds at the time tails are securitized. We securitized substantially all our reverse loans and continue to securitize tails through the Ginnie Mae II MBS program into HMBS. Based upon the structure of the Ginnie Mae II MBS program, we determined that these securitizations do not meet all of the requirements for sale accounting, and as such, we account for these transfers as secured borrowings. Under this accounting treatment, the reverse loans remain on our consolidated balance sheets as residential loans. The segment earns net revenue on the net fair value gains on reverse loans and the related HMBS obligations.

This segment also performs subservicing for third-party credit owners of reverse loans, similar to our Servicing segment, and provides other complementary services for the reverse mortgage market, such as real estate owned property management and disposition, for a fee.

We have been evaluating options for our reverse mortgage business, including the possibility of selling some or all of its assets or pursuing alternative solutions for the business in collaboration with other parties. We cannot be certain whether or on what terms we will be able to consummate any transaction involving our reverse mortgage business or whether any such transaction would reduce our expected reverse mortgage losses. As of December 31, 2017, the net carrying value of our Reverse Mortgage segment securitized loan book was a net liability of approximately $84.2 million.

Other

As of December 31, 2017, our Other non-reportable segment holds the assets and liabilities of the Non-Residual Trusts and corporate debt.

Competition

We compete with a great number of institutions in the mortgage banking market for both the servicing and originations businesses as well as in our reverse mortgage servicing and complementary businesses. In the servicing area, we compete with other servicers to acquire MSR and for the right to subservice mortgages for others. Competitive factors in the servicing business include: a servicer's scale of operations and financial strength; a servicer's access to capital to fund acquisitions of MSR; a servicer's ability to meet contractual and regulatory obligations and to achieve favorable performance (e.g., in default management activity) relative to other servicers; a servicer's ability to provide a favorable experience for the borrower; a servicer's ability to recapture borrowers as they refinance; and a servicer's cost to service or subservice.

In the mortgage originations area, we compete to refinance or provide new mortgages to borrowers whose mortgages are in our existing servicing portfolio. In this area, the price and variety of our mortgage products are important factors of competition, as is the reputation of our servicing business and the quality of the experience the borrower may have had with our servicing business. Since mid-2015, our loan origination and servicing businesses have operated under a single "Ditech" brand. We also compete, principally on the basis of price and process efficiency, to acquire mortgages from correspondent lenders. In the future, as we attempt to grow the amount of purchase money (i.e., non-refinance) mortgages we originate, we expect we will also increasingly compete on the basis of brand awareness.

Across our servicing and originations businesses, technology is an important competitive factor. In particular, we believe it will be increasingly important to enable servicing and originations customers to access our services through our website and mobile devices. We face numerous competitors with greater financial resources, human resources and technology resources than ours, and there can be no assurance that we will be able to compete successfully.

Technology

Our businesses employ technology by using third-party systems where standardization and time to market is key and proprietary systems where functionality and flexibility are critical to regulatory compliance, customer experience and credit performance. The majority of our proprietary systems are supported by a team of information technology professionals who seek to protect our systems and ensure they are effective. In-house developed proprietary systems are leveraged for customer service, default management and reverse mortgage servicing.

On October 27, 2014, we signed a long-term Loan Servicing Agreement with Black Knight Financial Services, LLC for the use of MSP, a mortgage and consumer loan servicing platform. We also use our own proprietary systems for collections, customer service and default management. During the second quarter of 2016, we transitioned approximately 1.4 million loans, or greater than 60% of our mortgage loan servicing portfolio, to MSP, and now have greater than 80% of our mortgage loan servicing portfolio on MSP. Our private label loans, manufactured housing loans and second lien mortgage loans continue to be serviced on our proprietary systems.

Subsidiaries

For a listing of our subsidiaries, refer to Exhibit 21 of this Annual Report on Form 10-K.

Employees

We have recently undergone several changes in our senior leadership. Effective February 20, 2018, Jeffrey P. Baker commenced service as our Interim Chief Executive Officer and President, succeeding Anthony N. Renzi. Mr. Baker also continues to serve as President of RMS, but no longer serves as our Chief Operations Officer. We have engaged an executive search firm to assist us with the process of identifying internal and external candidates to serve as permanent Chief Executive Officer and President. On February 1, 2018, Gerald A. Lombardo joined the Company and, effective February 9, 2018, succeeded Gary Tillett as Chief Financial Officer.

We employed approximately 3,800 full-time equivalent employees at December 31, 2017 as compared to approximately 4,900 at December 31, 2016, all of whom were located in the U.S. The decline in full-time equivalent employees was due primarily to distinct actions we took in 2017 in connection with our continued efforts to enhance efficiencies and streamline processes within the organization, which included various organizational changes to scale our leadership team and support functions to further align with our business needs. We believe we have been successful in our efforts to recruit and retain qualified employees. However, we experience significant turnover with respect to certain of our roles, and therefore maintain active and continuous new employee recruiting and training programs. None of our employees is a party to any collective bargaining agreements.

We outsource certain support functions that support our loan originations and servicing groups to third-party vendors located in the U.S. and offshore locations in an effort to improve efficiency and reduce cost. These support functions include loan set-up, escrow account set-up, default set-up, foreclosure monitoring, claims filing, post-close audits, indexing and imaging. When we outsource a function, we retain a third-party vendor to perform such function as opposed to having our employees perform such function. We have increased the number of functions we outsource, as well as our use of offshore vendors generally, especially with respect to certain of our technology functions, and we expect to outsource additional back-office and other functions in the future both domestically and abroad.

Transactions with NRM

NRM Flow and Bulk Agreement

On August 8, 2016, our subsidiary, Ditech Financial, and NRM executed the NRM Flow and Bulk Agreement whereby we agreed to sell to NRM all of our right, title and interest in mortgage servicing rights with respect to a pool of mortgage loans, with subservicing retained. The NRM Flow and Bulk Agreement provides that, from time to time, we may sell additional MSR to NRM in bulk or as originated or acquired on a flow basis, subject in each case to the parties agreeing on price and certain other terms.

On January 17, 2018, we agreed to sell to NRM MSR relating to mortgage loans having an aggregate unpaid principal balance of approximately $11.3 billion as of such sale date, with subservicing retained, and we received approximately $90.4 million in cash proceeds from NRM as partial consideration for this MSR sale. We used 80% of such cash proceeds to repay borrowings under the 2013 Credit Agreement and used the remaining cash proceeds for general corporate purposes. Since entering into the NRM Flow and Bulk Agreement and through January 17, 2018, in various bulk transactions under the NRM Flow and Bulk Agreement, we have sold NRM MSR relating to mortgage loans having an aggregate unpaid principal balance of $71.1 billion as of the applicable closing dates of such transactions, in each case with subservicing retained. As of January 17, 2018, we had received $340.4 million in cash proceeds relating to such sales, which proceeds do not include certain holdback amounts relating to such sales that we expect to be paid to us over time. For the year ended December 31, 2017, we received $39.9 million in cash proceeds relating to these holdback amounts and at December 31, 2017 and 2016 had a servicing rights holdback receivable from NRM of $31.3 million and $71.3 million, respectively, which is recorded in receivables, net on the consolidated balance sheets.

In addition, during the fourth quarter of 2016, the Company began to sell to NRM, on a flow basis and with subservicing retained, MSR relating to certain mortgage loans that it originates. During 2017 and 2016, the Company sold MSR relating to mortgage loans with an aggregate unpaid principal balance of $7.6 billion and $1.4 billion, respectively, to NRM, which included co-issue loans sold with an aggregate unpaid principal balance of $6.4 billion and $0.2 billion, respectively. These transfers generated revenues of $61.8 million and $12.9 million for the years ended December 31, 2017 and 2016, respectively, which are recorded in net gains on sales of loans on the consolidated statements of comprehensive loss.

NRM also acquired substantially all of WCO's MSR portfolio in the fourth quarter of 2016, which consisted of MSR relating to mortgage loans having an aggregate unpaid principal balance of $9.8 billion as of the applicable closing dates, which was serviced by us and included $4.8 billion related to MSR that we previously accounted for as secured borrowings. We subservice these MSR under the NRM Subservicing Agreement.

The initial term of the NRM Flow and Bulk Agreement will expire on August 8, 2019 and shall be renewed for successive one-year terms thereafter unless either party provides written notice to the other party of its election not to renew. Each party to the NRM Flow and Bulk Agreement also has termination rights upon the occurrence of certain events and NRM can terminate this agreement at any time with a notice of 30 days. In connection with our entry into the NRM Flow and Bulk Agreement, we entered into a performance and payment guaranty whereby Ditech Holding guarantees performance of all obligations and all payments required by Ditech Financial under the NRM Flow and Bulk Agreement.

NRM Subservicing Agreement

On August 8, 2016, we entered into the NRM Subservicing Agreement with NRM whereby we act as subservicer for the mortgage loans whose MSR we sold to NRM under the NRM Flow and Bulk Agreement and for other mortgage loans as may be agreed upon by us and NRM from time to time, in exchange for a subservicing fee. Under the NRM Subservicing Agreement and a related agreement, we perform all daily servicing obligations on behalf of NRM with respect to the MSR that are serviced by us pursuant to the terms of the NRM Subservicing Agreement, including collecting payments from borrowers and offering refinancing options to borrowers for purposes of minimizing portfolio runoff. On January 17, 2018 Ditech Financial and NRM executed a Side Letter Agreement pursuant to which, among other things, certain provisions of the NRM Subservicing Agreement were amended and/or waived.

With respect to Ditech Financial, for mortgage loans that were being subserviced by Ditech Financial under the NRM Subservicing Agreement prior to January 17, 2018, and for any additional mortgage loans that Ditech Financial may subservice under the NRM Subservicing Agreement that are added to such agreement after such date (other than (i) mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and (ii) mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date), the initial term of the NRM Subservicing Agreement expired on August 8, 2017 and was automatically renewed for a successive one-year term, and will further be automatically renewed for successive one-year terms thereafter, unless we elect to terminate the NRM Subservicing Agreement without cause at the end of any subsequent one-year renewal term by providing notice to NRM at least 120 days prior to the end of the applicable term. With respect to Ditech Financial, for mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk MSR sale agreed to by the parties on January 17, 2018 and mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date, the initial term of the NRM Subservicing Agreement shall expire on January 17, 2019 (with respect to the aforementioned bulk MSR sale) or, with respect to each flow MSR assignment agreement executed by the parties after such date in connection with any flow MSR sales by Ditech Financial to NRM after such date, if any, the first anniversary of the first day of the calendar quarter following the calendar quarter during which such flow MSR assignment agreement was executed, and in each case will automatically renew for successive one-year terms thereafter unless we elect to terminate the NRM Subservicing Agreement without cause at the end of any such one-year term by providing notice to NRM at least 120 days prior to the end of the applicable term. If we elect to terminate the NRM Subservicing Agreement without cause, we will not be entitled to receive any deconversion fee, will be responsible for certain servicing transfer costs and will owe NRM a transfer fee if such termination occurs within five years from the effective date of the agreement. We may also terminate the NRM Subservicing Agreement immediately for cause upon the occurrence of certain events, including, without limitation, any failure by NRM to remit payments (subject to a cure period), certain bankruptcy or insolvency events of NRM, NRM ceasing to be an approved servicer in good standing with Fannie Mae or Freddie Mac (unless caused by us) and any failure by NRM to perform, in any material respect, its obligations under the agreement (subject to a cure period). Upon any termination of the NRM Subservicing Agreement by us for cause, NRM will owe us a deconversion fee and be responsible for certain servicing transfer costs.

With respect to NRM, for mortgage loans that were being subserviced by Ditech Financial under the NRM Subservicing Agreement prior to January 17, 2018, and for any additional mortgage loans that Ditech Financial may subservice under the NRM Subservicing Agreement that are added to such agreement after such date (other than (i) mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and (ii) mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date), the initial term of the NRM Subservicing Agreement expired on August 8, 2017 and thereafter the agreement automatically terminates with respect to such mortgage loans, unless renewed by NRM on a monthly basis. Since the expiration of the initial term, NRM has renewed the NRM Subservicing Agreement each month thereafter. In the case of mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk MSR sale agreed to by the parties on January 17, 2018 and mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date, the initial term of the NRM Subservicing Agreement shall expire on January 17, 2019 (with respect to the aforementioned bulk MSR sale) or, with respect to each flow MSR assignment agreement executed by the parties after such date in connection with any flow MSR sales by Ditech Financial to NRM after such date, if any, the first anniversary of the first day of the calendar quarter following the calendar quarter during which such flow MSR assignment agreement was executed, and following the applicable initial term the agreement automatically terminates with respect to the applicable mortgage loans unless renewed by NRM on a quarterly basis. If NRM fails to renew the agreement, it will owe us a deconversion fee. In addition, if NRM elects to terminate the NRM Subservicing Agreement without cause, it will owe us a deconversion fee and be responsible for certain servicing transfer costs. NRM may also terminate the NRM Subservicing Agreement immediately for cause upon the occurrence of certain events, including, without limitation, our failure to remit payments (subject to a cure period), our failure to provide reports to NRM (subject to a cure period), a change of control of Ditech Financial or Ditech Holding, our failure to satisfy certain portfolio performance measures relating to delinquency rates or advances, our ceasing to be an approved servicer in good standing with Fannie Mae or Freddie Mac, any failure by Ditech Financial or Ditech Holding to satisfy certain financial metrics, certain bankruptcy or insolvency events of Ditech Financial or Ditech Holding and any failure by us to perform, in any material respect, our obligations under the agreement (subject to a cure period). Because certain of these events have already occurred, NRM has the ability to terminate the NRM Subservicing Agreement immediately for cause with respect to mortgage loans that were being subserviced by Ditech Financial under the NRM Subservicing Agreement prior to January 17, 2018, and for any additional mortgage loans that Ditech Financial may subservice under the NRM Subservicing Agreement that are added to such agreement after such date (other than (i) mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and (ii) mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date), but has not terminated such agreement with respect to any such mortgage loans. Pursuant to the January 17, 2018 Side Letter Agreement Ditech Financial entered into with NRM, NRM agreed to, among other things, waive its right to terminate the Subservicing Agreement for cause due to the occurrence of certain of these events with respect to mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date. Upon any termination of the NRM Subservicing Agreement by NRM for cause, we will not be entitled to receive any deconversion fee, will be responsible for certain servicing transfer costs and will owe NRM a transfer fee if such termination occurs within five years from the effective date of the agreement.

Walter Capital Opportunity LLC

In 2014, we established WCO, a company formed to invest in mortgage-related assets, including MSR and excess servicing spread related to MSR. We own approximately 10% of WCO; third-party investors own the remainder of WCO. Beginning in 2014 and continuing through 2016, WCO, in various transactions, acquired MSR, excess servicing spread and other mortgage-related assets in transactions with us and other market participants. From 2014 through 2016, we served as investment manager for WCO pursuant to a management agreement.

In November 2016, WCO entered into a series of agreements whereby it agreed to sell substantially all of its assets, which included the sale of substantially all of its MSR portfolio, to NRM. In connection with the December 2016 closing of the transactions relating thereto, WCO commenced liquidation activities and is currently projecting it will wind down its operations in the fourth quarter of 2018. During the third quarter of 2017, we and WCO terminated the management agreement and entered into a services agreement, under which we currently provide non-investment advisory and administrative services to WCO. We received $11.5 million in distributions from our equity investment in WCO during 2017, which are included in other investing activities in the consolidated statements of cash flows.

Rights Agreement

We had previously adopted the Rights Agreement, dated as of June 29, 2015, and subsequently amended and restated on November 11, 2016 and further amended on November 9, 2017 and February 9, 2018, which provided that if any person or group of persons, excluding certain exempted persons, acquired 4.99% or more of the outstanding common stock of Walter Investment Management Corp. or any other interest that would be treated as "stock" for the purposes of Section 382, there would be a triggering event potentially resulting in significant dilution in the voting power and economic ownership of such acquiring person or group. The Rights Agreement was intended to help protect our "built-in tax losses" and certain other tax benefits by acting as a deterrent to any person or group of persons acting in concert from becoming or obtaining the right to become the beneficial owner (including through constructive ownership of securities owned by others) of 4.99% or more of the shares of our common stock. The Rights Agreement was scheduled to expire on November 11, 2018 or upon the earlier occurrence of certain events, subject to extension by the Board of Directors or exchange of rights by us.

On the Effective Date, we entered into Amendment No. 2 to the Rights Agreement with Computershare that accelerated the scheduled expiration date of the Rights (as defined in the Rights Agreement) to the Effective Date. The Rights issued pursuant to the Rights Agreement, which were also canceled by operation of the Prepackaged Plan, have expired and are no longer outstanding, and the Rights Agreement has terminated.

In connection with the adoption of our Rights Agreement, we filed Articles Supplementary with the State Department of Assessments and Taxation of Maryland, setting forth the rights, powers, and preferences of our junior participating preferred stock issuable upon exercise of the rights. The cancellation of all existing equity interests by operation of the Prepackaged Plan included the cancellation of any rights issued under the Rights Agreement. In addition, on the Effective Date, we filed Articles of Amendment with the State Department of Assessments and Taxation of Maryland, which among other things, served to eliminate our junior participating preferred stock. Our Articles of Amendment and Restatement, adopted on the Effective Date, include transfer restriction provisions intended to protect the tax benefits described above. Our Articles of Amendment and Restatement, adopted on the Effective Date, include certain restrictions on the transfer of our securities intended to preserve the value of our tax attributes, by minimizing the likelihood of an "ownership change" under applicable tax rules. Subject to certain exceptions, the Articles of Amendment and Restatement generally will restrict (i) any transfer that would result in a person or entity accumulating 4.75% or more of our common shares (assuming for the purpose of calculating the 4.75% that all outstanding shares of Convertible Preferred Stock have fully converted) or 4.75% or more of the outstanding shares of our Convertible Preferred Stock (on a separate class basis), (ii) any transfer as to any person or entity that already owns shares at or above such 4.75% threshold, such person or entity acquiring additional stock of our securities and (iii) under limited circumstances described in the Articles of Amendment and Restatement, a transfer by a person or entity that owns shares at or above such 4.75% threshold from disposing of all or part of such stock.

The Articles of Amendment and Restatement exempt from the restrictions (i) any transfer approved in writing (prior to the date of the transfer) by the Board of Directors, (ii) a tender or exchange offer by us to purchase our securities, a purchase program effected by us on the open market or certain other redemptions of our securities, (iii) a conversion, pursuant to its terms, of Convertible Preferred Stock, and (iv) certain transfers by a person or entity that received as part of our Restructuring and owns 4.75% or more of our Convertible Preferred Stock.

The procedure for approval of a transfer by the Board of Directors, as well as the other details and elements of these restrictions, are set forth in the Articles of Amendment and Restatement.

Laws and Regulations

Our business is subject to extensive regulation by federal, state and local authorities, including the CFPB, HUD, VA, the SEC and various state agencies that license, audit and conduct examinations of our mortgage servicing and mortgage originations businesses. We are also subject to a variety of regulatory and contractual obligations imposed by credit owners, investors, insurers and guarantors of the mortgages we originate and service, including, but not limited to, Fannie Mae, Freddie Mac, Ginnie Mae, FHFA, USDA and the VA/FHA. Furthermore, our industry has been under scrutiny by federal and state regulators over the past several years, and we expect this scrutiny to continue. Laws, rules, regulations and practices that have been in place for many years may be changed, and new laws, rules, regulations and administrative guidance have been, and may continue to be, introduced in order to address real and perceived problems in our industry. We expect to incur ongoing operational, legal and system costs in order to comply with these rules and regulations.

Federal Law

We are required to comply with numerous federal consumer protection and other laws, including, but not limited to:

- the Gramm-Leach-Bliley Act and Regulation P, which requires initial and periodic communication with consumers on privacy matters and the maintenance of privacy regarding certain consumer data in our possession;

- the Fair Debt Collection Practices Act, which regulates the timing and content of communications on debt collections;
- the TILA, including HOEPA, and Regulation Z, which regulate mortgage loan origination activities, require certain disclosures be made to mortgagors regarding terms of mortgage financing, regulate certain high-cost mortgages, mandate home ownership counseling for mortgage applicants and regulate certain mortgage servicing activities;
- the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act and Regulation V, which collectively regulate the use and reporting of information related to the credit history of consumers;
- the Equal Credit Opportunity Act and Regulation B, which prohibit discrimination on the basis of age, race and certain other characteristics in the extension of credit and requires certain disclosures to applicants for credit;
- the Homeowners Protection Act, which requires the cancellation of mortgage insurance once certain equity levels are reached;
- the HMDA and Regulation C, which require reporting of certain public loan data;
- the Fair Housing Act and its implementing regulations, which prohibit discrimination in housing on the basis of race, sex, national origin, and certain other characteristics;
- the Servicemembers Civil Relief Act, as amended, which provides certain legal protections and relief to members of the military;
- the RESPA and Regulation X, which governs certain mortgage loan origination activities and practices and related disclosures and the actions of servicers related to various items, including escrow accounts, servicing transfers, lender-placed insurance, loss mitigation, error resolution, and other customer communications;
- Regulation AB under the Securities Act, which requires registration, reporting and disclosure for mortgage-backed securities;
- certain provisions of the Dodd-Frank Act, including the Consumer Financial Protection Act, which among other things, created the CFPB and prohibits unfair, deceptive or abusive acts or practices;
- the Federal Trade Commission Act, the FTC Credit Practices Rules and the FTC Telemarketing Sales Rule, which prohibit unfair and deceptive acts and practices and certain related practices;
- the TCPA, which restricts telephone solicitations and automatic telephone equipment;
- Regulation N, which prohibits certain unfair and deceptive acts and practices related to mortgage advertising;
- the Bankruptcy Code and bankruptcy injunctions and stays, which can restrict collection of debts;
- the Secure and Fair Enforcement for Mortgage Licensing Act; and
- various federal flood insurance laws that require the lender and servicer to provide notice and ensure appropriate flood insurance is maintained when required.

The Dodd-Frank Act, enacted in 2010, constituted a sweeping reform of the regulation and supervision of financial institutions, as well as the regulation of derivatives, capital market activities and consumer financial services. Among other things, the Dodd-Frank Act created the CFPB, a new federal entity responsible for regulating consumer financial services. The CFPB has rulemaking authority with respect to many of the federal consumer protection laws applicable to mortgage servicers and originators, including TILA, RESPA and the FDCPA. The CFPB also has supervision, examination and enforcement authority over consumer financial products and services offered by certain non-depository institutions and large insured depository institutions. The CFPB's jurisdiction includes persons (such as us) originating, brokering or servicing residential mortgage loans, those persons performing loan modification or foreclosure relief services in connection with such loans and certain entities involved in the transfer of MSR.

Title XIV of the Dodd-Frank Act imposed a number of requirements on mortgage originators and servicers of residential mortgage loans, significantly increased the penalties for noncompliance with certain consumer protection laws and also established new standards and practices for mortgage originators and servicers. Subsequent to the enactment of the Dodd-Frank Act, the CFPB has issued, and is expected to continue to issue, various rules that impact mortgage servicing and originations, including: periodic billing statements; certain notices and acknowledgments; prompt crediting of borrowers' accounts for payments received; additional notice, review and timing requirements with respect to delinquent borrowers; prompt investigation of complaints by borrowers; additional requirements before purchasing insurance to protect the lender's interest in the property; certain customer service benchmarks for servicers; servicers' obligations to establish reasonable policies and procedures; requirements to provide information about mortgage loss mitigation options to delinquent borrowers; rules governing the scope, timing, content and format of disclosures to consumers regarding the interest rate adjustments of their variable-rate transactions; establishing certain requirements relating to billing statements, payment crediting and the provision of payoff statements; preventing or limiting servicers of residential mortgage loans from taking certain actions (e.g. the charging of certain fees); requirements for determining prospective borrowers' abilities to repay their mortgages; removing incentives for higher cost mortgages; prohibiting prepayment penalties for non-qualified mortgages; prohibiting mandatory arbitration clauses; requiring additional disclosures to potential borrowers; restricting the fees that mortgage originators may collect; requiring new mortgage loan disclosures that integrate the TILA disclosures with the RESPA disclosures for certain covered transactions; and other new requirements, in each case either increasing costs and risks related to servicing and originations or reducing revenues currently generated.

Recently, the only reverse mortgage loan product we have originated is the HECM, an FHA-insured loan that must comply with FHA and other regulatory requirements. Accordingly, many of the recent federal legal changes affecting our reverse mortgage business relate to the HECM. On September 3, 2013, the FHA announced changes to the HECM program, pursuant to authority under the Reverse Mortgage Stabilization Act, signed into law on August 9, 2013. The changes impact initial mortgage insurance premiums and principal limit factors, impose restrictions on the amount of funds that senior borrowers may draw down at closing and during the first 12 months after closing, and require a financial assessment for all HECM borrowers to ensure they have the capacity and willingness to meet their financial obligations and the terms of the reverse mortgage. Key components of the financial assessment include a credit history and property charge payment history analysis, a cash flow/residual income analysis, and an analysis of compensating factors and extenuating circumstances to determine if the applicant is eligible for a HECM loan. In addition, the changes require borrowers to set aside a portion of the loan proceeds they receive at closing (or withhold a portion of monthly loan disbursements) for the payment of property taxes and homeowners insurance based on the results of the financial assessment. The new HECM requirements generally became effective on September 30, 2013, with the new financial assessment requirements and funding requirements for the payment of property charges taking effect on April 27, 2015.

State Law

We are also subject to extensive state licensing, statutory and regulatory requirements as a mortgage servicer, loan originator and debt collector throughout the U.S. We are subject to ongoing supervision, audits and examinations conducted by state regulators, including periodic requests from state and other agencies for records, documents and information regarding our policies, procedures and business practices.

State laws affecting our businesses have also been evolving. Some changes have occurred on a nationwide basis at the state level due to the establishment and/or amendment of minimum standards under federal law, such as state licensing requirements. Some states may seek to incorporate federal requirements as a requirement imposed on a state licensed entity, while other states may seek to impose their own additional requirements to the extent not preempted under federal law. Additionally, there have been growing trends in state lawmaking focusing on the servicing of mortgage loans related to, for example, data privacy, loan modifications and anti-foreclosure measures.

Recent Regulatory Developments

Servicing Segment

On June 27, 2017, the CFPB announced a final rule addressing technical corrections to existing mortgage servicing rules under Regulation X of RESPA and Regulation Z of TILA, supplementing a final rule issued on August 4, 2016 that clarified, revised and amended provisions regarding, among other things, force-placed insurance, early intervention and loss mitigation requirements under Regulation X and prompt crediting and periodic statement requirements under Regulation Z. The August 4, 2016 final rule also addressed proper compliance regarding certain servicing requirements when a person is a potential or confirmed successor in interest, is a debtor in bankruptcy, or sends a cease communication request under the FDCPA and made technical corrections to several provisions of Regulation X and Regulation Z. The majority of the requirements under the most recent and the August 4, 2016, final rules became effective October 19, 2017.

On October 4, 2017, the CFPB announced a proposed rule that would amend the 2016 Regulation Z mortgage servicing rule's requirements relating to the timing for servicers to transition to providing modified or unmodified periodic statements and coupon books in connection with a consumer's bankruptcy case.

The CFPB also issued an interpretive rule under the FDCPA relating to servicers' compliance with certain mortgage servicing rules. Most of the provisions of the final rule took effect on October 19, 2017, with the provisions relating to successors in interest and the provisions relating to periodic statements for borrowers in bankruptcy expected to take effect April 19, 2018.

There have been various legal and regulatory developments in Nevada regarding liens asserted by HOAs for unpaid assessments. In September 2014, the Nevada Supreme Court held that an HOA non-judicial foreclosure sale can extinguish a mortgage lender's previously-recorded first deed of trust on a property if that foreclosure is to recover assessments categorized as super-priority amounts. In June 2015, the U.S. District Court for the District of Nevada issued an opinion holding that federal law prohibits an HOA foreclosure proceeding from extinguishing a first deed of trust assigned to Fannie Mae. A Nevada state court subsequently reached the same conclusion. The Nevada Supreme Court also reversed a lower court summary judgment decision invalidating an HOA foreclosure sale on the basis that the HOA refused the lienholder's tender of the super-priority portion of the lien and that the HOA sale was commercially unreasonable. The Nevada Supreme Court ruled that these were issues of fact and remanded for further proceedings. Additional litigation in both state and federal courts and appellate courts is pending with respect to these issues. Case law is quickly developing, is not harmonious as between federal and state courts and varies by judge within each jurisdiction. Also, legislation in Nevada, which became effective on October 1, 2015, requires HOAs to provide notice to lienholders relating to the default and foreclosure sale and also to provide creditors with a right to redeem the property for up to 60 days following an HOA foreclosure sale. In January 2017, the Nevada Supreme Court ruled that the state's non-judicial HOA foreclosure statutes in effect prior to the 2015 amendments do not unconstitutionally violate due process and are not a government taking. This opinion conflicts with a 2016 decision of the Ninth Circuit, holding that the statute was unconstitutional. Credit owners may assert claims against servicers for failure to advance sufficient funds to cover unpaid HOA assessments and protect the credit owner's interest in the subject property. We service numerous loans in Nevada and are involved in litigation and other legal proceedings affected by, or related to, these HOA matters.

Originations Segment

On June 27, 2017, the CFPB announced a final rule amending the TILA-RESPA "Know Before You Owe" mortgage disclosure rule. The final rule formalizes guidance about the rule, provides greater clarity and certainty and helps facilitate compliance within the mortgage industry. In addition to various clarifications, minor changes, and technical corrections, the rule makes four substantive changes to the existing rule. The final rule: (i) creates tolerances for the total of payments disclosure; (ii) provides for an adjustment of the current partial exemption for certain housing assistance loans to clarify that recording fees and transfer taxes are excluded from the exemption's limitation on costs; (iii) includes all cooperatives under the rule regardless of whether the cooperative is classified as real property under state law; and (iv) incorporates and expands upon previous CFPB webinar guidance concerning the sharing of disclosures with sellers and various other parties.

On July 7, 2017, the CFPB announced a proposed rule to further amend the "Know Before You Owe" mortgage disclosure rule. The proposed amendments relate to when a creditor may compare charges paid by or imposed on the consumer to amounts disclosed on a closing disclosure, instead of a loan estimate, to determine if an estimated closing cost was disclosed in good faith. Specifically, the proposed amendments would permit creditors to do so regardless of when the closing disclosure is provided relative to consummation.

On August 24, 2017, the CFPB issued a final rule to make technical corrections and clarifications to certain requirements adopted by the CFPB's HMDA (Regulation C) final rule issued on October 28, 2015. The final rule also amends Regulation C to increase the threshold for collecting and reporting data about open-end lines of credit for a period of two years so that financial institutions originating fewer than 500 open-end lines of credit in either of the preceding two years would not be required to begin collecting such data until Jan. 1, 2020, and also adopted a new reporting exclusion. The data collection requirements implemented by the 2015 and 2017 final rules became effective on January 1, 2018, while the reporting requirements are expected to begin in 2019.

Reverse Mortgage Segment

On January 19, 2017, HUD published the "Final HECM Rule, FHA: Strengthening the Home Equity Conversion Mortgage Program." The primary purpose of this rule was to codify into regulation prior guidance issued by HUD under mortgagee letters authorized by the Reverse Mortgage Stabilization Act of 2013 and the Housing and Economic Recovery Act of 2008. This rule addresses a wide range of reverse mortgage origination and servicing issues, and in certain areas, amends prior guidance and rules. This rule became effective on September 19, 2017.

HUD Mortgagee Letter 2017-05, effective April 18, 2017, provided consolidated and updated guidance regarding the submission of HECM assignments to HUD. Since the publication of HUD Mortgagee Letter 2017-05, RMS has increasingly experienced delays and rejections with respect to HUD's acceptance and payment of certain assignment claims, which, in turn, increases the amount of time RMS must carry the applicable loan's balance between the time the loan is bought out of a GNMA pool until the assignment claim is paid. The two predominant reasons for the increase in delays and rejections of HECM assignments relate to HUD Mortgagee Letter 2017-05 being interpreted to require proof that property taxes are "current," as opposed to the prior requirement of proof that such taxes were paid "timely," and the HUD Mortgagee Letter 2017-05 guidance that the only acceptable proof of hazard insurance is a copy of the borrower's current insurance "declarations page." Refer to Item 1A. Risk Factors for a discussion of certain risks relating to our HECM repurchase obligations and related matters.

Federal Regulatory Freeze and Uncertainty

Following the November 2016 Presidential and Congressional elections, a level of heightened uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd Frank Act and the CFPB. For example, in January 2017, President Trump issued a Presidential Memorandum and an Executive Order designed to decrease the number of federal regulations. The memorandum directed executive departments and agencies to freeze new or pending regulations, and the order directed agencies to eliminate at least two existing regulations for every proposed regulation. The Office of Management and Budget subsequently clarified that the Executive Order does not apply to independent agencies such as the CFPB, and the applicability of the Presidential Memorandum to such independent agencies is less clear. However, on February 12, 2018, the CFPB released its Strategic Plan, in which it communicated its intention to identify and address unduly burdensome regulations. These events create uncertainty with regard to final regulations already published in the Federal Register but not yet in effect, such as the CFPB's amendments to the mortgage servicing rules requiring servicers to provide modified periodic statements to certain consumers in bankruptcy and transition to and from providing such statements as they enter and come out of bankruptcy, and are expected to take effect in April 2018. Further, the release of the Strategic Plan came on the heels of the CFPB's announcement on December 21, 2017 that (a) it did not intend to assess penalties with respect to errors for data collected in 2018 and reported in 2019 under HMDA but (b) it did intend to reconsider various aspects of its 2015 HMDA rule. We cannot predict when these rules will take effect, if at all, nor can we predict the specific legislative or executive actions that may follow or what actions federal and state regulators may take in response to potential changes to the Dodd Frank Act or to the regulatory environment generally.

Company Website and Availability of SEC Filings

Our website can be found at www.ditechholding.com. We make available free of charge on our website or provide a link on our website to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to our website, click on "Investor Relations" and then click on "SEC Filings." We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of the Exchange Act, as well as our Code of Conduct and Ethics, our Corporate Governance Guidelines, and charters for our Audit Committee, Compensation and Human Resources Committee, Nominating and Corporate Governance Committee, Finance Committee, Compliance Committee and Technology and Operations Committee. In addition, our website may include disclosure relating to certain non-GAAP financial measures that we may make public orally, telephonically, by webcast, by broadcast, or by similar means from time to time.

From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding the Company is routinely posted on and accessible at http://investor.ditechholding.com.

Any information on our website or obtained through our website is not part of this Annual Report on Form 10-K.

Our Investor Relations Department can be contacted at 3000 Bayport Drive, Suite 985, Tampa, Florida 33607, Attn: Investor Relations, telephone (813) 421-7694.

ITEM 1A. *RISK FACTORS*

You should carefully review and consider the risks and uncertainties described below, which are risks and uncertainties that could materially adversely affect our business, prospects, financial condition, cash flows, liquidity and results of operations, our ability to pay dividends to our stockholders and/or our stock price. In addition, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking information, the risk factors set forth below are cautionary statements identifying important factors that could cause our actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on our behalf.

Risks Related to Emergence from Bankruptcy Protection

Information contained in our historical financial statements will not be comparable to the information contained in our financial statements after the expected application of fresh start accounting.

Following the consummation of the Prepackaged Plan, our financial condition and results of operations from and after the Effective Date will not be comparable to the financial condition or results of operations in our historical financial statements. As a result of our restructuring under Chapter 11 of the Bankruptcy Code, our financial statements are expected to be subject to the fresh start accounting provisions of GAAP. In the application of fresh start accounting, an allocation of the reorganization value is made to the fair value of assets and liabilities in conformity with the guidance for the acquisition method of accounting for business combinations. Adjustments to the carrying amounts could be material and could affect prospective results of operations as balance sheet items are settled, depreciated, amortized or impaired. This will make it difficult for our stockholders and others to assess our performance in relation to prior periods. Our Quarterly Report on Form 10-Q for the period ended March 31, 2018 will reflect the consummation of the Prepackaged Plan and the expected adoption of fresh start accounting effective February 10, 2018.

Our emergence from reorganization proceedings will reduce or eliminate our tax attributes and limit our ability to offset future taxable income with tax losses and credits incurred prior to our emergence from bankruptcy. Our remaining deferred tax assets could be further impaired if we have a subsequent significant change in our stockholder base.

As a result of the discharge of debt pursuant to the Chapter 11 Case, we will incur substantial cancellation of debt for federal income tax purposes. In general, a debtor in a Chapter 11 proceeding is required to reduce the amount of its tax attributes by such cancellation of debt. The tax attributes, including net operating losses, tax credits and tax basis in assets, provide potential value in the form of reduced future tax liability.

A corporation's ability to recognize the value of its tax attributes can be substantially constrained under the general annual limitation rules of Section 382 if it undergoes an “ownership change” as defined in Section 382 (generally where cumulative stock ownership changes among material shareholders exceed 50% during a rolling three-year period). We experienced an ownership change in connection with our emergence from the Chapter 11 Case. The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. While we anticipate taking advantage of certain special rules for federal income tax purposes that would allow us to mitigate the limitations imposed under Section 382 with respect to our remaining tax attributes, there can be no assurance that these special rules will apply to the ownership change we experienced upon our emergence from bankruptcy, including that we may ultimately elect not to apply them. If the special rules do not apply, our ability to realize the value of our tax attributes would be subject to limitation.

Notwithstanding the foregoing, an ownership change subsequent to our emergence from the Chapter 11 Case may severely limit or effectively eliminate our ability to realize the value of our tax attributes. To reduce the risk of a potential adverse effect on our ability to realize the value of our tax attributes, our Articles of Amendment and Restatement contain transfer restrictions applicable to certain substantial common and preferred stockholders. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, no assurance can be given that such an ownership change will not occur, in which case our ability to realize the value of our tax attributes could be severely limited or effectively eliminated.

Our ability to use our deferred tax assets to offset future taxable income may be subject to certain limitations that could subject our business to higher tax liabilities.

We may be limited in the portion of net operating loss carryforwards and built in losses that we can use in the future to offset taxable income for U.S. federal and state income tax purposes. The Tax Act enacted on December 22, 2017 makes broad and complex changes to the Code. While future interpretative guidance related to the Tax Act and how U.S. states will incorporate these federal law changes may have an impact on our business, the Tax Act’s reduction of the federal corporate income tax rate from 35% to 21%, effective January 1, 2018, has reduced our net deferred tax assets including those associated with NOL Carryforwards. A lack of future taxable income would adversely affect our ability to utilize our NOL Carryforwards.

In addition, under Section 382 of the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOL Carryforwards and built in losses to offset future taxable income. Future changes in our stock ownership as well as other changes that may be outside of our control could result in additional ownership changes under Section 382 of the Code. Our state NOL Carryforwards may also be impaired under similar provisions of state law.

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize our existing deferred tax assets. On the basis of this evaluation, a full valuation allowance has been recorded to recognize only deferred tax assets that are more likely than not to be realized.

Finally, further changes to the federal or state tax laws or additional technical guidance relating to the Tax Act could operate to effectively reduce or eliminate the value of any deferred tax asset. Our tax attributes as of December 31, 2017 may expire unutilized or underutilized, which could prevent us from offsetting future taxable income.

There is limited history of trading of our post-emergence common stock, and volatility is possible.

Our post-emergence common stock has traded for only a limited period of time. Some of the holders who received common stock upon emergence may not elect to hold their shares on a long-term basis. Sales by these stockholders of a substantial number of shares could significantly reduce the market price of our common stock. Moreover, the perception that these stockholders might sell significant amounts of our common stock could depress the trading price of the stock for a considerable period of time. Such sales of common stock, and the possibility thereof, could make it more difficult for us to sell equity, or equity-related securities, in the future at a time and price that we consider appropriate.

Risks Related to our Business

If we fail to operate our business in compliance with both existing and future statutory, regulatory and other requirements, our business, financial condition, liquidity and/or results of operations could be materially and adversely affected.

Our business is subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, the FTC, HUD, the VA, the SEC and various state agencies that license, audit, investigate and conduct examinations of our mortgage servicing, origination, insurance, collection, reverse mortgage and other activities. Further, in recent years the policies, laws, rules and regulations applicable to our business have been rapidly evolving. Federal, state or local governmental authorities may continue to enact laws, rules or regulations that will result in changes in our business practices and increased costs of compliance. However, we are unable to predict whether any such changes will adversely affect our business.

In addition, the GSEs, Ginnie Mae and other business counterparties also subject us to periodic examinations, reviews and audits, and we routinely conduct our own internal examinations, reviews and audits. These various audits, reviews and examinations of our business and related activities have uncovered, and may in the future uncover, deficiencies in our compliance with our policies and other requirements to which we are subject. While we strive to investigate and remediate such deficiencies, there can be no assurance that any remedial measures we implement, which could involve material expense, will ensure compliance with applicable policies, laws, regulations and other requirements or be deemed sufficient by the GSEs, Ginnie Mae, governmental authorities or other interested parties.

We devote substantial resources (including senior management time and attention) to regulatory compliance and regulatory inquiries, and we incur, and expect to continue to incur, significant costs in connection therewith. Our business, financial condition, liquidity and/or results of operations could be materially and adversely affected by the substantial resources (including senior management time and attention) we devote to, and the significant compliance costs we incur in connection with, regulatory compliance and regulatory inquiries, and any fines, penalties, restitution or similar payments we make in connection with resolving such matters.

Furthermore, our actual or alleged failure to comply with applicable federal, state and local laws and regulations and GSE, Ginnie Mae and other business counterparty requirements, or to implement and adhere to adequate remedial measures designed to address any identified compliance deficiencies, could lead to:

- the loss or suspension of licenses and approvals necessary to operate our business;
- limitations, restrictions or complete bans on our business or various segments of our business;
- disqualification from participation in governmental programs, including GSE programs;
- damage to our reputation;
- governmental investigations and enforcement actions;
- administrative fines and financial penalties;

- litigation, including class action lawsuits;
- civil and criminal liability;
- termination of our servicing and subservicing agreements or other contracts;
- demands for us to repurchase loans;
- loss of personnel who are targeted by prosecutions, investigations, enforcement actions or litigation;
- a significant increase in compliance costs;
- a significant increase in the resources (including senior management time and attention) we devote to regulatory compliance and regulatory inquiries;
- an inability to access new, or a default under or other loss of current, liquidity and funding sources necessary to operate our business;
- restrictions on mergers and acquisitions;
- impairment of assets;
- conservatorship or receivership by order of a court or regulator; and
- an inability to execute on our business strategy.

Any of these outcomes could materially and adversely affect our reputation, business, financial condition, prospects, liquidity and/or results of operations.

The mortgage servicing industry has been and remains under a higher degree of scrutiny from state and federal regulators and other authorities, with particular attention directed at larger non-bank servicing organizations such as Ditech Holding. We cannot guarantee that any such scrutiny and investigations will not materially adversely affect us.

Our failure to comply with existing and future rules and regulations relating to the origination and servicing of residential loans, and/or more stringent enforcement of such rules and regulations by the CFPB, HUD and other federal and state agencies could result in enforcement actions, fines, penalties and reputational damage.

On July 21, 2010, the Dodd-Frank Act was signed into law for the express purpose of further regulating the financial services industry, including mortgage origination, sales, servicing and securitization. The CFPB, a federal agency established pursuant to the Dodd-Frank Act, officially began operation on July 21, 2011. The CFPB is charged, in part, with enforcing laws involving consumer financial products and services, including mortgage finance and servicing and reverse mortgages, and is empowered with examination, enforcement and rulemaking authority.

The Dodd-Frank Act established new standards and practices for mortgage originators and servicers, including determining prospective borrowers' abilities to repay their mortgages, removing incentives for higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers, restricting the fees that mortgage originators may collect, new mortgage loan disclosures that integrate TILA and RESPA disclosures for certain covered transactions and other new requirements.

In recent years, HUD and the DOJ have pursued actions against FHA-approved lenders, including RMS, under the False Claims Act, which imposes liability on any person who knowingly makes a false or fraudulent claim for payment to the U.S. government. Potential penalties are significant as these actions may result in treble damages and several large settlements have been entered into by HUD-approved mortgagees who have allegedly violated the False Claims Act. RMS received a subpoena dated June 16, 2016 from the Office of Inspector General of HUD requiring RMS to produce documents and other materials relating to, among other things, the origination, underwriting and appraisal of reverse mortgages for the time period since January 1, 2005. RMS subsequently received an additional subpoena from the Office of Inspector General of HUD dated January 12, 2017 requesting certain documents and information relating to the origination and underwriting of certain specified loans. This investigation, which is being conducted in coordination with the U.S. Department of Justice, Civil Division, could lead to a demand or claim under the False Claims Act, which allows for penalties and treble damages, or other statutes. See Item 3. Legal Proceedings for additional information.

In addition, the DOJ could take the position that it could initiate actions against Fannie Mae- and Freddie Mac-approved lenders and servicers for alleged violations of the False Claims Act as a result of noncompliance with the GSE's underwriting and other guidelines, given the FHFA conservatorship.

Regulations under the Dodd-Frank Act, bulletins issued by the CFPB pursuant to its authority, and other actions by the CFPB, HUD, the VA and other federal agencies could materially and adversely affect the manner in which we conduct our businesses, and have and could continue to result in heightened federal regulation and oversight of our business activities and in increased costs and potential litigation associated with our business activities.

We are subject to state licensing requirements and incur related substantial compliance costs, and our business would be adversely affected if we encountered a suspension or termination of our licenses.

Our operations are subject to regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations. Although we are not a bank or bank holding company, in most states in which we operate, one or more regulatory agencies regulate and enforce laws relating to non-bank mortgage servicing companies and/or mortgage origination companies such as Ditech Financial and RMS. These rules and regulations generally provide for licensing as a mortgage servicing company, mortgage origination company, debt collection agency and/or third-party default specialist, as applicable, requirements as to the documentation, individual licensing of our employees and employee hiring background checks, licensing of independent contractors with whom we contract, restrictions on collection practices, disclosure and record-keeping requirements and enforcement of borrowers' rights. In certain states, we are subject to periodic examination by state regulatory authorities. Some states in which we operate require special licensing or provide extensive regulation of our business, and state regulators may have broad discretion to restrict our activities or to suspend approval or withdraw our licenses for non-compliance with applicable requirements. The failure to respond appropriately to regulatory inquiries and investigations or to satisfy state regulatory requirements could result in our ability to operate in the state being terminated, cause a default under our servicing agreements, impact our ability to originate new loans or service loans and have a material adverse effect on our financial condition and operations.

Regulatory changes could increase our costs through additional or stricter licensing laws, disclosure laws or other regulatory requirements and could impose conditions to licensing that we or our personnel are unable to meet. Future legislation and changes in regulation may significantly increase the compliance costs on our operations or impact overall profitability of our business. This could make our business cost-prohibitive in the affected state or states and could materially affect our business.

Legal proceedings and related costs may increase and could adversely affect our financial results.

We are involved in various legal proceedings, including numerous litigation matters that arise in the ordinary course of our business (including numerous putative class actions). Like other participants in our industry, we have been and may continue to be the subject of class action and other lawsuits and of regulatory actions by state attorneys general and federal and state regulators and enforcement agencies.

Litigation and other proceedings have required, and may require in the future, that we pay attorneys' fees, settlement costs, damages (including punitive damages), penalties or other charges, which could materially adversely affect our financial results and condition and damage our reputation.

Governmental and regulatory investigations, both state and federal, have increased in all areas of our business over the last several years. The costs of responding to the investigations can be substantial. In addition, government-mandated changes, resulting from investigations or otherwise, to our loan origination and servicing practices have led, and may continue to lead, to higher costs and additional administrative burdens, such as record retention and informational obligations.

From time to time, we have entered into agreements or orders to settle investigations, potential litigations or other enforcement actions against us by governmental and regulatory authorities. Complying with settlements can be costly, and if we fail to comply we could be subject to sanctions, including actions for contempt, actions for additional fines or actions alleging violations of law. The announcement and terms of such settlements could adversely affect our reputation and, if the settlements involve findings that we have breached the law, could cause a breach of or default under our financing agreements, our servicing or subservicing contracts or other contractual obligations. Such settlements, our efforts to comply with settlements and our failure to comply with settlements could have a material adverse effect on our business, business practices, prospects, results of operations, liquidity and financial condition.

We establish reserves for pending or threatened litigation and regulatory matters when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Litigation and regulatory matters involve considerable inherent uncertainties, and our estimates of loss are based on judgments and information available at the time. Our estimates may change from time to time for various reasons, including developments in the matters. There cannot be any assurance that the ultimate resolution of our litigation and regulatory matters will not involve losses, which may be material, in excess of our recorded accruals or estimates of reasonably possible losses. See Note 30 to our Consolidated Financial Statements and Item 3. Legal Proceedings for additional information.

Our level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations.

We have substantial levels of indebtedness. As of the Effective Date, we had approximately $2.8 billion of total indebtedness outstanding, the majority of which was secured, including:

- $1.2 billion of indebtedness under our 2018 Term Loan;
- $250.0 million aggregate principal amount of Second Lien Notes;
- $50.6 million, in the aggregate, of indebtedness under the Early Advance Reimbursement Agreement; and
- $1.3 billion, in the aggregate, of indebtedness under the Exit Warehouse Facilities.

All of these amounts of indebtedness exclude (i) intercompany indebtedness, (ii) guarantees of affiliate debt and (iii) certain mortgage-backed debt and HMBS-related obligations (which are non-recourse to us and our subsidiaries).

Our high level of indebtedness could have important consequences, including:

- increasing our vulnerability to downturns or adverse changes in general economic, industry or competitive conditions and adverse changes in government regulations;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our indebtedness is unhedged and at a variable rate of interest;
- limiting our ability to make strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to pursue strategic and operational goals;
- exposing us to the risk of not being able to refinance our indebtedness on terms that are commercially acceptable to us, or at all;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product or service line development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors with lower debt levels.

We may not be able to generate sufficient cash to meet all of our obligations or service all of our indebtedness and may not be able to extend or refinance our indebtedness. If we are unable to do so, we may be forced to take other actions to satisfy our obligations, which may not be successful.

Our ability to make required payments on our debt and other obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control, including the risk factors set forth herein. We have recorded significant losses in 2016 and 2017. We cannot assure you we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness or to meet our other obligations such as our obligations to repurchase HECM loans.

In addition, we conduct a substantial part of our operations through our subsidiaries. Accordingly, our ability to repay our indebtedness depends on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness.

Much of our debt is short-term so we regularly seek to extend or refinance our existing indebtedness. Our ability to extend, renew or refinance our indebtedness on favorable terms, or at all, is uncertain and may be affected by global economic and financial conditions and other factors outside our control. In addition, our ability to incur secured indebtedness (which would generally enable us to achieve better pricing than the incurrence of unsecured indebtedness) depends in part on the value of our assets, which depends, in turn, on the strength of our cash flows and results of operations, and on economic and market conditions and other factors. From time to time in the recent past, we have obtained waivers or amendments of covenants in our pre-Effective Date debt agreements. In addition, in March 2018, we obtained amendments to certain facilities and the 2018 Credit Agreement to, among other things, extend the deadline for providing certain financial statements and increase operational flexibility with respect to certain financial covenants. See the Liquidity and Capital Resources section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for more information. If we are unable to obtain needed waivers or amendments in the future, we could experience material adverse consequences.

If our cash flows and capital resources are insufficient to fund our debt service and other obligations or we are unable to extend or refinance our indebtedness, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

Despite our current debt levels, we may still incur substantially more debt or take other actions that would intensify the risks discussed above.

Despite our current consolidated debt levels, we and our subsidiaries are permitted to and may incur substantial additional debt in the future, some of which may be secured, subject to the restrictions contained in our debt instruments. Although the 2018 Credit Agreement and Second Lien Notes indenture contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. Any such indebtedness could increase our leverage and the risks we face from indebtedness. We may also be permitted to take a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness when due.

Our debt agreements contain covenants that restrict our operations and may inhibit flexibility in operating our business and increasing revenues.

Our 2018 Credit Agreement and Second Lien Notes indenture entered into in February 2018 contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and certain of our subsidiaries' ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell or transfer assets;
- utilize the proceeds from any sale or transfer of assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
- enter into certain transactions with our affiliates.

The 2018 Credit Agreement also contains financial covenants requiring compliance with certain asset coverage ratios, and beginning with the four consecutive quarterly "test" periods ending March 31, 2020, an interest expense coverage ratio and a first lien net leverage ratio. Certain of these covenants are subject to varying interpretation, making it possible that we and our creditors disagree as to whether we have complied with our obligations under our debt agreements. A breach, or alleged breach, of any of these covenants could result in a default and our lenders could elect to declare all amounts outstanding to be immediately due and payable and to terminate all commitments to extend further credit. If we were unable to repay those amounts, the secured lenders could proceed against the collateral granted to them to secure such indebtedness. There can be no assurance that we will have sufficient assets to repay amounts due under our indebtedness.

Our failure to renew or replace one or more of our advance financing facilities or warehouse facilities, or any loss of a material amount of borrowing capacity under such facilities, could have a material adverse effect on our business, financial condition, liquidity or results of operations.

We depend on our Exit Warehouse Facilities to finance, on a short-term basis, our servicer advances (excluding advances made on loans we subservice that are made, on a short-term basis, with available cash) and our residential loan originations and repurchase activities or obligations, including the repurchase of HECMs out of Ginnie Mae securitization pools. The Exit Warehouse Facilities as well as other financing facilities we may enter into are typically subject to renewal every year and contain provisions that could prevent us from utilizing any unused capacity under any such facility and/or that could accelerate our repayment of amounts outstanding under any such facility. Only servicing advances and residential loans (including repurchased residential loans) that meet certain eligibility requirements as defined in the relevant financing facility agreements are eligible to be financed using such facilities. The Exit Warehouse Facilities require us to maintain a good standing relationship with the GSEs and/or Ginnie Mae, and if any contract governing such relationship were terminated, it would limit or eliminate our ability to fund our borrowing needs. In addition, amounts borrowed under our servicing advance facilities are due on a fixed date (unless extended) and, in certain circumstances, we may be required to repay such amounts before we have been reimbursed for the related advances.

Our failure to renew one or more of these financing facilities, including the Exit Warehouse Facilities, on terms acceptable to us, the acceleration of amounts due under such facilities or our loss of a material amount of borrowing capacity under such facilities, could have a material adverse effect on our business, financial condition, liquidity or results of operations.

The Exit Warehouse Facilities contain restrictions, covenants, and representations and warranties that, among other conditions, require us to satisfy specified financial and asset quality tests and may restrict our ability to engage in mergers or consolidations. In the past, including recently, we have obtained waivers or amendments from certain of our lenders in order to maintain compliance with certain covenants and other terms of our financing facilities, and we expect to seek waivers or amendments in the future if necessary. See the Liquidity and Capital Resources section of Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of certain recent amendments and waivers. There is no assurance our lenders would consent to a waiver or amendment in the event of potential noncompliance, and in the past such consent has been, and in the future it may be, conditioned upon the receipt of a cash payment, increased interest rates or other revised terms. If we fail to meet or satisfy any covenants or representations and warranties contained in the Exit Warehouse Facilities or other financing agreements, including the failure to maintain or satisfy requirements imposed by the GSEs or Ginnie Mae, or the failure to comply with applicable law, we could be in default under these agreements and our lenders could elect to declare any and all amounts outstanding under the agreements immediately due and payable, enforce their respective interests against collateral pledged under such agreements, and restrict our ability to make additional borrowings. Many of our financing agreements, including the Exit Warehouse Facilities, contain cross-default provisions, such that if a default occurs under any one agreement, the lenders under our other agreements also could declare a default.

Our business strategy may not be successful in returning us to profitability.

We recorded significant net losses in each of 2016 and 2017. During those years, despite our efforts to reduce our expenses, dispose of certain businesses, eliminate certain activities and improve operations we were not successful in meeting key business goals and generating profits. Our current strategy contemplates further cost reductions, operational enhancements and streamlining of our businesses and reduction of leverage. We cannot control all of the factors that affect our ability to achieve our goals, and some elements of our strategy, such as our goal of improving operational performance, may require expenditures and investments that adversely affect our financial results.

Our business plan also assumes that we will be able to sell the majority of the MSR we originate to third parties who retain us to subservice such MSR. Although we have arrangements pursuant to which we may from time to time sell MSR to NRM, and although we are in discussions with other parties about the possibility of selling MSR to them, we have no firm commitments pursuant to which we can sell MSR and we may be unable to find buyers for MSR in adequate volume or at suitable prices. If we are unable to sell enough MSR in accordance with our plans, we could experience a variety of material adverse consequences, including the failure to achieve our plan goals, liquidity shortages, and a need to reduce origination volumes.

We may be unsuccessful in implementing our strategy and returning us to profitability. Failure to become profitable could result in material adverse consequences for us, including defaults under financing facilities that have minimum profitability covenants, related cross defaults in other financing facilities, a reduction in the number of counterparties that are willing to do business with us (including GSEs, agencies and primary servicers), a loss of key personnel and other significant adverse consequences.

Our business is highly dependent on U.S. government-sponsored entities or agencies, and any changes in these entities or agencies or their current roles, or any failure by us to maintain our relationships with such entities or agencies, could materially and adversely affect our business, liquidity, financial position and/or results of operations.

The U.S. residential mortgage industry in general and our business in particular are highly dependent on Fannie Mae, Freddie Mac and Ginnie Mae. We receive compensation for servicing loans, most of which are Fannie Mae, Freddie Mac or Ginnie Mae residential loans. In addition, Ditech Financial sells mortgage loans to GSEs, which include mortgage loans in GSE guaranteed securitizations, and is an issuer of MBS guaranteed by Ginnie Mae and collateralized by Ginnie Mae mortgage loans. RMS is an issuer of HMBS, which are guaranteed by Ginnie Mae and collateralized by participation interests in HECMs, which are insured by the FHA.

Ditech Financial is: (i) a Fannie Mae approved seller/servicer pursuant to a Mortgage Selling and Servicing Contract between Ditech Financial and Fannie Mae, dated March 23, 2005, as amended; (ii) a Freddie Mac approved seller/servicer pursuant to a Master Commitment between Ditech Financial and Freddie Mac, dated September 29, 2016, as amended; and (iii) a Ginnie Mae approved issuer/servicer pursuant to (a) an approval letter from Ginnie Mae to Ditech Financial, dated February 26, 2010, as amended, and (b) a Master Servicing Agreement between Ditech Financial and Ginnie Mae, dated October 9, 2015, as amended. Ditech Financial is also a HUD/FHA approved mortgagee, a VA approved non-supervised lender and a USDA approved participant in the USDA Rural Development Single Family Housing Guaranteed Loan Program.

RMS is: (i) a Ginnie Mae approved issuer/servicer pursuant to (a) an approval letter from Ginnie Mae to RMS, dated January 29, 2008, as amended, and (b) a Master Servicing Agreement between Ginnie Mae and RMS, dated May 19, 2008, as amended; (ii) a Fannie Mae approved servicer of reverse mortgages pursuant to a Mortgage Selling and Servicing Contract between RMS and Fannie Mae, dated September 10, 2007, as amended; and (iii) an approved Title I and Title II FHA mortgagee pursuant to Origination Approval Agreements, dated May 8, 2007, as amended.

Our ability to originate and sell mortgage loans under the GSE and Ginnie Mae programs reduces our credit exposure and mortgage inventory financing costs. Our status as a Fannie Mae and Freddie Mac approved seller/servicer is subject to compliance with each GSE's respective selling and servicing guidelines and failure to adhere to such guidelines could result in the unilateral termination or suspension of our status as an approved seller/servicer. Our status as a Ginnie Mae approved issuer/servicer is subject to compliance with Ginnie Mae's issuer and servicing guidelines and failure to adhere to such guidelines could result in the unilateral termination or suspension of our status as an approved issuer/servicer. Our failure to maintain each of our various residential loan origination, servicing, issuer and related approvals with the GSEs and Ginnie Mae could materially and adversely affect our business, liquidity, financial position and results of operations.

In 2017, we earned approximately 37%, 8% and 12% of our total revenues from servicing Fannie Mae, Freddie Mac and Ginnie Mae residential loans, respectively. Our ability to generate revenues in our mortgage originations business is highly dependent on programs administered by Fannie Mae, Freddie Mac and Ginnie Mae; during 2017, approximately 50%, 9% and 41% of the mortgage loans our Originations segment sold or securitized based on unpaid principal balance were Fannie Mae, Freddie Mac and Ginnie Mae residential loans, respectively. Our failure to maintain our relationships with Fannie Mae, Freddie Mac or Ginnie Mae could materially and adversely affect our business, liquidity, financial position and results of operations.

There is significant uncertainty regarding the future of Fannie Mae and Freddie Mac, including with respect to how long they will continue to be in existence, the extent of their roles in the market and what forms they will have. On September 7, 2008, the FHFA placed Fannie Mae and Freddie Mac into conservatorship. As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac. The roles of Fannie Mae and Freddie Mac could be significantly reduced or eliminated and the nature of the guarantees provided by such GSEs could be considerably limited relative to historical practice. Any adverse change in the traditional roles of Fannie Mae, Freddie Mac or Ginnie Mae in the U.S. mortgage market, any discontinuation of, or significant reduction in, the operations or level of activity of Fannie Mae, Freddie Mac or Ginnie Mae in the primary or secondary U.S. mortgage market, or any adverse change in the underwriting guidelines utilized by, and mortgage loan programs supported by, Fannie Mae, Freddie Mac or Ginnie Mae could materially adversely affect our business, liquidity, financial position and results of operations. Additionally, the FHFA has in the past increased guarantee fees that the GSEs charge lenders for guaranteeing the timely payment of principal and interest on their mortgage-backed securities and we cannot assure you that they will not increase such fees in the future. If there is any increase in guarantee fees or changes to their structure this may generally raise lending costs, restrict the availability of credit, particularly to higher risk borrowers, and negatively affect our ability to grow, and the performance of, both our servicing and lending businesses.

Our mortgage servicing business involves significant operational risks.

Our mortgage servicing business involves, among other things, complex record-keeping, the handling of numerous payments each month, a significant amount of consumer contact, reporting to credit agencies, managing servicing advances and participation in foreclosure and bankruptcy proceedings, all of which are subject to detailed, prescriptive, changing and sometimes unclear regulation, contracts and client requirements, including the requirements of the GSEs, Ginnie Mae and our subservicing clients. Performing all of the tasks involved in mortgage servicing in a compliant, timely and profitable manner involves significant operational risk. Operational risks include poor management oversight and decisions, human error by our servicing employees, weak processes and procedures, inadequate resources devoted to key processes, problems with the numerous systems and technologies that comprise our servicing platform and poor records or data inputs by us or prior servicers from whom we have acquired servicing rights or responsibilities. For these and other reasons, we have experienced and may in the future experience significant operational deficiencies and compliance failures across various parts of our servicing operations. We have incurred and expect to continue to incur significant expenses associated with the identification and remediation of operational deficiencies and compliance failures and the reduction of operational risk. These cost increases have not been matched by increases in the compensation structure for owners of, or subservicers of, MSR. Operational deficiencies and compliance failures could materially adversely affect our business in many ways, including by damaging our customer relationships, causing us to breach our contractual servicing or subservicing obligations and our obligations under our warehouse, advance financing and other credit facilities and putting us in breach of law or regulation. Such deficiencies and failures have adversely affected our past results of operations and could, in the future, cause a material adverse effect on our business, prospects, results of operations, liquidity and financial condition.

Operational risks could cause us to fail to meet the performance standards required by counterparties such as the GSEs, Ginnie Mae and our subservicing clients, which could in turn lead to a termination of our servicing rights and subservicing contracts. While we continue to take steps intended to improve our servicing performance, we cannot be certain that our efforts will have sufficient or timely results. If we fail to meet applicable performance standards, we could face various material adverse consequences, including a material increase in compensatory fees we are charged by the GSEs (based on performance against benchmarks for various servicing metrics), competitive disadvantage, the inability to win new subservicing business and the termination (potentially for cause and without payment to us of any termination fee or other compensation) of our servicing rights or subservicing contracts.

When we acquire the rights to service mortgages, particularly GSE mortgages, we have in the past, and may in the future, incur liability that is the result of errors or violations of law attributable to prior originators and servicers of such mortgages to the extent applicable law or our contractual arrangements expose us to such liability, which is normally the case absent additional contractual arrangements that are negotiated on a transaction by transaction basis. In certain circumstances, we have obtained contractual arrangements meant to minimize our exposure to such liabilities. Such contractual arrangements can take the form of, for example, liability bifurcation agreements with the GSEs pursuant to which such liabilities are not assumed by us, or an indemnification pursuant to which we are indemnified for such liabilities by the former owners of the MSR. There is no assurance that any such arrangements, even if obtainable, enforceable and collectible, will be sufficient in amount, scope or duration to fully offset the possible liabilities arising from a particular acquisition. Furthermore, there is no assurance that any such indemnification will cover losses resulting from claims that may be asserted against us by a GSE or others with respect to errors or violations that occurred prior to a particular acquisition by us.

A downgrade in our servicer ratings could have an adverse effect on our business, financial condition or results of operations.

S&P and Moody's rate us as a residential loan servicer. Certain of these ratings have been downgraded in the past, and any of these ratings may be downgraded in the future. Any such downgrade could adversely affect our business, financial condition or results of operations, as well as our ability to finance servicing advances and maintain our status as an approved servicer by Fannie Mae, Freddie Mac and Ginnie Mae. In particular, the Servicing Guide: Fannie Mae Single Family, published February 15, 2017, and the Selling Guide: Fannie Mae Single Family, published January 31, 2017, contain certain requirements with respect to an approved Fannie Mae servicer's maintenance of minimum servicer ratings. Our failure to maintain favorable or specified ratings may cause our termination as servicer and further impair our ability to consummate future servicing transactions, which could have an adverse effect on our business, financial condition or results of operations. Refer to the Ratings section of Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information relating to our servicer ratings.

An increase in delinquency rates could have a material adverse effect on our business, financial position, results of operations and cash flows.

Delinquency rates can have a significant impact on our revenues and expenses and the value of our MSR. For example, an increase in delinquencies may result in lower revenues because, for some GSE and other business, we may only collect servicing fees for performing loans. Additionally, while increased delinquencies may generate higher ancillary fees, including late fees, these fees are not likely to be recoverable in the event that the related loan is liquidated and are generally only recognized as revenue upon collection. In addition, an increase in delinquencies lowers the interest income we receive on cash held in collection and other accounts. Delinquencies can also increase our liability for servicing advances, as we may be required to advance certain payments early in a delinquency, which could impact our liquidity. An increase in delinquencies has in the past resulted, and will result in a higher cost to service due to the increased time and effort required to collect payments from delinquent borrowers. Further, increases in delinquencies could result in lower servicer ratings, the termination of our subservicing contracts or the transfer of servicing away from us, which in turn could have a material adverse effect on our business, prospects, results of operations, liquidity and financial condition.

Fannie Mae, with respect to Fannie Mae loans that we service, and Freddie Mac, with respect to Freddie Mac loans that we service, may terminate Ditech Financial as servicer of such loans, with or without cause, and in connection therewith transfer the related servicing rights to a third party.

Under the terms of Ditech Financial's master servicing agreements (including any amendments and addendums thereto) with each of Fannie Mae and Freddie Mac, Fannie Mae, with respect to Fannie Mae loans that Ditech Financial services, and Freddie Mac, with respect to Freddie Mac loans that Ditech Financial services, may terminate us as servicer of such loans, with or without cause, transfer the servicing rights relating to such loans to a third party and, under certain circumstances, cause such a transfer to occur without payment to us of any consideration in connection therewith. Some provisions of these agreements are open to subjective interpretation or depend upon the judgment or determination of Fannie Mae or Freddie Mac, so we may not be able to determine in advance whether these are grounds for terminating us as servicer or transferring servicing rights away from us.

For example, if Freddie Mac terminated us as a servicer without cause, we would have a right to a specified termination fee; however, if Freddie Mac terminated us as servicer for cause, we would not have any right to a termination fee or other consideration in connection with such termination and the related transfer of servicing rights to another servicer. Events that could allow Freddie Mac to terminate Ditech Financial for cause as servicer of some or all of the Freddie Mac loans we service include, without limitation, the impending or actual insolvency of Ditech Financial or an affiliate thereof; the filing of a voluntary petition by Ditech Financial or an affiliate thereof under federal bankruptcy or state insolvency laws; Ditech Financial’s failure to maintain qualified staff and/or adequate facilities to assure the adequacy of servicing of Freddie Mac loans; any weakness or notable change in the financial or organizational status or management of Ditech Financial or an affiliate thereof, including any adverse change in profitability or liquidity that, in the opinion of Freddie Mac, could adversely affect Freddie Mac; Ditech Financial’s failure to meet any eligibility requirement, including failure to maintain acceptable net worth; Ditech Financial having delinquency rates or REO rates higher than certain averages; and Freddie Mac’s determination that Ditech Financial’s overall performance is unacceptable (taking into account, among other things, scorecard results that rate absolute and comparative performance with respect to various measures such as loss mitigation, workout effectiveness, default timeline management, data integrity, investor reporting and alternatives to foreclosure).

Similarly, Fannie Mae has the ability to terminate Ditech Financial as servicer for some or all of the Fannie Mae loans it services, with or without cause. In connection with any such termination by Fannie Mae without cause, we would have a right to a specified termination fee; however, in connection with any such termination by Fannie Mae for cause, we would not have any right to a termination fee or other consideration in connection with such termination and the related transfer of servicing rights to another servicer. Events that could allow Fannie Mae to terminate us for cause as servicer of some or all of the Fannie Mae loans we service include, without limitation, a breach of the mortgage selling and servicing contract by Ditech Financial; unacceptable performance as determined by Fannie Mae with regard to Ditech Financial’s compliance with, among other things, servicer performance measurements and any written performance improvement plan; Ditech Financial’s insolvency, the adjudication of Ditech Financial as bankrupt or the execution by Ditech Financial of a general assignment for the benefit of its creditors; any change in Ditech Financial’s financial status that, in Fannie Mae’s opinion, materially and adversely affects Ditech Financial’s ability to provide satisfactory servicing of mortgages; the sale of a majority interest in Ditech Financial without Fannie Mae’s prior written consent; a change in Ditech Financial’s financial or business condition, or in its operations, which, in Fannie Mae’s sole judgment, is material and adverse; Ditech Financial has certain delinquency rates or REO rates more than 50% higher than the average of such rates for certain specified Fannie Mae portfolios; and any judgment, order, finding or regulatory action to which Ditech Financial is subject that would materially and adversely affect Ditech Financial’s ability to comply with the terms or conditions of its Fannie Mae contract.

If Fannie Mae or Freddie Mac were to terminate us as an approved servicer, or transfer or otherwise terminate a material portion of our servicing rights, this could materially and adversely affect our business, financial condition, liquidity and results of operations.

Ginnie Mae, with respect to GMBS for which we are the issuer and the servicer of the underlying mortgage loans, may terminate Ditech Financial as the issuer of such mortgage-backed securities and as servicer of such loans, with cause, and in connection therewith transfer the related servicing rights to a third party.

Under the terms of the Ginnie MBS Guide and the required Ginnie Mae Guaranty Agreement that is executed in connection with each GMBS we issue (together with related documents, the Ginnie Mae Guaranty Agreement), Ginnie Mae may terminate Ditech Financial for cause as the issuer of GMBS and as servicer of the underlying mortgage loans, and transfer all of our rights as issuer and servicer, including the servicing rights relating to the mortgage loans underlying the GMBS issued by us, to a third party without payment to us of any consideration in connection therewith. Events that could allow Ginnie Mae to terminate us as issuer and servicer include, without limitation, the impending or actual insolvency of Ditech Financial; any withdrawal or suspension of Ditech Financial's status as an approved mortgagee by FHA or an approved seller/servicer by Fannie Mae or Freddie Mac; or any change to Ditech Financial's business condition that materially and adversely affects its ability to carry out its obligations as an approved Ginnie Mae issuer. A default by Ditech Financial's affiliate, RMS, under RMS's Ginnie Mae Guaranty Agreements may also result in an event of default under Ditech Financial's Ginnie Mae Guaranty Agreement under a cross-default agreement among Ginnie Mae, Ditech Financial and RMS, which could result in our termination as issuer and servicer of all GMBS and HMBS. If we were to have our Ginnie Mae issuer and servicing rights transferred or otherwise terminated, this could materially and adversely affect our business, financial condition, liquidity and results of operations.

Our subservicing clients can typically terminate our subservicing contracts with or without cause.

As of December 31, 2017, we were the subservicer for 0.7 million accounts with an unpaid principal loan balance of $102.7 billion. These subserviced accounts represented approximately 49% of our total servicing portfolio based on unpaid principal loan balance at that date. Our largest subservicing customer, NRM, represented approximately 69% of our total subservicing portfolio based on unpaid principal loan balance on December 31, 2017. Our next largest subservicing customer represented approximately 21% of our total subservicing portfolio based on unpaid principal loan balance on December 31, 2017. Under our subservicing contracts, the primary servicers for whom we conduct subservicing activities have the right to terminate such contracts, with or without cause, with generally 60 to 90 days' notice to us. In some instances, our subservicing contracts require payment to us of deboarding, deconversion or other fees in connection with any termination thereof, while in other instances there is little to no consideration owed to us in connection with the termination of a subservicing contract.

For example, if NRM fails to renew the NRM Subservicing Agreement, it will owe Ditech Financial a deconversion fee. If NRM elects to terminate the NRM Subservicing Agreement without cause, it will owe Ditech Financial a deconversion fee and be responsible for certain servicing transfer costs. NRM may also terminate the NRM Subservicing Agreement immediately for cause upon the occurrence of certain events, some of which have already occurred with respect to certain mortgage loans being subserviced by us under such agreement as described herein. Upon any termination of the NRM Subservicing Agreement by NRM for cause, Ditech Financial will not be entitled to receive any deconversion fee, will be responsible for certain servicing transfer costs and will owe NRM a transfer fee if such termination occurs within five years from the effective date of the agreement.

Additionally, from time to time, clients for whom we conduct subservicing activities could sell the mortgage servicing rights relating to some or all of the loans we subservice for such client, which could lead to a termination of our subservicing engagement with respect to such mortgage servicing rights and a decrease in our subservicing revenue.

If subservicing agreements relating to a material portion of our servicing portfolio were to be terminated, this would materially and adversely affect our business, financial condition, liquidity and results of operations. We expect to continue to seek additional subservicing opportunities, which could exacerbate these risks.

We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable in certain circumstances.

During any period in which a mortgage loan borrower is not making payments, we are required under some of our mortgage servicing and subservicing agreements to advance our own funds to meet contractual principal and interest remittance requirements for credit and/or MSR owners. In addition, we must pay property taxes, insurance premiums, legal expenses and make other protective advances on behalf of the borrower. We also advance funds to maintain, repair and market real estate properties on behalf of credit owners. Our obligation to make such advances may increase in connection with any future acquisitions of servicing portfolios and any additional subservicing contracts. In certain situations, our contractual obligations may require us to make certain advances for which we may not be reimbursed.

Servicing advances are generally recovered when a mortgage loan delinquency is resolved, the loan is repaid or refinanced, a liquidation occurs, or through the agency claim process. In addition, recovery of advances we make as subservicer are subject to our compliance with procedures and limitations set forth in the applicable subservicing agreement, and we typically depend upon the MSR owner that has engaged us as subservicer to reimburse us for such advances. Regulatory or other actions that lengthen the foreclosure process may increase the amount of servicing advances we are required to make, lengthen the time it takes for us to be reimbursed for such advances and increase the costs incurred by us in connection with such advances. We have been, and we may in the future be, unable to collect reimbursement for advances because we have failed to meet the applicable requirements for reimbursement, including making timely requests for such reimbursement, providing documentation to support the advance, and seeking required approval before making an advance. We have experienced delays in the collection of reimbursements for advances in the past. Additional or significant delays in our ability to collect advances could adversely affect our liquidity, and our inability to be reimbursed for advances would adversely affect our business, financial condition or results of operations.

When we purchase MSR from prior servicers, we may also acquire outstanding servicer and protective advances related to those rights. In our agreements under which we have acquired MSR, the prior servicer generally represents that the related advances are eligible for reimbursement by the credit owner and indemnifies us for any breach of this representation. However, the prior servicer's indemnification obligation with respect to advances generally expires at a specified date, and in order to claim indemnification we may have to satisfy other conditions precedent. Our ability to file indemnity claims with the prior servicer before the expiration date and to meet other conditions precedent may be affected by factors outside our control. For example, if we submit claims for advance reimbursement from the credit owner and such credit owner fails to resolve such claims before the expiration date elapses, we may be unable to seek indemnity for such claims. In early 2017, we submitted a significant number and value of claims for advance reimbursement to a prior servicer from which we made a significant MSR acquisition in 2013. When we submit a claim for reimbursement from the prior servicer, that servicer may dispute whether and to what extent the indemnity applies, and resolving such disputes or otherwise establishing the validity of our claim could be time consuming and costly, and delays in recovering advances could have a material adverse effect on our liquidity. As a result of the foregoing, despite the indemnification arrangements, we may experience losses relating to advances that we have acquired from prior servicers.

We maintain an allowance for uncollectible advances based on our analysis of the underlying loans, their historical loss experience, and recoverability of the advances pursuant to the terms of the underlying servicing or subservicing agreements. If for any reason we are required to increase our allowance in any period, this could have a material adverse effect on our financial condition and results of operation, and the failure to collect advances could materially adversely affect our cash flows.

Our failure to maintain or grow our servicing business could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our servicing portfolio is subject to runoff, meaning that mortgage loans serviced by us may be repaid at maturity, prepaid prior to maturity, or liquidated through foreclosure, deed-in-lieu of foreclosure or other liquidation process. While we seek to replenish our servicing portfolio through the addition of subservicing contracts, through our own MSR originations and from acquisitions of MSR from third parties, we cannot assure you that we will continue to seek to replenish our servicing portfolio utilizing each of these methods or that we will be successful in maintaining the size of our servicing portfolio.

Our ability to maintain or grow our servicing business may depend, in part, on our ability to acquire servicing rights from, and/or enter into subservicing contracts with, third parties. This depends on many factors, including the willingness and ability of the current owners of servicing rights to transfer such servicing rights or enter into subservicing agreements with respect to such servicing rights, and in most cases GSEs and/or government authorities granting consent for such servicing transfers. In considering whether to sell servicing rights to us or to engage us as a subservicer (or to approve such matters), commercial counterparties, GSEs and government authorities may consider various factors, including our financial condition, our ability to meet contractual servicing obligations, the performance of portfolios we service relative to absolute standards or to the performance of portfolios serviced by others, our record of compliance with legal and regulatory requirements, and our reputation.

There is significant competition in the non-bank servicing sector for servicing portfolios made available for purchase or subservicing. This and other factors could increase the price we pay for such portfolios or reduce subservicing margins, which could have a material adverse effect on our business, financial condition and results of operations. In determining the purchase price we are willing to pay for servicing rights and the fee for which we are willing to accept subservicing engagements, management makes certain assumptions regarding various factors, many of which are beyond our control, including, among other things:

- origination vintage and geography;
- loan-to-value ratio;
- stratification of FICO scores;
- the rates of prepayment and repayment within the underlying pools of mortgage loans;

- projected rates of delinquencies, defaults and liquidations;
- future interest rates;
- our cost to service the loans;
- incentive and ancillary fee income; and
- amounts of future servicing advances.

The methodology we use to determine the purchase price we are willing to pay for servicing rights and the fee for which we are willing to accept subservicing engagements is complex and management's assumptions about matters affecting pricing may prove to be inaccurate. As a result, we may not be successful in completing acquisitions or subservicing arrangements on favorable terms or at all or we may overpay or not realize anticipated benefits of acquisitions or subservicing arrangements in our business development pipeline.

Although we are currently planning to increase the proportion of subservicing in our servicing portfolio, we may not be successful in achieving this goal. If we fail to do so, our servicing portfolio could decline or we may be required to invest more of our capital in servicing rights than anticipated.

Changes in prepayment rates on loans we service due to changes in interest rates, government mortgage programs or other factors could result in reduced earnings or losses.

Changes in prepayment rates on loans we service could result in reduced earnings or losses. Many factors beyond our control affect prepayment rates, including changes in interest rates and government mortgage programs. Many borrowers can prepay their mortgage loans through refinancings when mortgage rates decrease. Any increase in prepayments could reduce our servicing portfolio and have a significant impact on our net servicing revenue and fees. For example:

- If prepayment speeds increase, our net servicing revenue and fees will decline more rapidly than anticipated because of the greater than expected decrease in the number of loans or unpaid principal balance on which those fees are based.
- Amortization of servicing rights carried at amortized cost is a significant reduction to net servicing revenue and fees. Since we amortize servicing rights in proportion to total expected income over the life of a portfolio, an increase in prepayment speeds leads to increased amortization as we revise downward our estimate of total expected income. Faster prepayment speeds will also result in higher compensating interest expense.
- The change in fair value of servicing rights carried at fair value can have a significant impact on net servicing revenue and fees. We base the price we pay for servicing rights and assess the value of our servicing rights on, among other things, our projection of servicing-related cash flows from the related pool of mortgage loans. Our expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If prepayment speeds increase more than expected, we may be required to write down the value of our servicing rights, which would have a negative impact on our net servicing revenue and fees.

We cannot accurately predict the amount of incentive payments and ancillary fees we will earn on our servicing portfolio.

We earn incentive payments and ancillary fees in connection with servicing our residential loan portfolio. The amount of such payments and fees, and the timing of our receipt of such payments and fees, is dependent upon many factors, some of which are not in our control. For example, some of our servicing contracts contain periodic performance payments that are determined by formulas and/or are tied to the performance of our competitors. We also earn certain ancillary fees, such as, for example, late fees, the amount of which can vary significantly from period to period, in most instances due to circumstances over which we have no control. In certain circumstances, incentive payments and ancillary fees can be, and have been, modified or eliminated by a credit owner with little or no notice to us. If certain of our assumptions relating to the amount of incentive payments or ancillary fees we expect to earn and collect in a given period prove to be materially inaccurate, due to the reduction or elimination of any of these fees or otherwise, or if regulators challenge the legitimacy of any of these fees, this could adversely affect our business, financial condition, liquidity and results of operations.

Lender-placed insurance is under increased scrutiny by regulators and, as a result of the recent sale of substantially all of our insurance agency business, income from sales commissions for lender-placed insurance has been eliminated; however, we remain subject to liability for the period of time during which we received such commissions.

Under certain circumstances, when borrowers fail to maintain hazard insurance on their residences, the owner or servicer of the loan may procure such insurance to protect the loan owner's collateral and pass the premium cost for such insurance on to the borrower. Prior to February 1, 2017, the date we sold our principal insurance agency and substantially all of our insurance agency business, this agency acted as an agent for this purpose, placing the insurance coverage with a third-party carrier for which this agency, in certain circumstances, earned a commission.

Our insurance revenues were historically aligned with the size of our servicing portfolio. However, due to Fannie Mae and Freddie Mac restrictions that became effective on June 1, 2014, as well as other regulatory and litigation developments with respect to lender-placed insurance, our lender-placed insurance commissions began to decrease materially beginning in 2014. On February 1, 2017, we completed the sale of our principal insurance agency and substantially all of our insurance agency business. As a result of this sale, we no longer receive any insurance commissions on lender-placed insurance policies. Commencing February 1, 2017, another insurance agency owned by us (and retained by us following the aforementioned sale) began to provide insurance marketing services to third-party insurance agencies and carriers with respect to voluntary insurance policies, including hazard insurance. This insurance agency receives premium-based commissions for its insurance marketing services.

Notwithstanding the fact that we no longer receive sales commissions on lender-placed insurance, we remain subject to liability for the period of time during which we received such commissions. Under the agreements we entered into in connection with the sale of our principal insurance agency and substantially all of our insurance agency business, we undertook certain ongoing obligations related to the lender-placed and voluntary hazard business, including obligations relating to the provision of services, the continued conduct of our servicing business and certain referral activities. If we fail to perform these obligations, we could have potentially significant liabilities under these agreements.

We may not be able to grow our loan originations business, which could adversely affect our business, financial condition and results of operations.

Our strategy contemplates that, over the next several years, we will capture significant market share and increase revenue in our originations business, driven primarily from increased outbound contact efforts and improved retention. We face many challenges in seeking to implement that strategy. For example, during the next several years we expect the overall size of the national mortgage market will shrink, reflecting the end of key government refinancing programs (such as HARP) and potentially rising interest rates. To achieve our goals, we will need to reorient our originations group to have a greater focus on purchase money mortgages, whereas historically we have emphasized refinancings and have originated relatively few purchase money mortgages, except through our correspondent channel. We are still developing our marketing plans, including digital marketing, to build the purchase money business. In addition, we will need to attract new customers who are not customers of our servicing operations, and to do that we will need to develop new marketing approaches and outbound calling and contact methods and may need to introduce new technologies, such as mobile technologies and the ability to take mortgage applications through our website. We will need to hire and train significant numbers of new loan officers and other employees to support our outbound efforts. We expect to maintain or expand our correspondent channel, and will continue to face intense competition and margin pressure in that area. Many of the elements of the origination strategy require us to do things we have not done in the past, and our efforts may not be successful or may be more expensive and time consuming than we expect. Our implementation efforts will also be dependent upon third parties, such as technology and marketing vendors. If we are unsuccessful in expanding our originations business according to our plans, this could have a material adverse effect on our business, financial position, results of operations and cash flows.

We may be subject to liability for potential violations of predatory lending, antidiscrimination and/or other laws applicable to our mortgage loan originations and servicing businesses, which could adversely impact our results of operations, financial condition and business.

Various federal, state and local laws are designed to discourage predatory lending, discrimination based on certain characteristics and other practices. For example, loans that meet HOEPA’s high-cost coverage tests are subject to special disclosure requirements and restrictions on loan terms. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than those in HOEPA. Failure of mortgage loan originators such as Ditech Financial to comply with these laws could subject such originators, including us, to monetary penalties and could result in borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against originators, servicers, assignees and purchasers of “high-cost” loans for violations of state law. Named defendants in these cases have included numerous participants within the mortgage market. If our mortgage loans are found to have been originated in violation of such laws, we could incur losses, which could materially and adversely impact our results of operations, financial condition and business.

Antidiscrimination statutes, such as the Fair Housing Act and the ECOA, prohibit creditors from discriminating against loan applicants and borrowers based on certain characteristics, such as race, religion and national origin. Various federal regulatory agencies and departments, including the DOJ and CFPB, take the position that these laws apply not only to intentional discrimination, but also to neutral practices that have a "disparate impact" on protected classes. These regulatory agencies, as well as consumer advocacy groups and plaintiffs' attorneys, are becoming more aggressive in asserting claims that the practices of lenders and loan servicers result in a "disparate impact" on protected classes. While the U.S. Supreme Court has held that the "disparate impact" theory applies to cases brought under the Fair Housing Act, the U.S. Supreme Court was not presented with, and did not decide, the question of whether the theory applies under the ECOA. Thus, it remains unclear whether and to what extent the "disparate impact" theory applies under the ECOA and, as a result, we and the residential mortgage industry must attempt to comply with shifting and potentially conflicting interpretations as to such application, and we could be exposed to potential liability for any failure to comply.

The expiration of, or changes to, government mortgage modification, refinancing or other programs could adversely affect future revenues.

Under HAMP, HARP and similar government programs, a participating servicer may be entitled to receive financial incentives in connection with any mortgage refinancing or modification plans it enters into with eligible borrowers and subsequent success fees to the extent that a borrower remains current in any agreed upon loan modification. We participate in and have dedicated numerous resources to HAMP and HARP, benefiting from fees and from significant loan originations volumes. The HAMP application deadline was December 31, 2016 and the HARP program is scheduled to expire on December 31, 2018. As a result of the termination or expiration of these programs, our refinancing and modification volumes, revenues and margins are expected to decline in 2018. Further changes in the legislation or regulations relating to these or other loan modification programs, including changes to borrower qualification requirements, could have a material adverse effect on our business, financial condition and results of operations. Termination or expiration of the HAMP or HARP programs could have a significant adverse effect on our originations volumes, revenues and margins.

We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition and results of operations.

In deciding whether to extend credit to borrowers or to enter into other transactions with counterparties, we rely on information furnished to us by or on behalf of borrowers and counterparties, including income and credit history, financial statements and other financial information. We also rely on representations of borrowers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, which has occurred from time to time, the value of the loan has been, and may be, significantly lower than expected. Whether a misrepresentation is made by the loan applicant, the mortgage broker, correspondent lender, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. We, however, may not have detected or may not detect all misrepresented information in our loan originations or from our business clients. Therefore, any such misrepresented information could adversely affect our business, financial condition and results of operations.

Within our correspondent channel, the correspondent lenders with whom we do business underwrite and fund mortgage loans, then sell the closed mortgage loans to us. During the third quarter of 2016, we re-entered the wholesale originations channel. Within the wholesale channel we originate mortgage loans for borrowers referred to us by mortgage brokers. These loans are underwritten and funded by us and generally close in our name, and we bear the underwriting risk with respect to such loans from a regulatory perspective, but we typically rely upon the mortgage brokers with whom we do business to interact with the borrowers in order to gather the information necessary for us to underwrite and fund such loans. Our correspondent and wholesale counterparties are generally obligated to repurchase any loans we originated through such counterparties for which a misrepresentation has been made, and/or agree to indemnify us for certain losses we may incur in connection with any such misrepresentation. However, such counterparties may not have sufficient resources to repurchase loans from us or make indemnification payments to us, and any failure by such counterparties to satisfy any applicable repurchase or indemnification requirements could adversely affect our business, financial condition and results of operations.

We may be required to make indemnification payments relating to, and/or repurchase, mortgage loans we sold or securitized, or will sell or securitize, if our representations and warranties relating to these mortgage loans are inaccurate at the time the loan is sold or securitized, or under other circumstances.

To finance our future operations, we generally sell or securitize the loans that we originate or purchase through our correspondent and other channels. Our contracts relating to the sale or securitization of such loans contain provisions that require us, under certain circumstances, to make indemnification payments relating to, and/or repurchase, such loans. Our indemnification and repurchase obligations vary contract by contract, but such contracts typically require us to either make an indemnification payment and/or repurchase a loan if, among other things:

- our representations and warranties relating to the loan are materially inaccurate, including but not limited to representations concerning loan underwriting, regulatory compliance or property appraisals;
- we fail to secure adequate mortgage insurance within a certain period after closing; or
- the borrower fails to make certain initial loan payments due to the purchaser.

We believe that our maximum repurchase exposure under such contracts is the origination UPB of all mortgage loans we have sold or securitized. At December 31, 2017, our maximum exposure to repurchases due to potential breaches of representations and warranties was $69.0 billion and was based on the original UPB of loans sold from the beginning of 2013 through the year ended December 31, 2017, adjusted for voluntary payments made by the borrower on loans for which we perform servicing. To recognize the potential mortgage loan repurchase or indemnification losses, we have recorded a reserve of $16.8 million at December 31, 2017. In 2017, we incurred losses of $1.7 million related to such indemnification and repurchase activity. If our mortgage loan originations increase in the future, our indemnification and repurchase requests may also increase. During periods of elevated mortgage payment delinquency rates and declining housing prices, originators have experienced, and may in the future continue to experience, an increase in loan repurchase and indemnification claims due to actual or alleged breaches of representations and warranties in connection with the sale or servicing of mortgage loans. The estimate of our loan repurchase and indemnification liability is subjective and based upon our projections of the future incidence of loan repurchase and indemnification claims, as well as loss severities. Losses incurred in connection with loan repurchase and indemnification claims may be in excess of our estimates (including our estimate of liabilities we will assume in an acquisition and factor into our purchase price). Our reserve for indemnification and repurchase obligations may increase in the future. If we are required to make indemnification payments with respect to, and/or repurchase, mortgage loans that we originate and sell or securitize in amounts that result in losses that exceed our reserve, this could adversely affect our business, financial condition and results of operations.

From time to time, the FHFA proposes revisions to the GSEs' standard representation and warranty framework, under which the GSEs require lenders to repurchase mortgage loans under certain circumstances. For example, in January 2013, the FHFA sought to relieve lenders of obligations to repurchase loans that had clean payment histories for 36 months. In May 2014, the FHFA and the GSEs announced additional clarifications. We cannot predict how recent or future changes to the GSEs' representation and warranty framework will impact our business, liquidity, financial condition and results of operations.

We service and securitize reverse loans and, until early 2017, originated reverse loans, which subjects us to risks and could have a material adverse effect on our business, liquidity, financial condition and results of operations.

The principal reverse loan product we originated and currently service is the HECM, an FHA-insured loan that must comply with FHA and other regulatory requirements. The reverse loan business is subject to substantial risks, including market, credit, interest rate, liquidity, operational, reputational and legal risks. A reverse loan (e.g., a HECM) is a loan available to seniors aged 62 or older that allows homeowners to borrow money against the value of their home. We depend on our ability to securitize reverse loans, subsequent draws, mortgage insurance premiums and servicing fees, and our liquidity and profitability would be adversely affected if our ability to access the securitization market were to be limited or if the margins we earn in connection with such securitizations were to be reduced. Defaults on reverse loans leading to foreclosures may occur if borrowers fail to meet maintenance obligations, fail to pay taxes or home insurance premiums, fail to meet occupancy requirements or the last remaining borrower passes away. An increase in foreclosure rates may increase our cost of servicing. We may become subject to negative publicity in the event that defaults on reverse mortgages lead to foreclosures or evictions of homeowners.

As a reverse loan servicer, we are responsible for funding any credit drawdowns by borrowers in a timely manner, remitting to credit owners interest accrued, paying for interest shortfalls, and funding advances such as taxes and home insurance premiums. During any period in which a borrower is not making required real estate tax and property insurance premium payments, we may be required under servicing agreements to advance our own funds to pay property taxes, insurance premiums, legal expenses and other protective advances. We also may be required to advance funds to maintain, repair and market real estate properties. In certain situations, our contractual obligations may require us to make certain advances for which we may not be reimbursed. In addition, in the event a reverse loan serviced by us defaults or becomes delinquent, the repayment to us of the advance may be delayed until the reverse loan is repaid or refinanced or liquidation occurs. A delay in our ability to collect advances may adversely affect our liquidity, and our inability to be reimbursed for advances could adversely affect our business, financial condition or results of operations. Advances are typically recovered upon weekly or monthly reimbursement or from securitization in the market. We could receive requests for advances in excess of amounts we are able to fund, which could materially and adversely affect our liquidity. All of the above factors could have a material adverse effect on our business, liquidity, financial condition and results of operations.

Our reverse mortgage business has been unprofitable and we expect losses to continue in this segment.

Our reverse mortgage business generated significant losses before income tax in each of 2016 and 2017. We expect to continue to generate losses in that segment. We service a substantial portfolio of reverse loans and expect to incur continued losses on that servicing activity. We expect these losses will be driven by the costs of servicing defaulted reverse loans that are a part of our securitized portfolio, including appraisal-based claims, shortfalls between the debenture rate we receive on defaulted loans and the note rate we must continue to pay, property preservation expenses, curtailment costs and other servicing costs. To mitigate the expected losses in the reverse segment, in 2017 we ceased originating new reverse mortgages, having concluded that the cost of expanding the originations business was no longer justified based on probabilities of successfully growing that business to scale. We will continue to fund undrawn amounts available to borrowers of reverse loans we have made. We expect our results to continue to include meaningful revenues from HECM IDL funding activity for the next several years; however, such amounts will be lower in the following years due to our decision to exit the originations business.

We have been evaluating options for our reverse mortgage business, including the possibility of selling some or all of its assets or pursuing alternative solutions for the business in collaboration with other parties. We cannot be certain whether or on what terms we will be able to consummate any transaction involving our reverse mortgage business or whether any such transaction would reduce our expected reverse mortgage losses. As of December 31, 2017, the net carrying value of our Reverse Mortgage segment securitized loan book was a net liability of approximately $84.2 million.

If our estimated liability with respect to interest curtailment obligations arising out of servicing errors is inaccurate, or additional errors are found, and we are required to record additional material amounts, there may be an adverse impact on our results of operations or financial condition.

Subsequent to the completion of our acquisition of RMS, we discovered a failure by RMS to record certain liabilities to HUD, FHA and/or credit owners related to servicing errors by RMS. FHA regulations provide that servicers meet a series of event-specific timeframes during the default, foreclosure, conveyance, and mortgage insurance claim cycles. Failure to timely meet any processing deadline may stop the accrual of debenture interest otherwise payable in satisfaction of a claim under the FHA mortgage insurance contract and the servicer may be responsible to HUD for debenture interest that is not self-curtailed by the servicer, or for making the credit owner whole for any interest curtailed by FHA due to not meeting the required event-specific timeframes.

We had a curtailment obligation liability of $106.1 million at December 31, 2017 related to the foregoing, which reflects management's best estimate of the probable incurred claim. The curtailment liability is recorded in payables and accrued liabilities on the consolidated balance sheets. We assumed $46.0 million of this liability through the acquisition of RMS, which resulted in a corresponding offset to goodwill and deferred tax assets. During the year ended December 31, 2017, we recorded a provision, net of expected third-party recoveries, related to the curtailment liability of $14.0 million. We have potential estimated maximum financial statement exposure for an additional $147.7 million related to similar claims, which are reasonably possible, but which we believe are primarily the responsibility of third parties (e.g., prior servicers and/or credit owners). Our potential exposure to a substantial portion of this additional risk relates to the possibility that such third parties may claim that we are responsible for the servicing liability or that we exacerbated an existing failure by the third party. The actual amount, if any, of this exposure is difficult to estimate and requires significant management judgment as curtailment obligations continue to be an industry issue. While we are pursuing, and will continue to pursue, mitigation efforts to reduce both the direct exposure and the reasonably possible third-party-related exposure, we cannot assure you that any such efforts will be successful.

We had a curtailment obligation liability of $34.8 million at December 31, 2017 related to Ditech Financial's mortgage loan servicing, which we assumed through an acquisition of servicing rights. We are obligated to service the related mortgage loans in accordance with Ginnie Mae requirements, including repayment to credit owners for advances and interest curtailment. The curtailment liability is recorded in payables and accrued liabilities on the consolidated balance sheets.

We cannot assure you that we will not discover additional facts resulting in changes to our estimated liability. To the extent we are required to record additional amounts as liabilities, there may be an adverse impact on our results of operations or financial condition.

See Item 3. Legal Proceedings and Note 30 to our Consolidated Financial Statements for additional information.

We may be unable to fund our HECM repurchase obligations, and/or face delays in our ability to make such repurchases, or we may be unable to convey repurchased HECM loans to the FHA, which could have a material adverse effect on our business, liquidity, financial condition and results of operations.

We issue HMBS collateralized by HECM loans we originated and HECM tails. Under the Ginnie Mae HMBS program, we are required to repurchase a HECM loan from an HMBS pool we have issued when the outstanding principal balance of the HECM loan is equal to or greater than 98% of the maximum claim amount. There can be no assurance that we will have access to the funding necessary to satisfy our repurchase obligations, particularly if our actual repurchase obligations materially exceed our estimated repurchase obligations. See the Liquidity and Capital Resources section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information.

When we repurchase a HECM loan that is not in default from an HMBS pool, we must fund such repurchase until we convey the repurchased HECM loan to and receive reimbursement from the FHA, which generally occurs within 90 days of repurchase (assuming the repurchased loan continues to perform during such time and there are no other factors that cause a delay in conveying the repurchased HECM loan to the FHA). If a repurchased HECM loan goes into default (e.g., if the borrower has failed to pay real estate taxes or property insurance premiums) following our repurchase of such loan from an HMBS pool but prior to our conveyance of such loan to the FHA, or is in default at the time we repurchase such loan from an HMBS pool, the FHA will not accept such loan and we must continue to service such loan until the default is cured or we otherwise satisfy FHA requirements relating to foreclosure of the loan and sell the underlying property. Thus, we are exposed to financing risk when we must repurchase a HECM loan from an HMBS pool, which risk is exacerbated if such loan is in default at the time of repurchase or goes into default prior to our conveyance of such loan to the FHA. In addition, we may be exposed to risk of loss of principal when a HECM loan goes into default, which risk is exacerbated for defaulted loans we seek to foreclose upon. Foreclosure of a HECM loan can be an expensive and lengthy process that could have a substantial negative effect on our anticipated return on the foreclosed HECM loan, especially in circumstances where we make an appraisal-based claim to the FHA with respect to a HECM loan because we have not been able to liquidate the underlying property for an acceptable price within the timeframe established by the FHA. The number of appraisal-based claims we make to the FHA is impacted by a variety of factors, including real estate market conditions and the geographic composition of our HECM loan portfolio. If we make a significant number of appraisal-based claims to the FHA this could have a material adverse effect on our business, liquidity, financial condition and results of operations.

During 2017, our HECM repurchases amounted to approximately $1.3 billion, with a balance of approximately $808.5 million at the end of 2017, an increase from approximately $347.0 million at the end of 2016. We expect our repurchase obligations to increase through 2018 and in subsequent years, but the amount of repurchase obligations we will incur in any specific period in the future is uncertain, as it will be affected by, among other things, the rate at which borrowers draw down on amounts available under their HECM loans. In addition, the balance of funds we must commit to repurchases (and the related cost of such funding) will depend in part on how long we must hold and service such loans after repurchasing them, and recent regulatory changes and practices have adversely affected the amount of time we must hold and service such loans following repurchase. As our funding needs increase for repurchased HECMs, we will seek to enter into new, or increase the capacity of existing, lending facilities to provide a portion of such funds; however, we cannot be certain such new facilities will be available or that our existing facilities will be extended or increased.

When we securitize HECM loans into HMBS, we are required to covenant and warrant to Ginnie Mae, among other things, that the HECM loans related to each participation included in the HMBS are eligible under the requirements of the National Housing Act and the Ginnie Mae Mortgage-Backed Securities Guide, and that we will take all actions necessary to continue to ensure the HECM loans continued eligibility. The Ginnie Mae HMBS program requires that we repurchase the participation related to any HECM loan that does not meet the requirements of the Ginnie Mae Mortgage-Backed Securities Guide. Significant repurchase requirements could materially adversely affect our business, financial condition, liquidity and results of operations.

If we are unable to fund our HECM repurchase obligations, for example because new or increased lending facilities are not available or in the event that our repurchase obligations in any period significantly exceed our expectations, face delays in our ability to make such repurchases, or are unable to convey repurchased HECM loans to the FHA, our business, liquidity, financial condition and results of operations could be materially adversely affected.

We may suffer operating losses as a result of not being fully reimbursed for certain costs and interest expenses on our HECM loans, or if we fail to originate or service such loans in conformity with the FHA's guidelines.

The FHA will reimburse us for most HECM loan losses incurred by us, up to the maximum claim amount, if, upon disposition of the collateral a deficit exists between the value of the collateral and the loan balance. However, there are certain costs and expenses that the FHA will not reimburse. Additionally, the FHA pays the FHA debenture rate instead of the loan interest rate from the date the loan becomes due and payable to the date of disposition of the property or final appraisal. In the event the note rate we are required to pay to an HMBS investor exceeds the FHA debenture rate, we will suffer an interest rate loss.

To obtain such reimbursement from the FHA, we must file a claim under the FHA mortgage insurance contract. Under certain circumstances, if we file a reimbursement claim that is inaccurate, we could be the subject of a claim under the False Claims Act, which imposes liability on any person who knowingly makes a false or fraudulent claim for payment to the U.S. government. Potential penalties are significant, as these actions may result in treble damages.

Additionally, if we fail to service HECM loans in conformity with the FHA's guidelines, we could lose our right to service the portfolio or be subject to financial penalties that could affect our ability to receive loss claims or result in the curtailment of FHA debenture rate reimbursement. The FHA may also at its discretion request indemnification from a lender on a possible loss on a HECM loan if it determines that the loan was not originated or serviced in conformity with its rules or regulations.

A loss of RMS' approved status under reverse loan programs operated by FHA, HUD or Ginnie Mae could adversely affect our business.

In order to service HECM loans, RMS must maintain its status as an approved FHA mortgagee and an approved Ginnie Mae issuer and servicer. RMS must comply with FHA's and Ginnie Mae's respective regulations, guides, handbooks, mortgagee letters and all participants' memoranda. If RMS defaults under its program obligations to Ginnie Mae, Ginnie Mae has a right to terminate the approved status of RMS, seize the MSR of RMS without compensation (which includes the right to be reimbursed for outstanding advances from the FHA), demand indemnification for its losses, and impose administrative sanctions, which may include civil money penalties.

Each of our subsidiaries that is a Ginnie Mae issuer (i.e. Ditech Financial and RMS) has also entered into a cross default agreement with Ginnie Mae, which provides that, upon the default by a subsidiary under an applicable Ginnie Mae program agreement, Ginnie Mae will have the right to (i) declare a default on all other pools and loan packages of that subsidiary and all pools and loan packages of any affiliated Ginnie Mae issuer that executed the cross default agreement and (ii) exercise any other remedies available under applicable law against each of the affiliated Ginnie Mae issuers. As a result, a default by RMS under its obligations to Ginnie Mae could lead to Ginnie Mae declaring a default by Ditech Financial in relation to its obligations to Ginnie Mae.

Any discontinuation of, or significant reduction or material change in, the operation of the FHA, HUD or government entities like Ginnie Mae, or the loss of RMS' approved FHA mortgagee or Ginnie Mae issuer or servicer status, could have a material adverse effect on our overall business and our financial position, results of operations and cash flows.

If we are unable to fund our tail commitments or securitize our HECM loans (including tails), this could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We have originated and continue to service HECM loans under which the borrower has additional undrawn borrowing capacity in the form of undrawn lines of credit. We are obligated to fund future borrowings drawn on that capacity. As of December 31, 2017, our commitment to fund additional borrowing capacity was $1.0 billion. In addition, we are required to make interest payments on HMBS issued in respect of HECM loans and to pay mortgage insurance premiums on behalf of HECM borrowers. We normally fund these obligations on a short-term basis using our cash resources, and from time to time securitize these amounts (along with our servicing fees) through the issuance of tails. If our cash resources are insufficient to fund these amounts and we are unable to fund them through the securitization of such tails, this could have a material adverse effect on our business, financial condition, liquidity and results of operations.

A downgrade in our credit ratings could negatively affect our cost of, and ability to access, capital.

Our ability to obtain adequate and cost effective financing depends in part on our credit ratings. Our credit ratings have been downgraded in the past, and are subject to revision, including downgrade, or withdrawal at any time by the assigning rating agency. A negative change in our ratings outlook or any downgrade in our current credit ratings by the rating agencies that provide such ratings could adversely affect our cost of borrowing and/or access to sources of liquidity and capital. Such a downgrade could adversely affect our access to the public and private credit markets and increase the costs of borrowing under available credit lines, which could adversely affect our business, financial condition, results of operations and cash flows. Refer to the Ratings section under Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information relating to our credit ratings.

Changes in interest rates could materially and adversely affect our volume of mortgage loan originations or reduce the value of our MSR, either of which could have a material adverse effect on our business, financial position, results of operations or cash flows.

Historically, rising interest rates have generally been associated with a lower volume of loan originations and lower pricing margins due to a disincentive for borrowers to refinance at a higher interest rate, while falling interest rates have generally been associated with higher loan originations and higher pricing margins, due to an incentive for borrowers to refinance at a lower interest rate. Accordingly, increases in interest rates could materially and adversely affect our mortgage loan origination volume, which could have a material and adverse effect on our overall business, consolidated financial position, results of operations or cash flows. In addition, changes in interest rates may require us to post additional collateral under certain of our financing arrangements and derivative agreements, which could impact our liquidity.

Changes in interest rates are also a key driver of the performance of our Servicing segment as the values of our MSR are highly sensitive to changes in interest rates. Historically, the value of our MSR has increased when interest rates rise, as higher interest rates lead to decreased prepayment rates, and has decreased when interest rates decline, as lower interest rates lead to increased prepayment rates. As a result, substantial volatility in interest rates materially affects our mortgage servicing business, as well as our consolidated financial position, results of operations and cash flows.

In addition, rising interest rates could (i) require us to post additional collateral under certain of our financing arrangements, which could adversely impact our liquidity, (ii) negatively impact our reverse loan business, (iii) negatively impact our mortgage loan origination volumes, and (iv) have other material and adverse effects on our business, consolidated financial position, results of operations or cash flows, such as, for example, generally making it more expensive for us to fund our various businesses. In a declining interest rate environment, we have been, and could in the future be, required to post additional collateral under certain of our derivative arrangements, which could adversely impact our liquidity.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

We currently use derivative financial instruments, primarily forward sales commitments, to manage exposure to interest rate risk and changes in the fair value of IRLCs and mortgage loans held for sale. We may also enter into commitments to purchase MBS as part of our overall hedging strategy. In the future, we may seek to manage our interest rate exposure by using interest rate swaps and options. The nature and timing of hedging transactions may influence the effectiveness of a given hedging strategy, and no hedging strategy is consistently effective. Poorly designed strategies, improperly executed and documented transactions or inaccurate assumptions could increase our risks and losses. In addition, hedging strategies involve transaction and other costs. Our hedging strategies and the derivatives that we use may not completely offset the risks of interest rate volatility and our hedging transactions may result in or magnify losses. Furthermore, interest rate derivatives may not be available at all, or at favorable terms, particularly during economic downturns. Any of the foregoing risks could adversely affect our business, financial condition or results of operations.

Additional risks related to hedging include:

- interest rate hedging can be expensive, particularly during periods of volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- the party owing money in the hedging transaction may default on its obligation to pay; and
- a court could rule that such an agreement is not legally enforceable.

Technology failures or cyber-attacks against us or our vendors could damage our business operations and reputation, increase our costs, and result in significant third-party liability.

The financial services industry as a whole is characterized by rapidly changing technologies. System disruptions and failures caused by fire, power loss, telecommunications failures, unauthorized intrusion (e.g., cyber-attack), computer viruses and disabling devices, natural disasters and other similar events, may interrupt or delay our ability to provide services to our borrowers. Security breaches (which we have experienced and may in the future experience), acts of vandalism and developments in computer intrusion capabilities could result in a compromise or breach of the technology that we use to protect our borrowers' personal information and transaction data. Systems failures could result in reputational damage to our business and cause us to incur significant costs and third-party liability, and this could adversely affect our business, financial condition or results of operations. See the Cybersecurity section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information relating to cybersecurity.

We transitioned a significant portion of our mortgage servicing business to MSP, a mortgage and consumer loan servicing platform, and problems relating to the transition to, and implementation of, MSP have interfered with, and could continue to interfere with, our business and operations.

On April 1, 2016, we transitioned the Fannie Mae loans that we service to MSP, a mortgage and consumer loan servicing platform. We have invested significant capital and human resources in connection with the transition to and implementation of MSP, and we expect that we will continue to invest significant capital and human resources in refining our use of MSP with the goal of maximizing efficiencies available to us following such transition. We have experienced decreases in productivity and increased costs as our employees implement and become familiar with the new system, and there can be no assurance that we will not continue to do so in the future. Any disruptions, delays or deficiencies in our implementation or refinement efforts, particularly any disruptions, delays or deficiencies that impact our operations, including loss of customer data, could have a material adverse effect on our business and operations. Furthermore, the transition to and implementation of MSP was more costly than we initially anticipated and our current estimates for the remaining cost and time required to completely transition to and refine MSP may be wrong. The cost of maintaining other servicing platforms alongside MSP is significant, and our plans to become a more efficient mortgage servicer depend in part upon us achieving significant cost reductions and efficiencies in relation to our servicing platforms. If we are unable to achieve these goals, our financial position, results of operations and cash flows could be adversely impacted.

We may be unable to protect our technology or keep up with the technology of our competitors.

We rely on proprietary and licensed software, and other technology, proprietary information and intellectual property to operate our business and to provide us with a competitive advantage. However, we may be unable to maintain and protect, or prevent others from misappropriating or otherwise violating, our rights in such software, technology, proprietary information and intellectual property. In addition, some competitors may have software and technologies that are as good as or better than our software and technology, which could put us at a disadvantage. Some of our systems are based on old technologies that are no longer in common use, and it may become increasingly difficult and expensive to maintain those systems. Our failure to maintain, protect and continue to develop our software, technology, proprietary information and intellectual property could adversely affect our business, financial condition or results of operations.

Any failure of our internal security measures or those of our vendors, or breach of our privacy protections, could cause harm to our reputation and subject us to liability.

In the ordinary course of our business, we receive and store certain confidential nonpublic information concerning borrowers including names, addresses, social security numbers and other confidential information. Additionally, we enter into third-party relationships to assist with various aspects of our business, some of which require the exchange of confidential borrower information. Breaches of security may occur through intentional or unintentional acts by those having authorized or unauthorized access to our systems or our clients' or counterparties' confidential information, including employees and customers, as well as hackers, and through electronic, physical or other means. If such a compromise or breach of our security measures or those of our vendors occurs, and confidential information is misappropriated, it could cause interruptions in our operations and/or expose us to significant liabilities, reporting obligations, remediation costs and damage to our reputation. Significant damage to our reputation or the reputation of our clients could negatively impact our ability to attract or retain clients. Any of the foregoing risks could adversely affect our business, financial condition or results of operations.

While we have obtained insurance to cover us against certain cybersecurity risks and information theft, there can be no guarantee that all losses will be covered or that the insurance limits will be sufficient to cover such losses.

We have obtained insurance coverage that protects us against losses from unauthorized penetration of company technology systems, employee theft of customer and/or company private information, and company liability for third-party vendors who mishandle company information. This insurance includes coverage for third-party losses as well as costs incidental to a breach of company systems such as notification, credit monitoring and identity theft resolution services. However, there can be no guarantee that every potential loss due to cyber-attack or theft of information has been insured against, nor that the limits of the insurance we have acquired will be sufficient to cover all such losses.

Our vendor relationships subject us to a variety of risks.

We have vendors that, among other things, provide us with financial, technology and other services to support our businesses. With respect to vendors engaged to perform activities required by servicing or originations criteria or regulatory requirements, we are required to take responsibility for assessing compliance with the applicable servicing or originations criteria or regulatory requirements for the applicable vendor and are required to have procedures in place to provide reasonable assurance that the vendor's activities comply in all material respects with servicing or originations criteria or regulatory requirements applicable to the vendor. We have taken steps to strengthen our vendor oversight program, but there can be no assurance that our program is sufficient. In the event that a vendor's activities do not comply with the servicing or originations criteria or regulatory requirements, it could materially negatively impact our business.

In addition, we rely on third-party vendors for certain services important or critical to our business, such as Black Knight Financial Services, LLC, with whom we have signed a long-term loan servicing agreement for the use of MSP. If our current vendors, particularly the vendors that provide important or critical services to us, were to stop providing such services to us on acceptable terms, or if there is any other material disruption in the provision of such services, we may be unable to procure such services from other vendors in a timely and efficient manner and on acceptable terms, or at all. Further, we may incur significant costs to resolve any such disruptions in service and this could adversely affect our business, financial condition and results of operations.

We have also recently increased the use of offshore vendors generally, especially with respect to certain of our technology functions. Our reliance on third-party vendors in other countries exposes us to disruptions in the political and economic environment in those countries and regions. Further, any changes to existing laws or the enactment of new legislation restricting offshore outsourcing by companies based in the U.S. may adversely affect our ability to outsource functions to third-party offshore service providers. Our ability to manage any such difficulties would be largely outside of our control, and our inability to utilize offshore service providers could have a material adverse effect on our business, financial condition, results of operations, cash flows and securities.

Negative public opinion could damage our reputation and adversely affect our earnings.

Reputational risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending, loan servicing, debt collection practices, corporate governance, and our Chapter 11 Case, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from complaints filed with regulators, social media and traditional news media coverage, whether accurate or not. Negative public opinion can adversely affect our ability to attract and retain customers, counterparties and employees and can expose us to litigation and regulatory action. Although we take steps to minimize reputation risk in dealing with our customers and communities, this risk will always be present in our organization.

By combining our servicing and originations businesses under the single "Ditech" brand, we may have increased the risk that adverse publicity in one area of the business could hurt the performance of other parts of the business. In particular, our ability to grow our originations business (which is a key part of our business strategy) could be limited by negative publicity arising from our servicing business, which now operates under the same Ditech brand. Our servicing business has generated a significant number of complaints filed with regulators such as the CFPB and also negative publicity in the press and social media. Further, the reverse mortgage business generally has generated adverse publicity, in part because reverse mortgage borrowers are relatively elderly and are perceived as vulnerable. Although the terms and requirements of the HECM product have been changed from time to time to address perceived origination abuses, we continue to service older HECM loans originated under different requirements. As the servicer of HECM loans, from time to time we are required to foreclose on and evict delinquent borrowers, who are likely to be elderly. This has attracted, and may continue to attract, adverse publicity.

The industry in which we operate is highly competitive, and, to the extent we fail to meet these competitive challenges or otherwise do not achieve our strategic initiatives, it could have a material adverse effect on our business, financial position, results of operations or cash flows.

We operate in a highly competitive industry that could become even more competitive as a result of economic, legislative, regulatory or technological changes. We compete with a great number of competitors in the mortgage banking market for both the servicing and originations businesses as well as in our reverse mortgage and complementary businesses. Key competitors include financial institutions and non-bank servicers and originators. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources, and typically have access to greater financial resources and lower funding costs. All of these factors place us at a competitive disadvantage. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more favorable relationships than we can. Competition to service mortgage loans may result in lower margins. Because of the relatively limited number of servicing customers, our competitive position is impacted by our ability to differentiate ourselves from our competitors through our servicing platform and our failure to meet the performance standards or other expectations of any one of such customers could materially impact our business. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition or results of operations.

From time to time, we embark upon various strategic initiatives for our business, including without limitation initiatives relating to acquisitions and dispositions of MSR and other assets, changes in the mix of our fee-for-service business including by entering into new subservicing arrangements, reducing our debt, improving our servicing performance, developing and growing certain portions of our business such as our mortgage originations capabilities, the use of capital partners, cost savings and operational efficiencies, and other matters. Our ability to achieve such initiatives is dependent upon numerous factors, many of which are not in our control. Our failure to achieve some or all of our strategic initiatives in a timely and efficient manner, or at all, could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We may not realize all of the anticipated benefits of past, pending or potential future acquisitions or joint venture investments, which could adversely affect our business, financial condition and results of operations.

Our ability to realize the anticipated benefits of past, pending or potential future acquisitions will depend, in part, on our ability to integrate these acquisitions into our business and is subject to certain risks, including:

- our ability to successfully combine the acquired businesses with ours;
- whether the combined businesses will perform as expected;
- the possibility that we inaccurately value assets or businesses we acquire, that we pay more than the value we will derive from the acquisitions, or that the value declines after the acquisition;
- the reduction of our cash available for operations and other uses;
- the disruption to our operations inherent in making numerous acquisitions over a relatively short period of time;
- the disruption to the ongoing operations at the acquired businesses;
- the incurrence of significant indebtedness to finance our acquisitions;
- the assumption of certain known and unknown liabilities of the acquired businesses;
- uncoordinated market functions;
- unanticipated issues and delays in integrating the acquired business or any information, communications or other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;
- unanticipated liabilities associated with the acquired business, assets or joint venture;
- additional costs or capital requirements beyond forecasted amounts;
- delays in the completion of acquisitions, including due to delays in or the failure to obtain approvals from governmental or regulatory entities;
- lack of expected synergies, failure to realize the anticipated benefits we expect to realize from the acquisition or joint venture, or failure of the assets or businesses we acquire to perform at levels meeting our expectations;
- not retaining key employees; and
- the diversion of management's attention from ongoing business concerns.

Our current business plan contemplates that we will accelerate our integration and centralization, many parts of which we acquired in transactions over several years. We believe that such integration will enable us to achieve considerable cost savings and increases in efficiency and operational oversight. However, there are costs associated with implementing integration changes and there are considerable risks involved in such integration efforts, including the risks of operational breakdowns and unwanted personnel losses during the period of transition. We may be unsuccessful in implementing our integration plan on time or at all, and the integration efforts could be more costly than expected and could yield lower savings and efficiency benefits than planned. If we are not able to successfully combine the acquired businesses and assets with ours within the anticipated time frame, or at all, the anticipated benefits of the acquisitions may not be realized fully, or at all, or may take longer to realize than expected, the combined businesses and assets may not perform as expected, and the value of our common stock may be adversely affected.

Further, prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices we considered acceptable, and we expect that we will experience this condition in the future. In addition, in order to finance an acquisition we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute the interests of our existing shareholders. Also, it is possible that we will expend considerable resources in the pursuit of an acquisition that, ultimately, either does not close or is terminated. If we incur additional indebtedness to finance an acquisition, the acquired business may not be able to generate sufficient cash flow to service that additional indebtedness.

We cannot assure you that future acquisitions or joint ventures will not adversely affect our results of operations and financial condition, or that we will realize all of the anticipated benefits of any future acquisitions or joint ventures.

We use, and will continue to use, analytical models and data in connection with, among other things, developing our strategy, pricing new business and the valuation of certain investments we make, and any incorrect, misleading or incomplete information used in connection therewith may subject us to potential risks.

Due to the complexity of our business, we rely on, and will continue to rely on, various analytical models, information and data, some of which is supplied by third parties, in connection with, among other things, developing our strategy, pricing new business and the valuation of certain investments we make. Should our models or such data prove to be incorrect or misleading, any decision made in reliance thereon exposes us to potential risks. Some of the analytical models that we use or will be used by us are predictive in nature. The use of predictive models has inherent risks and may incorrectly forecast future behavior, leading to potential losses. We also use and will continue to use valuation models that rely on market data inputs. If incorrect market data is input into a valuation model, even a tested and well-respected valuation model, it may provide incorrect valuations and, as a result, could provide adverse actual results as compared to the predictive results.

We use estimates in determining the fair value of certain assets. If our estimates prove to be incorrect, we may be required to write down the value of these assets, which could adversely affect our earnings.

We estimate the fair value for certain assets (including MSR) and liabilities by calculating the present value of expected future cash flows utilizing assumptions that we believe are used by market participants. The methodology used to estimate these values is complex and uses asset-specific collateral data and market inputs for interest and discount rates and liquidity dates.

Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. If prepayment speeds increase more than estimated, delinquency and default levels are higher than anticipated or other events occur, we may be required to write down the value of certain assets, which could adversely affect our earnings.

Accounting rules for our business continue to evolve, are highly complex, and involve significant judgments and assumptions. Changes in accounting interpretations or assumptions could impact our financial statements.

Accounting rules for our business, such as the rules for determining the fair value measurement and disclosure of financial instruments, are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in the preparation of financial information and the delivery of this information to our stockholders. Changes in accounting interpretations or assumptions related to fair value could impact our financial statements and our ability to timely prepare our financial statements.

Impairment charges relating to our goodwill or other intangible assets could adversely affect our financial performance.

At December 31, 2017, we had $47.7 million of goodwill and $8.7 million of other intangible assets. We evaluate goodwill for impairment at the reporting unit level as of October 1 of each year, or whenever events or circumstances indicate potential impairment. A significant decline in our reporting unit performance, increases in equity capital requirements, increases in the estimated cost of debt or equity, a significant adverse change in the business climate or a sustained decline in the price of our common stock may necessitate our taking charges in the future related to the impairment of our goodwill. We incurred impairment charges of $326.3 million during 2016. We are likely to continue to be impacted in the near term by certain company-specific matters, overall market performance within the sector, and a continued level of regulatory scrutiny. As a result, market capitalization, overall economic and sector conditions and other events or circumstances, including the ability to execute on our strategic objectives, amongst other factors, will continue to be regularly monitored by management. Unanticipated outcomes in these areas may result in an impairment of goodwill and/or intangible assets and have a related impact on income taxes in the future. If we determine that our goodwill or another intangible asset is impaired, we may be required to record additional significant charges to earnings that could adversely affect our financial condition and operating results.

We identified material weaknesses in our internal controls over financial reporting for the year ended December 31, 2016, one of which has not been remediated as of December 31, 2017. Further, an additional material weakness in internal controls over financial reporting was identified for the year ended December 31, 2017. If we do not adequately address these material weaknesses, if we have other material weaknesses or significant deficiencies in our internal controls over financial reporting in the future, or if we otherwise do not maintain effective internal controls over financial reporting, we could fail to accurately report our financial results, which may materially adversely affect our business and financial condition.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and have our independent auditors issue their own opinion on our internal controls over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. A material weakness is defined by the standards issued by the Public Company Accounting Oversight Board as a deficiency or a combination of deficiencies in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

We concluded at December 31, 2016 that there were material weaknesses in internal controls over financial reporting related to operational processes associated with Ditech Financial default servicing activities and to the technical review of the valuation of deferred tax assets, which caused us to restate our Annual Report on Form 10-K for the year ended December 31, 2016. While we have completed the steps necessary to remediate the material weakness over deferred tax asset valuation, we have concluded that the steps taken to remediate the material weakness associated with Ditech Financial default servicing activities were not effective. Accordingly, this material weakness remains as of December 31, 2017. Further, a new material weakness was identified for the year ended December 31, 2017 related to the accuracy of the data utilized in the valuation calculation of fair value of MSR.

While we continue to take actions to improve the effectiveness of our internal controls over financial reporting and remediate the material weaknesses, if our remediation efforts are insufficient to address the material weaknesses, or if additional material weaknesses in our internal controls are discovered in the future, they may adversely affect our ability to record, process, summarize and report financial information timely and accurately and, as a result, our financial statements may contain material misstatements or omissions. Refer to Part II, Item 9A. Controls and Procedures for further information regarding these material weaknesses and our related remediation plans.

It is possible that additional material weaknesses and/or significant deficiencies could be identified by our management or by our independent auditing firm in the future, or may occur without being identified. The existence of any material weakness or significant deficiency could require management to devote significant time and incur significant expense to remediate such weakness or deficiency and management may not be able to remediate the same in a timely manner. Any such weakness or deficiency, even if remediated quickly, could result in regulatory scrutiny or lead to a default under our indebtedness. Furthermore, any material weakness requiring disclosure could cause investors to lose confidence in our reported financial condition, materially affect the market price and trading liquidity of our debt instruments, reduce the market value of our common stock and otherwise materially adversely affect our business and financial condition.

If we fail to maintain compliance with the continued listing standards of the NYSE, it may result in the delisting of our common stock from the NYSE and have other negative implications under our material agreements with lenders and counterparties.

Our common stock is currently listed for trading on the NYSE, and the continued listing of our common stock on the NYSE is subject to our compliance with a number of listing standards. On August 11, 2017, we received written notification from the NYSE that we were considered to be out of compliance with a NYSE continued listing standard because our average global market capitalization over a consecutive 30 trading-day period had fallen below $50.0 million at the same time our stockholders' equity was less than $50.0 million.

Pursuant to the Prepackaged Plan, as described herein, on February 9, 2018, our previously existing common stock was canceled and we issued common stock that began trading on the NYSE on February 12, 2018. On February 28, 2018, we received a notice from the NYSE that we remain out of compliance with the market capitalization and stockholders' equity continued listing requirement.

We are working with the NYSE to maintain the listing of our common stock.

If we are unable to cure any event of noncompliance with any continued listing standard of the NYSE within the applicable timeframe and other parameters set forth by the NYSE, or if we fail to maintain compliance with certain continued listing standards that do not provide for a cure period, it will result in the delisting of our common stock from the NYSE, which could negatively impact the trading price, trading volume and liquidity of, and have other material adverse effects on, our common stock. If our common stock is delisted from the NYSE, this could also have negative implications on our business relationships and under our material agreements with lenders and other counterparties.

Our business could suffer if we fail to attract, or retain, highly skilled senior managers and other employees and changes in our executive management team have been and may be disruptive to, or cause uncertainty in, our business.

Our future success will depend on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization, in particular skilled managers, loan servicers, debt default specialists, loan officers and underwriters. Trained and experienced personnel are in high demand and may be in short supply in some areas. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. We may not be able to attract, develop and maintain an adequate skilled workforce necessary to operate our businesses and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to attract and retain such personnel, we may not be able to take advantage of acquisitions and other growth opportunities that may be presented to us and this could materially affect our business, financial condition and results of operations.

We have been reducing our workforce size and reducing the number of sites at which we operate, and as a result of these changes we have lost experienced personnel, including senior managers, have incurred transition costs and have had impaired efficiency in certain parts of our business during periods of change. We expect to continue to make further changes in our site footprint and to seek further personnel efficiencies, which could adversely affect our operations and results in future periods. As a result of the uncertainty these changes generate, it may be harder for us to retain or attract skilled employees in the future.

The experience of our senior managers is a valuable asset to us. While our senior management team has significant experience in the residential loan originations and servicing industry, we have recently experienced significant senior management turnover, including with our Chief Executive Officer and Chief Financial Officer. On February 20, 2018, Anthony N. Renzi stepped down from his position as Chief Executive Officer and President of the Company, and the Board appointed Jeffrey P. Baker to serve as Interim Chief Executive Officer and President of the Company, while continuing in his role as President of RMS. We continue to evaluate internal and external candidates to serve as permanent Chief Executive Officer and President, and have engaged an executive search firm to assist in that process. On February 1, 2018, Gerald A. Lombardo joined the Company and, effective February 9, 2018, succeeded Gary Tillett as Chief Financial Officer. Disruptions in management continuity could result in operational or administrative inefficiencies and added costs, which could adversely impact our results of operations and stock price, and may make recruiting for future management positions more difficult or costly. The loss of the services of our senior managers, or our recent, or any future, turnover at the senior management level, as well as risks associated with integrating a significant number of senior level employees into our operations and potential disruptions if one or more of the new employees are not successful, could adversely affect our business.

Our failure to deal appropriately with potential conflicts of interest relating to our relationship with WCO could damage our reputation, expose us to regulatory and other risks, and adversely affect our business.

Certain of our current and former officers, employees and/or Board members have served, or currently serve, as officers and/or Board members of WCO, which could create the perception of conflicts of interest between such persons' duties to us and their duties to WCO. In addition, potential conflicts of interest could develop regarding various other matters in connection with the recently completed sale of substantially all of WCO's assets and WCO's subsequent, ongoing liquidation. We attempt to manage such potential conflicts through our practices, our internal compliance policies and procedures, and the policies and agreements we negotiated with WCO, although no assurance can be given that conflicts have not, and will not in the future, nevertheless arise.

Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or perceived conflicts of interest. It is possible that potential or perceived conflicts could give rise to disagreements with WCO or regulatory enforcement actions as a result of GTIM's prior obligations as the investment advisor to WCO, or result in a breach of the restrictive covenants contained in our debt agreements. Regulatory scrutiny of, or litigation in connection with, conflicts of interest or other matters relating to our relationship with WCO could have a material adverse effect on our reputation, hamper our ability to raise additional funds or to achieve certain of our strategic objectives, discourage counterparties to do business with us, and damage our investment in WCO, and could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Additionally, WCO's qualification as a REIT through the time of its liquidation for tax purposes, which occurred in December 2016, involved the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist, and even a technical or inadvertent violation could have jeopardized WCO's REIT qualification in applicable tax years (thereby causing, among other consequences, WCO to be subject to corporate-level U.S. federal income taxes in such years) and could adversely affect our relationship with WCO and expose us to liability. Although we believe WCO qualified as a REIT through its liquidation for tax purposes, no assurance can be given in that regard.

Risks Related to Our Organization and Structure

Certain provisions of Maryland law and our Articles of Amendment and Restatement could prevent a change of control or limit stockholders' influence on the management of our business.

Certain provisions of the MGCL may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then prevailing market price of such shares. We are subject to the "business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of our then outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of our then outstanding stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special appraisal rights and supermajority stockholder voting requirements on these combinations. These provisions of the MGCL do not apply to business combinations that are approved or exempted by the board of directors of a corporation prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our Board of Directors has by resolution exempted business combinations between us and any other person, provided that the business combination is first approved by our Board of Directors. This resolution may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our Board of Directors does not otherwise approve a business combination, this statute may discourage others from trying to acquire control of us and may increase the difficulty of consummating any offer.

The "control share" provisions of the MGCL provide that "control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in the election of directors) acquired in a "control share acquisition" (defined as the acquisition of issued and outstanding "control shares," subject to certain exceptions) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and our employees who are also our directors. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares of stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

The "unsolicited takeover" provisions of the MGCL permit our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain provisions if we have a class of equity securities registered under the Exchange Act and at least three independent directors. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price.

Our Articles of Amendment and Restatement provide that our Board of Directors is classified. The Preferred Stock Directors, serving in Class I and Class II, were designated by our Senior Noteholders and the Common Stock Directors, serving in Class III, were designated by us. The initial terms of the Class I directors will expire at our annual meeting in 2018, the Class II directors in 2019 and the Class III directors in 2020, with directors being elected thereafter to serve three-year terms. During the period commencing on the Effective Date and terminating on February 9, 2020, for so long as any preferred stock is outstanding, only the holders of preferred stock, voting separately as a class, will be entitled to elect Preferred Stock Directors, and Preferred Stock Directors will be nominated by, and Preferred Stock Director vacancies will be filled by, the Preferred Stock Directors then in office. During such period, only the holders of our successor common stock, voting separately as a class, will be entitled to elect the Common Stock Directors, and Common Stock Directors will be nominated by, and Common Stock Director vacancies will be filled by, the Common Stock Directors then in office.

From the Effective Date to and including August 9, 2019, we may not, without the approval of at least seven (7) of the nine (9) members of the Board of Directors then in office, (i) sell all or substantially all of our assets, (ii) enter into any transaction pursuant to which a change in control (as defined in the Articles of Amendment and Restatement) would occur, (iii) increase or decrease the size of the Board of Directors, or (iv) amend, alter or repeal certain provisions of our Articles of Amendment and Restatement.

Our authorized but unissued shares of common and preferred stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our Board of Directors may, without stockholder approval, classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board of Directors may establish a class or series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock.

Our common stock price may experience substantial volatility, which may affect your ability to sell our common stock at an advantageous price.

The market price of our common stock has been and may continue to be volatile. Any such volatility may affect the ability to sell our common stock at an advantageous price. Market price fluctuations in our common stock may be due to a variety of factors, including our emergence from bankruptcy on February 9, 2018 and the transactions executed by us in connection therewith, our available liquidity, public announcements we may make from time to time, and a variety of additional factors including, without limitation, those set forth under these “Risk Factors.”

Our preferred stock and warrants may adversely affect the market price of our common stock.

The market price of our common stock may be influenced by our preferred stock and warrants. The market price of our common stock could become more volatile and could be depressed by investors’ anticipation of the potential resale in the market of a substantial number of additional shares of our common stock received upon conversion of the preferred stock or exercise of warrants; possible sales of our common stock by investors who view our preferred stock or warrants as a more attractive means of equity participation than owning our shares of common stock; and hedging or arbitrage trading activity that may develop involving our preferred stock, warrants and common stock.

Future sales of our common stock in the public market or the issuance of securities senior to our common stock, or the perception that these sales may occur, could adversely affect the trading price of our common stock and our ability to raise funds in stock offerings.

A significant number of our shares of common stock may be held by a relatively small number of investors. Further, we entered into a Registration Rights Agreement with certain investors in our common stock, warrants and preferred stock pursuant to which we have agreed to file a registration statement with the SEC to facilitate potential future sales of securities. Sales by us or our stockholders of a substantial number of shares of our common stock in the public markets, or even the perception that these sales might occur (such as upon the filing of the aforementioned registration statement), could cause the market price of our common stock to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities.

We are currently authorized to issue 100,000,000 shares of stock, consisting of 90,000,000 shares of common stock and 10,000,000 shares of preferred stock, including 100,000 shares of preferred stock, having the preferences, conversion rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption set forth in the Articles Supplementary. As of March 23, 2018, we had outstanding 4,252,500 shares of common stock and warrants to purchase an aggregate of 12,993,750 shares of our common stock. In addition, as of March 23, 2018, we have 11,497,500 shares of common stock reserved for issuance upon conversion of the preferred stock.

We have also reserved an additional 3,193,750 shares for future issuance to our directors, officers and employees pursuant to our equity incentive plan. The potential issuance of such additional shares of common stock may create downward pressure on the trading price of our common stock.

We may issue common stock or other equity securities, including additional preferred stock, senior to our common stock (in terms of dividends, liquidation rights or voting rights) in the future for a number of reasons, including to finance acquisitions and to satisfy our obligations upon the exercise of warrants or conversion of preferred stock, or for other reasons. We cannot predict the effect, if any, that future sales or issuances of shares of our common stock or other equity securities, or the availability of shares of common stock or such other equity securities for future sale or issuance, will have on the trading price of our common stock.

SEC rules for determining beneficial ownership under the Exchange Act, as applied to our capital structure, may increase the likelihood of relatively small holders (on an economic interest basis) of our securities becoming subject to Section 13 and Section 16 of the Exchange Act, which may negatively impact the market for such securities.

Beneficial owners of more than 10% of our outstanding common stock are subject to reporting requirements in respect of their initial ownership of and subsequent transactions in our common stock, pursuant to Section 13 and Section 16 of the Exchange Act. Under our capital structure, the number of shares of common stock issuable upon conversion or exercise of preferred stock or warrants is substantially larger than the number of currently outstanding shares of common stock. SEC rules for calculating beneficial ownership provide that a holder of our preferred stock or warrants would include the common stock issuable to such holder upon the conversion or exercise of such securities in both the ownership (numerator) and total shares outstanding (denominator). For purposes of determining the beneficial ownership under the Exchange Act of any holder of our common stock, preferred stock or warrants, the number of shares outstanding (denominator) does not include the amount of common stock that would be outstanding if all outstanding shares of preferred stock or warrants were converted or exercised, the impact of which would be significantly dilutive. Accordingly, holders of our common stock, preferred stock and warrants may be deemed to have beneficial ownership that significantly exceeds their underlying economic interest, causing them to possibly become subject to Section 16 and/or Section 13 of the Exchange Act.

The composition of our Board of Directors has changed significantly upon emergence from Chapter 11.

The Prepackaged Plan caused the composition of our Board of Directors to change significantly. The new directors have different backgrounds, experiences and perspectives from those individuals who previously served on the Board of Directors and, thus, may have different views on the issues that will determine our future. As a result, our future strategy and plans may differ materially from those of the past.

The Prepackaged Plan was based in part upon assumptions, projections and analyses developed by us. If these assumptions, projections and analyses prove to be incorrect in any material respect, the expected business and financial performance contemplated by the Prepackaged Plan may not be successfully implemented.

The Prepackaged Plan was based in part on assumptions and analyses based on our experience and perception of historical trends, current conditions at the time and expected future developments, as well as other factors that we considered appropriate under the circumstances. Whether actual future results and developments will be consistent with our expectations and assumptions depends on a number of factors, including but not limited to: (i) our ability to maintain customers' confidence in our viability as a continuing entity and to attract and retain sufficient business from them; (ii) our ability to retain key employees; and (iii) the overall strength and stability of general economic conditions and the mortgage servicing and originations industry. The failure of any of these factors could materially adversely affect the success of our businesses.

Risks Related to Our Relationship with Walter Energy

We may become liable for U.S. federal income taxes allegedly owed by the Walter Energy consolidated group for 2009 and prior tax years. We cannot predict how Walter Energy's recent bankruptcy filing in Alabama may affect the outcome of these matters.

We may become liable for U.S. federal income taxes allegedly owed by the Walter Energy consolidated group for 2009 and prior tax years. Under federal law, each member of a consolidated group for U.S. federal income tax purposes is severally liable for the federal income tax liability of each other member of the consolidated group for any year in which it was a member of the consolidated group at any time during such year. Certain of our former subsidiaries (which were subsequently merged or otherwise consolidated with certain of our current subsidiaries) were members of the Walter Energy consolidated tax group prior to our spin-off from Walter Energy on April 17, 2009. As a result, to the extent the Walter Energy consolidated group's federal income taxes (including penalties and interest) for such tax years are not favorably resolved on the merits or otherwise paid, we could be liable for such amounts.

Walter Energy Tax Matters. According to Walter Energy's Form 10-Q, or the Walter Energy Form 10-Q, for the quarter ended September 30, 2015 (filed with the SEC on November 5, 2015) and certain other public filings made by Walter Energy in its bankruptcy proceedings currently pending in Alabama, described below, as of the date of such filing, certain tax matters with respect to certain tax years prior to and including the year of our spin-off from Walter Energy remained unresolved, including certain tax matters relating to: (i) a "proof of claim" for a substantial amount of taxes, interest and penalties with respect to Walter Energy's fiscal years ended August 31, 1983 through May 31, 1994, which was filed by the IRS in connection with Walter Energy's bankruptcy filing on December 27, 1989 in the U.S. Bankruptcy Court for the Middle District of Florida, Tampa Division; (ii) an IRS audit of Walter Energy's federal income tax returns for the years ended May 31, 2000 through December 31, 2008; and (iii) an IRS audit of Walter Energy's federal income tax returns for the 2009 through 2013 tax years.

Walter Energy 2015 Bankruptcy Filing. On July 15, 2015, Walter Energy filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Northern District of Alabama. On August 18, 2015, Walter Energy filed a motion with the Florida bankruptcy court requesting that the court transfer venue of its disputes with the IRS to the Alabama bankruptcy court. In that motion, Walter Energy asserted that it believed the liability for the years at issue "will be materially, if not completely, offset by the [r]efunds" asserted by Walter Energy against the IRS. The Florida Bankruptcy Court transferred venue of the matter to the Alabama Bankruptcy Court, where it remains pending.

On November 5, 2015, Walter Energy, together with certain of its subsidiaries, entered into the Walter Energy Asset Purchase Agreement with Coal Acquisition, a Delaware limited liability company formed by members of Walter Energy's senior lender group, pursuant to which, among other things, Coal Acquisition agreed to acquire substantially all of Walter Energy's assets and assume certain liabilities, subject to, among other things, a number of closing conditions set forth therein. On January 8, 2016, after conducting a hearing, the Alabama Bankruptcy Court entered an order approving the sale of Walter Energy's assets to Coal Acquisition free and clear of all liens, claims, interests and encumbrances of the debtors. The sale of such assets pursuant to the Walter Energy Asset Purchase Agreement was completed on March 31, 2016 and was conducted under the provisions of Sections 105, 363 and 365 of the Bankruptcy Code. Based on developments in the Alabama bankruptcy proceedings following completion of this asset sale, such asset sale appears to have resulted in (i) limited value remaining in Walter Energy's bankruptcy estate and (ii) to date, limited recovery for certain of Walter Energy's unsecured creditors, including the IRS.

On January 9, 2017, Walter Energy filed with the Alabama Bankruptcy Court a motion to convert its Chapter 11 bankruptcy case to a Chapter 7 liquidation. In that motion, Walter Energy stated that, other than with respect to 1% of the equity of the acquirer of Walter Energy's core assets, no prospect of payment of unsecured claims exists. On January 23, 2017, the IRS filed an objection to Walter Energy's motion to convert, in which the IRS requested that a judgment be entered against Walter Energy in connection with the tax matters described above. The IRS further asserted that entry of a final judgment was necessary so that it could pursue collection of tax liabilities from former members of Walter Energy's consolidated group that are not debtors.

On January 30, 2017, the Alabama Bankruptcy Court held a hearing at which it denied the IRS's request for entry of a judgment and announced its intent to grant Walter Energy's motion to convert. The Alabama Bankruptcy Court entered an order on February 2, 2017 converting Walter Energy's Chapter 11 bankruptcy to a Chapter 7 liquidation. During February 2017, Andre Toffel was appointed Chapter 7 trustee of Walter Energy's bankruptcy estate.

We cannot predict whether or to what extent we may become liable for federal income taxes of the Walter Energy consolidated tax group during the tax years in which we were a part of such group, in part because we believe, based on publicly available information, that: (i) the amount of taxes owed by the Walter Energy consolidated tax group for the periods from 1983 through 2009 remains unresolved; and (ii) in light of Walter Energy's conversion from a Chapter 11 bankruptcy to a Chapter 7 bankruptcy, it is unclear whether the IRS will seek to make a direct claim against us for such taxes. Further, because we cannot currently estimate our liability, if any, relating to the federal income tax liability of Walter Energy's consolidated tax group during the tax years in which we were a part of such group, we cannot determine whether such liabilities, if any, could have a material adverse effect on our business, financial condition, liquidity and/or results of operations.

Tax Separation Agreement. In connection with our spin-off from Walter Energy, we and Walter Energy entered into a Tax Separation Agreement, dated April 17, 2009. Notwithstanding any several liability we may have under federal tax law described above, under the Tax Separation Agreement, Walter Energy agreed to retain full liability for all U.S. federal income or state combined income taxes of the Walter Energy consolidated group for 2009 and prior tax years (including any interest, additional taxes or penalties applicable thereto), subject to limited exceptions. We therefore filed proofs of claim in the Alabama bankruptcy proceedings asserting claims for any such amounts to the extent we are ultimately held liable for the same. However, we expect to receive little or no recovery from Walter Energy for any filed proofs of claim for indemnification.

It is unclear whether claims made by us under the Tax Separation Agreement would be enforceable against Walter Energy in connection with, or following the conclusion of, the various Walter Energy bankruptcy proceedings described above, or if such claims would be rejected or disallowed under bankruptcy law. It is also unclear whether we would be able to recover some or all of any such claims given Walter Energy's limited assets and limited recoveries for unsecured creditors in the Walter Energy bankruptcy proceedings described above.

Furthermore, the Tax Separation Agreement provides that Walter Energy has, in its sole discretion, the exclusive right to represent the interests of the consolidated group in any audit, court proceeding or settlement of a claim with the IRS for the tax years in which certain of our former subsidiaries were members of the Walter Energy consolidated tax group. However, in light of the conversion of Walter Energy's bankruptcy proceeding from a Chapter 11 proceeding to a Chapter 7 proceeding, we may choose to take a direct role in proceedings involving the IRS's claim for tax years in which we were a member of the Walter Energy consolidated tax group. Moreover, the Tax Separation Agreement obligates us to take certain tax positions that are consistent with those taken historically by Walter Energy. In the event we do not take such positions, we could be liable to Walter Energy to the extent our failure to do so results in an increased tax liability or the reduction of any tax asset of Walter Energy. These arrangements may result in conflicts of interests between us and Walter Energy, particularly with regard to the Walter Energy bankruptcy proceedings described above.

Lastly, according to its public filings, Walter Energy's 2009 tax year is currently under audit. Accordingly, if it is determined that certain distribution taxes and other amounts are owed related to our spin-off from Walter Energy in 2009, we may be liable under the Tax Separation Agreement for all or a portion of such amounts.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our executive and principal administrative office and our Originations segment are located in Fort Washington, Pennsylvania in a 191,000 square foot facility, which is leased under a long-term lease. Our Servicing segment has centralized servicing operations located in Saint Paul, Minnesota, Tempe, Arizona, Rapid City, South Dakota and Jacksonville, Florida in leased office space ranging between 58,000 and 171,000 square feet. Our Reverse Mortgage segment operations centers lease office space of 34,000 and 68,000 square feet in Charlotte, North Carolina and Houston, Texas, respectively. Certain administrative and corporate operations and other activities included in our Other non-reportable segment are conducted at our Tampa, Florida location in approximately 29,000 square feet of leased office space. In addition, our field servicing and regional operations lease approximately 25 smaller offices located throughout the U.S. Our lease agreements have terms that expire through 2026, exclusive of renewal option periods. We believe that our leased facilities are adequate for our current requirements.

We are continuing to review our assets and activities and are advancing analysis and developing strategies with respect to any assets and activities we no longer deem to be a core part of the Company's operations. Our Irving, TX location was closed during 2017, and our remaining sites continue to undergo strategic review, which could result in additional site closings or other outcomes. We are also reevaluating our previously disclosed intention to consolidate, over time, our operations into three Ditech sites - Fort Washington, PA; Jacksonville, FL; and Tempe, AZ; and one RMS site - Houston, TX.

ITEM 3. *LEGAL PROCEEDINGS*

We are, and expect that, from time to time, we will continue to be involved in litigation, arbitration, examinations, inquiries, investigations and claims. These include pending examinations, inquiries and investigations by governmental and regulatory agencies, including but not limited to state attorneys general and other state regulators, Offices of the U.S. Trustees and the CFPB, into whether certain of our residential loan servicing and originations practices, bankruptcy practices and other aspects of our business comply with applicable laws and regulatory requirements.

From time to time, we have received and may in the future receive subpoenas and other information requests from federal and state governmental and regulatory agencies that are examining or investigating us. We cannot provide any assurance as to the outcome of these exams or investigations or that such outcomes will not have a material adverse effect on our reputation, business, prospects, results of operations, liquidity or financial condition.

Chapter 11 Case

On November 30, 2017, Walter Investment Management Corp. filed a Bankruptcy Petition under the Bankruptcy Code to pursue the Prepackaged Plan announced on November 6, 2017. On January 17, 2018, the Bankruptcy Court approved the amended Prepackaged Plan and on January 18, 2018, entered a confirmation order approving the Prepackaged Plan. On February 9, 2018, the Prepackaged Plan became effective pursuant to its terms and Walter Investment Management Corp. emerged from the Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. From and after effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business. On the Effective Date, all of our previously existing equity interests, including our predecessor common stock, were canceled. Our obligations under the Convertible Notes and Senior Notes, except to the limited extent set forth in the Prepackaged Plan, were also extinguished. For a more detailed discussion of our emergence, refer to the Emergence from Reorganization Proceedings under Part II, Item 7. Management's Discussion and Analysis of Financial Conditions and Analysis.

During the pendency of the Chapter 11 Case, the Bankruptcy Court granted relief enabling us to conduct our business activities in the ordinary course, including, among other things and subject to the terms and conditions of such orders, authorizing us to pay employee wages and benefits, to pay taxes and certain governmental fees and charges, to continue to operate our cash management system in the ordinary course, and to pay the pre-petition claims of certain of our vendors. For goods and services provided following the Petition Date, we paid vendors in full under normal terms.

Other Legal Matters

RMS received a subpoena dated June 16, 2016 from the Office of Inspector General of HUD requiring RMS to produce documents and other materials relating to, among other things, the origination, underwriting and appraisal of reverse mortgages for the time period since January 1, 2005. RMS subsequently received an additional subpoena from the Office of Inspector General of HUD dated January 12, 2017 requesting certain documents and information relating to the origination and underwriting of certain specified loans. This investigation, which is being conducted in coordination with the U.S. Department of Justice, Civil Division, could lead to a demand or claim under the False Claims Act, which allows for penalties and treble damages, or other statutes.

On July 27, 2016, RMS received a letter from the New York Department of Financial Services requesting information on RMS's reverse mortgage servicing business in New York.

RMS received a subpoena dated March 30, 2017 from the Office of the Attorney General of the State of New York requiring RMS to produce documents and information relating to, among other things, the servicing of HECMs insured by the FHA during the period since January 1, 2012.

We are cooperating with these inquiries relating to RMS.

We have received various subpoenas for testimony and documents, motions for examinations pursuant to Federal Rule of Bankruptcy Procedure 2004, and other information requests from certain Offices of the U.S. Trustees, acting through trial counsel in various federal judicial districts, seeking information regarding an array of our policies, procedures and practices in servicing loans to borrowers who are in bankruptcy and our compliance with bankruptcy laws and rules. We have provided information in response to these subpoenas and requests and have met with representatives of certain Offices of the U.S. Trustees to discuss various issues that have arisen in the course of these inquiries, including our compliance with bankruptcy laws and rules. We cannot predict the outcome of the aforementioned proceedings and inquiries, which could result in requests for damages, fines, sanctions, or other remediation. We could face further legal proceedings in connection with these matters. We may seek to enter into one or more agreements to resolve these matters. Any such agreement may require us to pay fines or other amounts for alleged breaches of law and to change or otherwise remediate our business practices. Legal proceedings relating to these matters and the terms of any settlement agreement could have a material adverse effect on our reputation, business, prospects, results of operations, liquidity and financial condition.

Since mid-2014, we have received subpoenas for documents and other information requests from the offices of various state attorneys general who have, as a group and individually, been investigating our mortgage servicing practices. We have provided information in response to these subpoenas and requests and have had discussions with representatives of the states involved in the investigations to explain our practices. We cannot predict whether litigation or other legal proceedings will be commenced by, or an agreement will be reached with, one or more states in relation to these investigations. Any legal proceedings and any agreement resolving these matters could have a material adverse effect on our reputation, business, prospects, results of operation, liquidity and financial condition.

We are involved in litigation, including putative class actions, and other legal proceedings concerning, among other things, lender-placed insurance, private mortgage insurance, bankruptcy practices, property preservation practices, servicing/foreclosure fees and costs, employment practices, the Consumer Financial Protection Act, the Fair Debt Collection Practices Act, the TCPA, the Fair Credit Reporting Act, TILA, RESPA, EFTA, the ECOA, and other federal and state laws and statutes. In addition, there have been various legal and regulatory developments in Nevada regarding liens asserted by HOAs for unpaid HOA assessments. Credit owners may assert claims against servicers such as Ditech Financial for failure to advance sufficient funds to cover unpaid HOA assessments and protect the credit owner's interest in the subject property. We service numerous loans in Nevada and are involved in litigation and other legal proceedings affected by, or related to, these HOA matters.

In *Kamimura, Lee C. v. Green Tree Servicing LLC*, filed on April 8, 2016 in the U.S. District Court for the District of Nevada, Ditech Financial is subject to a putative nationwide class action suit alleging FCRA violations by obtaining credit bureau information without a permissible purpose after the discharge of debt owed to Ditech Financial pursuant to Chapter 13 of the Bankruptcy Code. The plaintiff in this suit, on behalf of himself and others similarly situated, seeks actual and punitive damages, statutory penalties, and attorneys' fees and litigation costs.

Ditech Financial is also subject to several putative class action suits alleging violations of the TCPA for placing phone calls to plaintiffs' cell phones using an automatic telephone dialing system without their prior consent. The plaintiffs in these suits, on behalf of themselves and others similarly situated, seek statutory damages for both negligent and knowing or willful violations of the TCPA.

A federal securities fraud complaint was filed against the Company, George M. Awad, Denmar J. Dixon, Anthony N. Renzi, and Gary L. Tillett on March 16, 2017. The case, captioned *Courtney Elkin, et al. vs. Walter Investment Management Corp., et al.*, Case No. 2:17-cv-02025-JCJ, is pending in the Eastern District of Pennsylvania. The court has appointed a lead plaintiff in the action who filed an amended complaint on September 15, 2017. The amended complaint seeks monetary damages and asserts claims under Sections 10(b) and 20(a) of the Exchange Act during a class period alleged to begin on August 9, 2016 and conclude on August 1, 2017. The amended complaint alleges that: (i) defendants made material misstatements about the value of our deferred tax assets; (ii) the material misstatement about the value of our deferred tax assets required us to restate certain financials in our Quarterly Reports on Form 10-Q for the periods ended June 30, 2016, September 30, 2016 and March 30, 2017 and our Annual Report on Form 10-K for the year ended December 31, 2016, and caused us to violate the financial covenants and obligations in agreements with our lenders and GSEs; and (iii) defendants made material misstatements concerning our initiatives to deleverage our capital structure. On November 3, 2017, the lead plaintiff voluntarily dismissed defendant Denmar J. Dixon from the action. On November 14, 2017, the remaining defendants moved to dismiss the amended complaint. From December 1, 2017 to February 9, 2018, the action was stayed pursuant to section 362 of the Bankruptcy Code. On February 15, 2018, the parties reached an agreement in principle to settle the action for $2.95 million subject to the negotiation of a formal settlement agreement, notice to the alleged class, and court approval. The settlement, if completed, is to be paid in part by us and in part by our directors' and officers' insurance carrier.

A stockholder derivative complaint purporting to assert claims on behalf of the Company was filed against certain current and former members of our Board of Directors on June 22, 2017. The case, captioned *Michael E. Vacek, Jr., et al. vs. George M. Awad, et al.*, Case No. 2:17-cv-02820-JCJ, is pending in the Eastern District of Pennsylvania. Plaintiff filed an amended complaint in the action on September 13, 2017. The amended complaint seeks monetary damages for the Company and equitable relief and asserts a claim for breach of fiduciary duty arising out of: (i) a material weakness in our internal controls over financial reporting related to operational processes associated with Ditech Financial default servicing activities, including identifying foreclosure tax liens and resolving such liens efficiently, foreclosure related advances, and the processing and oversight of loans in bankruptcy status, which resulted in several adjustments to reserves during the fourth quarter of 2016; (ii) an accounting error that caused us to overstate the value of our deferred tax assets; and (iii) subpoenas seeking documents relating to RMS's origination and underwriting of reverse mortgages and loans. The Company and the defendants moved to dismiss the amended complaint on October 5, 2017. Briefing on the motion to dismiss is completed. From December 1, 2017 to February 9, 2018, the action was stayed pursuant to section 362 of the Bankruptcy Code.

The outcome of all of our regulatory matters, litigations and other legal proceedings (including putative class actions) is uncertain, and it is possible that adverse results in such proceedings (which could include restitution, penalties, punitive damages and injunctive relief affecting our business practices) and the terms of any settlements of such proceedings could, individually or in the aggregate, have a material adverse effect on our reputation, business, prospects, results of operations, liquidity or financial condition. In addition, governmental and regulatory agency examinations, inquiries and investigations may result in the commencement of lawsuits or other proceedings against us or our personnel. Although we have historically been able to resolve the preponderance of our ordinary course litigations on terms we considered acceptable and individually not material, this pattern may not continue and, in any event, individual cases could have unexpected materially adverse outcomes, requiring payments or other expenses in excess of amounts already accrued. Certain of the litigations against us include claims for substantial compensatory, punitive and/or statutory damages, and in many cases the claims involve indeterminate damages. In some cases, including in some putative class actions, there could be fines or other damages for each separate instance in which a violation occurred. Certification of a class, particularly in such cases, could substantially increase our exposure to damages. We cannot predict whether or how any legal proceeding will affect our business relationship with actual or potential customers, our creditors, rating agencies and others. In addition, cooperating in, defending and resolving these legal proceedings consume significant amounts of management time and attention and could cause us to incur substantial legal, consulting and other expenses and to change our business practices, even in cases where there is no determination that our conduct failed to meet applicable legal or regulatory requirements.

For a description of certain legal proceedings, refer to Note 30 to the Consolidated Financial Statements included in this report, which is incorporated by reference herein.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

On the Effective Date, all shares of our predecessor common stock, as well as our Convertible Notes and Senior Notes, were canceled and 4,252,500 shares of common stock, par value $0.01 per share, were issued to the holders of our predecessor common stock and Convertible Noteholders. In addition, on the Effective Date, we issued to the holders of our predecessor common stock and Convertible Noteholders Series A Warrants to purchase up to an aggregate of 7,245,000 shares of common stock at $20.63 per share and Series B Warrants to purchase up to an aggregate of 5,748,750 shares of common stock at $28.25 per share. Further, we issued Second Lien Notes and Convertible Preferred Stock to the Senior Note Holders, which Convertible Preferred Stock is convertible into 11,497,500 shares of common stock, and we reserved 3,193,750 shares of common stock to be issued under our equity incentive plan. We relied, based on the Confirmation Order we received from the Bankruptcy Court, on Section 1145(a)(1) of the Bankruptcy Code to exempt from the registration requirements of the Securities Act (i) the offer and sale of our outstanding common stock to the holders of our predecessor common stock and Convertible Notes, (ii) the offer and sale of the Series A and Series B Warrants to the holders of our predecessor common stock and Convertible Notes, (iii) the offer and sale of the Convertible Preferred Stock and Second Lien Notes to the Senior Note Holders, and (iv) the offer and sale of the common stock issuable upon exercise of the warrants or conversion of the Convertible Preferred Stock. Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three principal requirements are satisfied:

- the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan of reorganization with the debtor or of a successor to the debtor under the plan of reorganization;
- the recipients of the securities must hold claims against or interests in the debtor; and
- the securities must be issued in exchange, or principally in exchange, for the recipient’s claim against or interest in the debtor.

Our predecessor common stock traded under the symbol "WAC" until the Effective Date. Our successor common stock is listed on the NYSE under the symbol “DHCP” and has been trading on such exchange since February 12, 2018. No prior established public trading market existed for our successor common stock prior to this date. As of March 23, 2018, there were 217 record holders of our common stock.

The following table sets forth certain high and low sales prices of our predecessor common stock. There were no cash dividends declared on our common stock for the periods indicated.

	Stock Prices	
	High	Low
2017		
First quarter ended March 31	$ 5.25	$ 0.64
Second quarter ended June 30	1.94	0.76
Third quarter ended September 30	1.13	0.30
Fourth quarter ended December 31	0.95	0.31
2016		
First quarter ended March 31	$ 16.00	$ 6.31
Second quarter ended June 30	8.51	2.70
Third quarter ended September 30	4.06	2.24
Fourth quarter ended December 31	8.11	3.77

We did not pay any cash dividends on our common stock during the fiscal years ended December 31, 2017 and 2016, and we have no current plans to pay any cash dividends on our common stock and instead may retain earnings, if any, for future operations, reinvestment in our business, debt repayment or other purposes. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant (including restrictions contained in the 2018 Credit Agreement and the Second Lien Notes indenture). These restrictions on dividends are described in greater detail in the Liquidity and Capital Resources section under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. Refer to Note 26 to the Consolidated Financial Statements for additional information regarding dividend restrictions.

Issuer Purchases of Equity Securities

None.

ITEM 6. *SELECTED FINANCIAL DATA*

Omitted.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes thereto included in this report. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and all of which could be affected by uncertainties and risks. Our actual results may differ materially from the results contemplated in these forward-looking statements as a result of many factors including, but not limited to, those described in Part I, Item 1A. Risk Factors. Historical results and trends that might appear should not be taken as indicative of future operations, particularly in light of our emergence from bankruptcy in February 2018, MSR sales, tax reform, and other regulatory developments discussed throughout this report. Refer to the Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995 section located in the forepart in this report for a discussion regarding forward-looking statements.

Defined terms used in this Annual Report on Form 10-K are defined in the Glossary of Terms.

Executive Summary

The Company

We are an independent servicer and originator of mortgage loans and servicer of reverse mortgage loans. We service a wide array of loans across the credit spectrum for our own portfolio and for GSEs, government agencies, third-party securitization trusts and other credit owners. Through our consumer, correspondent and wholesale lending channels, we originate and purchase residential mortgage loans that we predominantly sell to GSEs and government agencies. We also operate two complementary businesses: asset receivables management and real estate owned property management and disposition. Our goal is to become a partner with our customers; assisting them with the originations process and through the life of their loan, with a highly regarded originations and servicing platform and quality customer service in an open, honest and straightforward manner.

On February 9, 2018, we emerged from our Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. Upon effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business. Refer to the Emergence from Reorganization Proceedings section below for further discussion.

During 2017, we changed our principal executive offices from Tampa, Florida to Fort Washington, Pennsylvania. We have recently undergone several changes in our senior leadership. Effective February 20, 2018, Jeffrey P. Baker commenced service as our Interim Chief Executive Officer and President, succeeding Anthony N. Renzi. Mr. Baker also continues to serve as President of RMS, but no longer serves as our Chief Operations Officer. We have engaged an executive search firm to assist us with the process of identifying internal and external candidates to serve as permanent Chief Executive Officer and President. On February 1, 2018, Gerald A. Lombardo joined the Company and, effective February 9, 2018, succeeded Gary Tillett as Chief Financial Officer.

At December 31, 2017, we serviced 1.7 million residential loans with a total unpaid principal balance of $207.9 billion. We originated $15.6 billion in mortgage loan volume in 2017.

During 2016 and throughout 2017, our strategy was to move towards a fee-for-service model in our servicing business by increasing the proportion of subservicing activity in our business mix. For example, in 2016, we entered into several transactions with NRM pursuant to which we sold MSR to NRM and were retained by NRM to subservice these and other MSR; and in 2017, we began selling MSR to NRM on both a traditional flow sale basis and a concurrent assignment or co-issue basis, each with subservicing retained. Largely as a result of these transactions, and based on unpaid principal loan balance, the portion of our servicing portfolio represented by subservicing rose from 24% (or $62.5 billion in unpaid principal loan balance) at September 30, 2016 to 49% (or $102.7 billion in unpaid principal loan balance) at December 31, 2017. Our subservicing fees vary considerably from contract to contract, and in general subservicing fees are lower than the servicing fee associated with owning the MSR and servicing the related loans. Therefore, our servicing revenues have been and are expected to continue to be negatively affected by the sale of our MSR, even in situations where we are engaged to subservice the loans relating to such MSR following their sale. However, as the portion of our servicing portfolio represented by subservicing increases, we generally expect to benefit from lower advance funding costs and from the elimination of amortization charges associated with the MSR we have sold. Going forward, we expect to sell servicing rights to third parties on a more selective basis while continuing to grow our subservicing business with third-party servicing rights owners.

During 2017, we added to the unpaid principal balance of our third-party mortgage loan servicing portfolio with $7.1 billion relating to mortgage loans sold with servicing retained and $4.1 billion relating to subservicing contracts, which was more than offset by $48.0 billion of payoffs, sales and other adjustments, net of recapture activities. In addition, we added to the unpaid principal balance of our third-party reverse loan servicing portfolio with $1.9 billion in new business and tails, which was more than offset by $2.5 billion in payoffs and curtailments.

Our mortgage loan originations business diversifies our revenue base and helps us replenish our servicing portfolio. During 2017, we originated $6.1 billion of mortgage loans through our consumer and wholesale channels and purchased $9.5 billion of mortgage loans through our correspondent channel. Substantially all of these purchased and originated mortgage loans were added to our servicing portfolio upon loan sale. In addition, we originated and purchased $399.2 million in reverse mortgage volume and issued $426.5 million in HMBS during 2017, although, as discussed below, we exited the reverse mortgage originations business at the beginning of 2017.

Our profitability for the Reverse segment has been and will continue to be negatively impacted by recent changes to HUD requirements, which have led to additional working capital needs in relation to Ginnie Mae buyouts, and by the level of defaults we are experiencing with HECM loans. When a HECM loan is in default, we earn interest at the debenture rate, which is generally lower than the note rate we must pay. Additionally, if we miss HUD prescribed milestones in the foreclosure and claims filing process, HUD curtails the debenture interest being earned on loans in default. For loans in default, servicing costs generally increase as a result of foreclosure related activities such as legal costs, property preservation expense and other costs, which may include bankruptcy related activities. Further, after a foreclosure sale occurs and we obtain title to the property, we are responsible for the sale of the REO property. If we are unable to sell the property underlying a defaulted reverse loan for an acceptable price within the timeframe established by HUD, we are required to make an appraisal-based claim to HUD. In such cases, HUD reimburses us for the loan balance, eligible expenses and debenture interest, less the appraised value of the underlying property. Thereafter, all the risks and costs associated with maintaining and liquidating the property remains with us. We may incur additional losses on REO properties as they progress through the claims and liquidation processes. The significance of future losses associated with appraisal-based claims is dependent upon the volume of defaulted loans, condition of foreclosed properties and the general real estate market.

We manage our Company in three reportable segments: Servicing, Originations, and Reverse Mortgage. A description of the business conducted by each of these segments is provided below:

Servicing - Our Servicing segment performs servicing for our own mortgage loan portfolio, on behalf of third-party credit owners of mortgage loans for a fee and on behalf of third-party owners of MSR for a fee, which we refer to as subservicing. The Servicing segment also operates complementary businesses including asset receivables management that performs collections of post charge-off deficiency balances for third parties and us. In addition, the Servicing segment holds the assets and mortgage-backed debt of the Residual Trusts.

Originations - Our Originations segment originates and purchases mortgage loans that are intended for sale to third parties. In 2017, the mix of mortgage loans sold by our Originations segment, based on unpaid principal balance, consisted of (i) 50% Fannie Mae conventional conforming loans, (ii) 41% Ginnie Mae loans and (iii) 9% Freddie Mac conventional conforming loans.

Reverse Mortgage - Our Reverse Mortgage segment primarily focuses on the servicing of reverse loans. Effective January 2017, we exited the reverse mortgage originations business. As of December 31, 2017, we did not have any reverse loans remaining in the originations pipeline and have finalized the shutdown of the reverse mortgage originations business. We will continue to fund undrawn amounts available to borrowers under their loans and, from time to time, securitize these amounts.

Other - As of December 31, 2017, our Other non-reportable segment holds the assets and liabilities of the Non-Residual Trusts and corporate debt.

Overview

Our Servicing segment revenue is primarily impacted by the size and mix of our capitalized servicing and subservicing portfolios and is generated through servicing of mortgage loans for third-party clients and/or credit owners. Net servicing revenue and fees include the change in fair value of servicing rights carried at fair value and the amortization of all other servicing rights. Our servicing fee income generation is influenced by the volume and timing of entrance into subservicing contracts and purchases and sales of servicing rights. The fair value of our servicing rights is largely dependent on the size of the related portfolio, discount rates, and prepayment and default speeds. Our Originations segment revenue, which is primarily comprised of net gains on sales of loans, is impacted by interest rates and the volume of loans locked as well as the margins earned in our various origination channels. Net gains on sales of loans include the cost of additions to the representations and warranties reserve. Our Reverse Mortgage segment is impacted by subservicing contracts, the fair value of reverse loans and HMBS, draws on existing reverse loans, and historically, the volume of new reverse loan originations.

Our results of operations are also affected by expenses such as salaries and benefits, information technology, occupancy, legal and professional fees, the provision for advances, curtailment, interest expense and other operating expenses. Our expenses were also impacted by reorganization items of $37.6 million that were directly attributable to the Chapter 11 Case during 2017, and by non-cash goodwill and intangible assets impairment charges of $326.3 million during 2016. Refer to the Financial Highlights, Results of Operations and Business Segment Results sections below for further information.

Our principal sources of liquidity are the cash flows generated from our business segments and funds available from our master repurchase agreements, mortgage loan servicing advance facilities, issuance of GMBS, issuance of HMBS to fund our tail commitments and sales of MSR, any portion thereof, or other assets. Refer to the Liquidity and Capital Resources section below for additional information.

In connection with the Company's ongoing evaluation and analysis of various factors and risks that impact its business and operating results, including recent changes to the forward interest rate curve, and the Company's recent, preliminary 2018 operating performance, including lower originations volumes than expected due in part to an increase in interest rates, the Company now expects that its Adjusted EBITDA for the year ending December 31, 2018 will be materially lower than previously projected. Under its new leadership, the Company continues to develop and execute various strategies to improve the Company's financial and operating performance. As the outcomes of our efforts are difficult to predict given the complex business and economic environment in which we operate and the risks we face, which are described in Item 1A. Risk Factors and elsewhere herein, we no longer intend to provide guidance relating to financial expectations going forward.

Financial Highlights

2017 Compared to 2016

Total revenues for 2017 were $831.3 million, which represented a decrease of $164.5 million, or 17%, as compared to 2016. The decrease in revenue reflects a $125.1 million decrease in net gains on sales of loans resulting from an overall lower volume of locked loans and a $38.0 million decrease in insurance revenue due to the sale of our principal insurance agency and substantially all of our insurance agency business during the first quarter of 2017.

Total expenses for 2017 were $1.3 billion, which represented a decrease of $459.8 million, or 26%, as compared to 2016. The decrease in expenses was driven by $326.3 million in goodwill and intangible assets impairment recorded during 2016, $135.5 million in lower salaries and benefits, and $22.9 million in lower general and administrative expenses, partially offset by $37.6 million in reorganization items recorded during 2017.

We recorded goodwill and intangible assets impairment charges as a result of evaluations performed during 2016. Salaries and benefits decreased primarily as a result of a lower average headcount driven by site closures and various organizational changes to the scale and proficiency of the leadership team and support functions, as well as our exit from the reverse mortgage originations business in early 2017. General and administrative expenses decreased primarily as a result of lower contractor costs, servicer interest expense and transformation expenses as well as other cost savings, offset in part by higher costs associated with our debt restructuring initiative.

We recorded reorganization items that were directly attributable to the Chapter 11 Case during 2017. These expenses resulted primarily from the write-off of $34.4 million of costs related to previously issued debt and $3.1 million of legal and professional fees. Refer to the Emergence from Reorganization Proceedings section below for additional information.

We identified a material weakness in internal controls within the operating control environment for property preservation as of December 31, 2017. Specifically, management identified operational control deficiencies related to operational processes within the property preservation function of Ditech Financial default servicing activities, which resulted in an adjustment to reserves during the fourth quarter of 2017 totaling $6.3 million for exposures related to deficient processes within the operating control environment for the property preservation function.

We also identified a material weakness in internal controls related to the valuation of MSR. Specifically, management determined that the Company did not design and maintain effective internal controls to ensure that data is appropriately utilized in its MSR valuation process, including its ability to appropriately query and extract data from its servicing system. The control deficiency did result in a decrease to our MSR fair value during the fourth quarter of 2017 totaling $8.9 million for exposures related to inaccurate data pulls for purposes of MSR valuation.

Our cash flows provided by operating activities were $779.1 million during 2017, which represented an increase of $327.1 million as compared to 2016. The increase in cash provided by operating activities was primarily a result of an increase in cash provided by origination activities resulting from a higher volume of loans sold in relation to loans originated in 2017 as compared to 2016, offset in part by net changes in working capital items as described in more detail in the Financial Condition section.

Natural Disasters

During 2017, there were several significant natural disasters that have impacted the U.S. and its territories, including Hurricanes Harvey, Irma, and Maria, as well as widespread wildfires in California.

Investors and GSEs permit us to grant periods of forbearance to customers impacted by a natural disaster. Additionally, we are permitted to waive assessments of late fees against those homeowners with disaster-damaged homes, as well as suspend reporting forbearance or delinquencies caused by the disaster to the national credit bureau. We are currently granting such forbearance and waiving late fees and penalties on affected properties.

Further, all properties in the affected areas must be inspected for "acceptable" condition prior to any transaction occurring with or on behalf of the GSEs or HUD (including foreclosure sale, property conveyance, sale/funding/transfers of originated loans to third parties, etc.). This required inspection may cause delays in funding the originations pipeline, delays in selling those loans into the secondary market, and may unfavorably impact the fair value of related hedging activities. Additionally, in certain circumstances when there are uninsured losses, we may be responsible for repairs to the properties if not done by the homeowner.

The damage caused by these events to the properties that are either owned by us or underlie the loans serviced by us has not been fully determined and potential losses and assessment of potential insurance recoveries cannot be reasonably estimated at this time. However, we did experience an increase in the delinquencies of the related properties during the fourth quarter of 2017, which negatively impacted the fair value of these assets.

We currently maintain operating locations in Florida, Texas, and California. Certain office closures during the hurricanes impacted collection efforts, and also resulted in increased overtime once the offices re-opened. Further, higher call volume with customers impacted by the natural disasters has occurred, and a dedicated team focused on disaster-related calls and loss mitigation has been formed, which also has impacted compensation costs. These impacts were not significant to the current year results.

Regulatory Developments

For a summary of the regulatory framework under which we operate and recent regulatory developments, refer to the Laws and Regulations section of Part I, Item 1. Business.

Strategy

During 2016 and throughout 2017, our strategy was to move towards a fee-for-service model in our servicing business by increasing the proportion of subservicing activity in our business mix. Going forward, we expect to sell servicing rights to third parties on a more selective basis while continuing to grow our subservicing business with third-party servicing rights owners.

In Servicing, the shift of our servicing portfolio from servicing to subservicing has resulted in, and is expected to continue to result in, a decline in revenue. Our ability to implement initiatives to reduce costs on pace with or faster than declining revenues is a key factor to us achieving a return to profitability within the servicing business. We have already achieved cost reductions in a number of areas, but there can be no assurance that we will be able to reduce costs so as to enable the servicing business to return to profitability in the near-term or at all. We intend to execute numerous initiatives to become a more customer centric organization aimed at improving our performance as an originator and servicer. We also continue to improve the efficiency of our origination operations, through such measures as better processes, site consolidation and improved use of technology. We are also concentrating on improving the performance of our servicing business by, for example, strengthening our internal control environment, lowering delinquency rates and improving standards and compliance. We plan to prioritize these initiatives over the pursuit of significant new servicing or subservicing opportunities, though over time as we improve operations we aim to be able to compete effectively and profitably for opportunities to subservice for others. Recent operating results have been negatively impacted by costs associated with matters within default servicing operations and costs associated with site consolidation plans, and we expect to continue to incur similar costs as we continue to optimize the platform and right-size the business.

In Originations, our goal is to achieve significant revenue growth over time, primarily from increased outbound contact efforts and improved retention. As we endeavor to expand our originations business, we expect that we will need to increase significantly the amount of purchase money loans we originate, particularly in our consumer direct channel. This will require us to enhance our brand awareness among potential customers, and we are working on plans to develop a digital marketing presence. We have recently brought in new leadership to lead this initiative, and believe our strategy will require us to hire a considerable number of new loan officers and other employees.

Our operating results have been negatively impacted by a number of factors, including a greater than anticipated decline in origination volumes as new leads, pull-through rates and recapture rates within the consumer lending channel have been below expectations. We continue to face challenges in our ability to achieve growth in the originations business as we transition from a principally refinance-focused strategy directed at our captive servicing portfolio to a strategy that also focuses on new customer acquisition and includes purchase money originations. We have been working to develop new lead sources leveraging digital and mobile technologies and investing and advertising in our Ditech brand, achieve deeper integration of our originations business with our servicing business to better identify viable customer opportunities and streamline and shorten processes in an effort to increase pull-through rates. Additionally, volumes and pricing in the correspondent and wholesale channels are being negatively impacted by a challenging business lending environment, our ability to attract talent to the wholesale channel and our ability to enter into flow arrangements to sell MSR acquired in those channels. As a result of these recent developments, management is closely monitoring performance of the originations segment in connection with our evaluation of the recoverability of our remaining goodwill and intangible assets.

In Reverse Mortgage, having exited the originations business, we are working to improve the efficiency of our servicing activities in order to reduce expected future losses. We have also been evaluating options for our reverse mortgage business, including the possibility of selling some or all of its assets or pursuing alternative solutions for the business that include collaboration with other parties.

Improving the effectiveness and efficiency of our information technology group is an important element of our strategy across all of our operations. We use numerous systems and incur considerable expense to support our lending, servicing, reverse and other business activities. We have initiated measures to reduce the complexity and cost of our information technology operations and are continuing our review of this function to identify further areas of opportunity.

Investments in MSR

Historically from time to time, to support our servicing business, we have bought or sold MSR; however, with a view to using our capital efficiently, in 2016 we began to limit our investment in MSR. Going forward, we expect to sell servicing rights to third parties on a more selective basis while continuing to grow our subservicing business with third-party servicing rights owners. However, we expect that from time to time we will sell MSR we now own or those we create in connection with our mortgage originations activities. We expect that normally we will retain the right to subservice such MSR sold by us, but we may also sell MSR with servicing released. We may also engage in other transactions to limit or reduce our investment in MSR, including sales of excess servicing spread.

In 2016 and 2017, we executed a number of transactions that helped us reduce our investment in MSR. In particular, we entered into a several transactions with NRM pursuant to which we sold MSR to NRM and were retained by NRM to subservice these and other MSR. Refer to Note 5 to the Consolidated Financial Statements for additional information on transactions with NRM. We may seek to sell additional MSR to NRM in the future and may also seek to enter into arrangements to sell MSR to other buyers. In 2017, we transferred MSR to NRM under a flow sale agreement related to mortgage loans with an aggregate UPB of $2.4 billion. Additionally, we simultaneously assigned servicing to NRM concurrent with the loan delivery to GSEs with respect to mortgage loans having an aggregate UPB of $6.4 billion for the year ended December 31, 2017.

Operating Improvements

Since 2016, we have focused our efforts on improving our financial performance through increasing efficiency and cost reductions. During 2016, we initiated actions in connection with our continued efforts to enhance efficiencies and streamline processes, which included various organizational changes to the scale and proficiency of our leadership team and support functions, which continued into 2017. For example, we exited the reverse mortgage originations business effective January 2017 while maintaining our reverse mortgage servicing operations, and in July 2017 we announced certain site consolidation plans, as discussed previously. While our goals for 2018 continue to include expense reductions, there can be no assurance that we will be successful in reducing costs. In 2018, we expect to continue to incur severance and other expenses associated with the improvement of our business, and we may incur unexpected expenses, including expenses arising from unanticipated operational problems, legal and regulatory matters, and other matters that are beyond our control. If we are not successful in reducing our expenses, our results of operations, financial condition and liquidity could be materially adversely affected.

In addition to improving the financial performance of our operations, we are focused on ensuring that our servicing operations meet legal and regulatory requirements and our contractual servicing obligations and that we improve our servicing performance, as measured by the owners of the loans we service (such as GSEs) and by customers for whom we subservice. By some measures, such as delinquency rates for our mortgage loan servicing portfolio, during 2016 our servicing performance deteriorated significantly relative to our past performance and to that of other servicers following the introduction of new servicing technology, changes in servicing practices, site consolidation, and other developments; during 2017, we experienced modest improvement in certain servicing performance measures. The GSEs and other parties for whom we service or subservice regularly monitor our performance and communicate their observations and expectations to us. Several important such counterparties noted our recent performance deterioration and have requested that we improve various aspects of our performance, which we are endeavoring to do. In 2017, at Freddie Mac’s request, we completed the voluntary transfer of $640.6 million in unpaid principal balance of MSR relating to Freddie Mac mortgage loans that were 90 days or more delinquent to another special default servicer. Also in 2017 and at Freddie Mac's request, we completed the voluntary transfer of $4.2 billion in unpaid principal balance of MSR relating to Freddie Mac re-performing mortgage loans to another servicer. With a view to improving our performance, we have been enhancing our processes and have made management changes and introduced new procedures to track key performance metrics. We may need to make further enhancements to our people, processes or technologies to achieve acceptable levels of servicing performance and satisfy evolving legal and regulatory requirements and best practices. In addition, these enhancements could require significant unplanned expenditures that could adversely affect our financial results. We cannot be certain that our efforts to improve our servicing performance will have sufficient or timely results. If we are unable to improve our servicing performance metrics, we could face various material adverse consequences, including competitive disadvantage, the inability to win new subservicing business, the termination of servicing rights or subservicing contracts and GSEs or other counterparties asking us to transfer to other servicers, or otherwise limit or reduce, certain assets in our servicing portfolio.

We plan to continue to take actions across our businesses to improve efficiency, identify revenue opportunities and reduce expenses. However, we also expect to incur certain other costs. For example, we have been making investments and taking other measures to enhance the structure and effectiveness of our compliance and risk processes and associated programs across the Company, with a view to improving our customers’ experience, our compliance results and our performance and ratings under our subservicing contracts and our obligations to GSEs and loan investors. We intend to make additional investments and process improvements. The mortgage industry generally, including our Company, is subject to extensive and evolving regulation and continues to be under scrutiny from federal and state regulators, enforcement agencies and other government entities. This oversight has led, in our case, to ongoing investigations and examinations of several of our business areas, and we have been and will be required to dedicate internal and external resources to providing information to and otherwise cooperating with such government entities. In addition, we have incurred, and expect that in the future we will incur, significant expenses (i) associated with the remediation or other resolution of breaches, findings or concerns raised by regulators, enforcement agencies, other government entities, customers or ourselves, (ii) to enhance the effectiveness of our risk and compliance program and (iii) to address operational issues and other events of noncompliance we have discovered, or may in the future discover, through our compliance program or otherwise. Investments to enhance our operational, compliance and risk processes may also result in an improved customer experience and competitive advantage for our business.

Emergence from Reorganization Proceedings

On November 30, 2017, Walter Investment Management Corp. filed a Bankruptcy Petition under the Bankruptcy Code to pursue the Prepackaged Plan announced on November 6, 2017. On January 17, 2018, the Bankruptcy Court approved the amended Prepackaged Plan and on January 18, 2018, entered a confirmation order approving the Prepackaged Plan. On February 9, 2018, the Prepackaged Plan became effective pursuant to its terms and Walter Investment Management Corp. emerged from the Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. From and after effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business.

Common Stock

On the Effective Date, all shares of our predecessor common stock were canceled and 4,252,500 shares of successor common stock, par value $0.01 per share, were issued to the predecessor stockholders and Convertible Noteholders. We reserved 3,193,750 shares of common stock for issuance under our equity incentive plan.

Preferred Stock

On the Effective Date, we issued 100,000 shares of Convertible Preferred Stock to the Senior Noteholders, which are mandatorily convertible into 11,497,500 shares of common stock (a conversion multiple of 114.9750) upon the earliest of (i) February 9, 2023, (ii) at any time following one year after the Effective Date, the time that the volume weighted-average pricing of the common stock exceeds 150% of the conversion price per share for at least 45 trading days in a 60 consecutive trading day period, including each of the last 20 days in such 60 consecutive trading day period, and (iii) a change of control transaction in which the consideration paid or payable per share of common stock is greater than or equal to the conversion price per share, which, subject to adjustment, is $8.6975. The shares of Convertible Preferred Stock are also convertible at the option of the holder thereof or upon the affirmative vote of at least 66 2/3% of the Convertible Preferred Stock then outstanding.

In the event of a voluntary or involuntary liquidation, winding-up or dissolution of the Company, each holder of Convertible Preferred Stock will be entitled to receive the greater of (i) a liquidation preference per share of Convertible Preferred Stock, prior to any distribution with respect to any other equity security of the Company, equal to the Liquidation Preference, and (ii) the amount payable per share, participating on an "as converted" basis, upon liquidation to the holders of the successor common stock. The "Liquidation Preference" equals (i) the face amount of the Convertible Preferred Stock, increased by (ii) the amount of interest that would have accumulated on the face amount of the Convertible Preferred Stock up to (but excluding) the date of any liquidation, winding-up or dissolution of the Company, compounding quarterly at a rate of seven percent (7%) per annum. Thereafter, holders of Convertible Preferred Stock will have no right or claim to the remaining assets, if any, of the Company.

During the period commencing on the Effective Date and terminating on February 9, 2020, for so long as any preferred stock is outstanding, only the holders of preferred stock, voting separately as a class, will be entitled to elect Preferred Stock Directors, and Preferred Stock Directors will be nominated by, and Preferred Stock Director vacancies will be filled by, the Preferred Stock Directors then in office. During such period, only the holders of the common stock, voting separately as a class, will be entitled to elect the Common Stock Directors, and Common Stock Directors will be nominated by, and Common Stock Director vacancies will be filled by, the Common Stock Directors then in office. Following such period, all directors will be elected by holders of common stock and any other class or series of stock (including the preferred stock) entitled to vote thereon, and will be nominated by the Board of Directors or, in accordance with the Company's bylaws, by the stockholders.

Warrants

On the Effective Date, we issued to the predecessor stockholders of our common stock, as well as the Convertible Noteholders, Series A Warrants to purchase up to an aggregate of 7,245,000 shares of common stock at $20.63 per share and Series B Warrants to purchase up to an aggregate of 5,748,750 shares common stock at $28.25 per share. All unexercised warrants expire and the rights of the warrant holders to purchase shares of common stock terminate on February 9, 2028, at 5:00 p.m., Eastern Standard Time, which is the 10th anniversary of the Effective Date.

2018 Credit Agreement

On the Effective Date, pursuant to the terms of the Prepackaged Plan, we entered into the 2018 Credit Agreement. The 2018 Credit Agreement provides for the 2018 Term Loan maturing on June 30, 2022 in an amount of approximately $1.2 billion. The 2018 Term Loan bears interest at a rate per annum equal to, at our option, (i) LIBOR plus 6.00% (with a LIBOR "floor" of 1.00%) or (ii) an alternate base rate plus 5.00% (which interest will be payable (a) with respect to any alternate base rate loan, the last business day of each March, June, September and December, and (b) with respect to any LIBOR loan, the last day of the interest period applicable to the borrowing of which such loan is a part). The 2018 Term Loan is guaranteed by substantially all of our wholly-owned domestic subsidiaries and secured by a first priority pledge on substantially all of our assets and the assets of the subsidiary guarantors, in each case subject to certain exceptions. See Liquidity and Capital Resources for further discussion of the impact to our liquidity and the recent amendment to the 2018 Credit Agreement.

Second Lien Notes

On the Effective Date, pursuant to the terms of the Prepackaged Plan, we entered into an indenture and issued $250.0 million aggregate principal amount of the Company's 9.00% Second Lien Notes due 2024. The Second Lien Notes will mature on December 31, 2024. Interest on the Second Lien Notes will accrue at a rate of 9.00% per annum payable semi-annually in arrears on June 15 and December 15 of each year. The Second Lien Notes require payment of interest in cash, except that interest on up to $50.0 million principal amount (plus previously accrued PIK interest payable), at our election, may be paid by increasing the principal amount of the outstanding notes or by issuing additional notes. The terms of the 2018 Credit Agreement require that we exercise such election. The Second Lien Notes are secured on a second-priority basis by substantially all of our assets and our subsidiary guarantors. See Liquidity and Capital Resources for further discussion of the impact to our liquidity.

Termination of Rights Agreement

On the Effective Date, we entered into Amendment No. 2 to the Rights Agreement with Computershare, which accelerated the scheduled expiration date of the Rights (as defined in the Rights Agreement) to the Effective Date. The rights issued pursuant to the Rights Agreement, which were also canceled by operation of the Prepackaged Plan, have expired and are no longer outstanding, and the Rights Agreement has terminated. Refer to the Rights Agreement section under Part I, Item 1. Business for a more detailed discussion of the termination of the Rights Agreement.

Registration Rights Agreement

On the Effective Date and pursuant to the Prepackaged Plan, we entered into a Registration Rights Agreement that provided certain registration rights to certain parties (together with any person or entity that becomes a party to the Registration Rights Agreement pursuant to the terms thereof) that received shares of our common stock, warrants and mandatorily convertible preferred stock on the Effective Date as provided in the Prepackaged Plan. The Registration Rights Agreement provides such persons with registration rights for the holders' registrable securities (as defined in the Registration Rights Agreement).

Pursuant to the Registration Rights Agreement, we agreed to file, within 60 days of the receipt of a request by holders of at least 40% of the registrable securities, an initial shelf registration statement covering resales of the registrable securities held by the holders. Subject to limited exceptions, we are required to maintain the effectiveness of any such registration statement until the earlier of (i) three years following the Effective Date and (ii) the date that all registrable securities covered by the shelf registration statement are no longer registrable securities.

In addition, holders with rights under the Registration Rights Agreement beneficially holding 10% or more of our common stock have the right to a Demand Registration to effect the registration of any or all of the registrable securities and/or effectuate the distribution of any or all of their registrable securities by means of an underwritten shelf takedown offering. We are not obligated to effect more than three Demand Registrations, and we need not comply with such a request if (i) the aggregate gross proceeds from such a sale will not exceed $25 million, unless the Demand Registration includes all of the then-outstanding registrable securities or (ii) a registration statement shall have previously been declared effective by the SEC within 90 days preceding the date of such request.

Holders with rights under the Registration Rights Agreement also have customary piggyback registration rights, subject to the limitations set forth in the Registration Rights Agreement.

These registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration statement and our right to delay or withdraw a registration statement under certain circumstances. We will generally pay the registration expenses in connection with our obligations under the Registration Rights Agreement, regardless of whether a registration statement is filed or becomes effective. The registration rights granted in the Registration Rights Agreement are subject to customary indemnification and contribution provisions, as well as customary restrictions such as blackout periods.

Warehouse Facilities

On the Effective Date and for a period of one year following the Effective Date, we will continue to receive financing pursuant to a master repurchase agreement providing for a maximum committed capacity sub-limit of $1.0 billion used principally to fund our mortgage loan originations business and a master repurchase agreement providing for a maximum committed capacity sub-limit of $800.0 million used principally to fund the purchase of home equity conversion mortgage loans and foreclosed real estate from certain securitization pools. In addition to the foregoing master repurchase agreement sub-limits, these facilities, the DAAT Facility and the DPATII Facility are subject, collectively, to a combined maximum outstanding amount of $1.9 billion. See Liquidity and Capital Resources for further discussion of the impact to our liquidity and recent amendments to these facilities.

Servicer Advance Financing Facilities

On February 12, 2018, the Securities Master Repurchase Agreement issued under the DIP Warehouse Facilities was terminated and repaid with proceeds from the issuance of variable funding notes under two new servicing advance facilities, the DAAT Facility and DPATII Facility. The DAAT Facility and the DPATII Facility have maximum capacity sub-limits of $475.0 million and $75.0 million, respectively. These facilities, together with our master repurchase agreement used to fund originations and our master repurchase agreement used to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools, are subject, collectively, to a combined maximum outstanding amount of $1.9 billion.

Fresh Start Accounting

We believe that we will meet the conditions to qualify under GAAP for fresh start accounting, and accordingly expect to adopt fresh start accounting effective February 10, 2018. The financial statements for the periods prior to this date do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting. The actual impact at emergence on February 9, 2018 will be reported in our Form 10-Q for the first quarter of 2018. Refer to Note 3 to the Consolidated Financial Statements for additional information regarding the application of fresh start accounting.

Post-Emergence Board of Directors

On the Effective Date, in accordance with the terms of the Prepackaged Plan confirmed by the Bankruptcy Court, the Board of Directors of the reorganized company consists of nine members, with six directors designated by the Senior Noteholders (David Ascher, Seth Bartlett, John Brecker, Thomas Marano, Thomas Miglis and Samuel Ramsey) and three continuing directors designated by us (George M. Awad, Daniel Beltzman and Neal Goldman). During the period commencing on the Effective Date and terminating on February 9, 2020, for so long as any preferred stock is outstanding, only the holders of preferred stock, voting separately as a class, will be entitled to elect Preferred Stock Directors, and Preferred Stock Directors will be nominated by, and Preferred Stock Director vacancies will be filled by, the Preferred Stock Directors then in office. During such period, only the holders of the common stock, voting separately as a class, will be entitled to elect the Common Stock Directors, and Common Stock Directors will be nominated by, and Common Stock Director vacancies will be filled by, the Common Stock Directors then in office.

Following such period, all directors will be elected by holders of common stock and any other class or series of stock (including the preferred stock) entitled to vote thereon, and will be nominated by the Board of Directors or, in accordance with the Company's bylaws, by the stockholders.

Financing Transactions

Refer to the Liquidity and Capital Resources section below for a description of our financing transactions.

Results of Operations — Comparison of Consolidated Results of Operations (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
REVENUES				
Net servicing revenue and fees	$ 346,682	$ 340,991	$ 5,691	2 %
Net gains on sales of loans	284,391	409,448	(125,057)	(31)%
Net fair value gains on reverse loans and related HMBS obligations	42,419	59,022	(16,603)	(28)%
Interest income on loans	41,195	45,700	(4,505)	(10)%
Insurance revenue	3,963	41,968	(38,005)	(91)%
Other revenues	112,610	98,588	14,022	14 %
Total revenues	831,260	995,717	(164,457)	(17)%
EXPENSES				
General and administrative	596,838	619,772	(22,934)	(4)%
Salaries and benefits	384,814	520,357	(135,543)	(26)%
Interest expense	261,244	255,781	5,463	2 %
Depreciation and amortization	40,764	59,426	(18,662)	(31)%
Reorganization items	37,645	—	37,645	n/m
Goodwill and intangible assets impairment	—	326,286	(326,286)	(100)%
Other expenses, net	11,061	10,530	531	5 %
Total expenses	1,332,366	1,792,152	(459,786)	(26)%
OTHER GAINS (LOSSES)				
Gain on sale of business	67,734	—	67,734	n/m
Net gains (losses) on extinguishment of debt	(6,111)	14,662	(20,773)	(142)%
Other net fair value gains (losses)	2,008	(4,234)	6,242	(147)%
Other	7,219	(3,811)	11,030	(289)%
Total other gains	70,850	6,617	64,233	n/m
Loss before income taxes	(430,256)	(789,818)	359,562	(46)%
Income tax expense (benefit)	(3,357)	44,040	(47,397)	(108)%
Net loss	$ (426,899)	$ (833,858)	$ 406,959	(49)%

Net Servicing Revenue and Fees

A summary of net servicing revenue and fees is provided below (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Servicing fees	$ 491,531	$ 680,002	$ (188,471)	(28)%
Incentive and performance fees	59,660	70,197	(10,537)	(15)%
Ancillary and other fees	83,753	98,055	(14,302)	(15)%
Servicing revenue and fees	634,944	848,254	(213,310)	(25)%
Changes in valuation inputs or other assumptions (1)	(134,573)	(243,645)	109,072	(45)%
Other changes in fair value (2)	(131,673)	(236,831)	105,158	(44)%
Change in fair value of servicing rights	(266,246)	(480,476)	214,230	(45)%
Amortization of servicing rights	(21,954)	(21,801)	(153)	1 %
Change in fair value of servicing rights related liabilities	(62)	(4,986)	4,924	(99)%
Net servicing revenue and fees	$ 346,682	$ 340,991	$ 5,691	2 %

(1) Represents the net change in servicing rights carried at fair value resulting primarily from market-driven changes in interest rates and prepayment speeds.
(2) Represents the realization of expected cash flows over time.

We recognize servicing revenue and fees for servicing performed on behalf of third parties in which we either own the servicing right or act as subservicer. This revenue includes contractual fees earned on the serviced loans, incentive and performance fees, including those earned based on the performance of certain loans or loan portfolios serviced by us, loan modification fees and asset recovery income, and ancillary fees such as late fees and expedited payment fees. Servicing revenue and fees are adjusted for amortization, the change in fair value of servicing rights and the change in fair value of servicing rights related liabilities.

Servicing fees decreased $188.5 million in 2017 as compared to 2016 primarily due to the reduction in our owned MSR portfolio driven by MSR sales in 2017 and the fourth quarter of 2016 combined with runoff of the portfolio. Incentive and performance fees decreased $10.5 million in 2017 as compared to 2016 due primarily to lower fees earned under HAMP and lower asset recovery income. Ancillary and other fees decreased $14.3 million in 2017 as compared to 2016 due to lower late fee income and convenience and expedited payment fees resulting from a smaller MSR portfolio and our having waived late fees for customers located within disaster areas during the end of 2017. In addition, there was a decrease in insurance premium service fees as a result of the sale of substantially all of our insurance agency business on February 1, 2017.

Net Gains on Sales of Loans

Net gains on sales of loans include realized and unrealized gains and losses on loans held for sale, fair value adjustments on IRLCs and other related freestanding derivatives, values of the initial capitalized servicing rights, and a provision for the repurchase of loans. Net gains on sales of loans decreased $125.1 million in 2017 as compared to 2016 primarily due to an overall lower volume of locked loans.

Net Fair Value Gains on Reverse Loans and Related HMBS Obligations

Net fair value gains on reverse loans and related HMBS obligations include the contractual interest income earned on reverse loans, including those not yet securitized or bought out of securitization pools, net of interest expense on HMBS related obligations, and the change in fair value of these assets and liabilities. Refer to the Reverse Mortgage segment discussion under our Business Segment Results section below for additional information including a detailed breakout of the components of net fair value gains on reverse loans and related HMBS obligations.

Net fair value gains on reverse loans and related HMBS obligations decreased $16.6 million in 2017 as compared to 2016 primarily due to an increase in net non-cash fair value losses and a decrease in cash generated by the origination, purchase and securitization of HECMs, partially offset by an increase in net interest income. Net non-cash fair value losses increased resulting from valuation model assumption adjustments related to buyout loans as well as the impact of an increased level of buyout loans and changes in market pricing in 2017. Cash generated by the origination, purchase and securitization of HECMs decreased due to our exit from the reverse mortgage originations business in early 2017, partially offset by a shift in mix from lower margin new originations to higher margin tails. Net interest income increased primarily as a result of a decrease in HMBS related obligations due to an increase in buyouts, partially offset by an increase in nonperforming reverse loans.

Interest Income on Loans

We earn interest income on the residential loans held in the Residual Trusts and on our unencumbered mortgage loans, both of which are accounted for at amortized cost. Interest income on loans decreased $4.5 million in 2017 as compared to 2016 primarily due to runoff of the overall mortgage loan portfolio and a lower average yield on loans due to an increase in delinquencies that are 90 days or more past due.

Provided below is a summary of the average balances of residential loans carried at amortized cost and the related interest income and average yields (dollars in thousands):

	For the Years Ended December 31,		
	2017	2016	Variance
Residential loans at amortized cost			
Interest income	$ 41,195	$ 45,700	$ (4,505)
Average balance [(1)(2)]	468,721	507,712	(38,991)
Average yield	8.79%	9.00%	(0.21)%

(1) Average balance is calculated as the average recorded investment in the loans at the beginning of each month during the year.

(2) Average balance excludes loans subject to repurchase from Ginnie Mae as we do not own these mortgage loans and, therefore, are not entitled to any interest income they generate.

Insurance Revenue

Insurance revenue consists of commission income and fees earned on voluntary and lender-placed insurance policies issued and other products sold to borrowers, net of estimated future policy cancellations. Commission income is based on a percentage of the premium of the insurance policy issued, which varies based on the type of policy. Insurance revenue decreased $38.0 million in 2017 as compared to 2016 due primarily to the sale of our principal insurance agency and substantially all of our insurance agency business on February 1, 2017. As a result of this sale, we no longer receive any insurance commissions on lender-placed insurance policies. Commencing February 1, 2017, another insurance agency owned by us began to provide insurance marketing services to a third party with respect to voluntary insurance policies, including hazard insurance. This insurance agency receives premium-based commissions for its insurance marketing services, which are recognized in other revenues. Refer to Note 4 to the Consolidated Financial Statements for additional information on the sale of our insurance business.

Other Revenues

Other revenues consist primarily of origination fee income, interest income on cash and cash equivalents, changes in the fair value of charged-off loans and, beginning in 2017, insurance marketing commissions. Other revenues increased $14.0 million in 2017 as compared to 2016 due primarily to $15.3 million in higher other interest income and $7.8 million in insurance marketing commissions recognized in 2017, partially offset by $7.4 million in lower origination fee income due to an overall lower volume of funded loans during 2017.

General and Administrative

General and administrative expenses decreased $22.9 million in 2017 as compared to 2016 resulting primarily from decreases of $26.1 million in contractor costs related to our servicing platform conversion that occurred in 2016 as well as efforts to reduce contractor costs throughout our operations, $24.6 million in servicer interest expense primarily due to the reduction in our owned MSR portfolio, $14.6 million in transformation expenses incurred in 2016, $13.0 million in legal fees due to lower litigation and settlement costs, $11.5 million in advance loss provision due to additional reserves established in 2016, $10.1 million in postage and printing costs, $8.9 million in advertising expenses resulting from a decrease in mail solicitations and a strategy shift in lead acquisition for our Originations segment and our exit from the reverse mortgage originations business in early 2017 and $15.0 million in other cost savings; partially offset by increases of $50.0 million related to our debt restructuring initiative in 2017, $22.7 million in charges associated with default servicing, $10.0 million in accruals for lease cancellation costs related to site closures, $5.0 million in lower reduction to the representations and warranty reserve resulting from assumption updates and $4.3 million in loan origination expense due to an increase in loan processing and underwriting expenses and higher net appraisal expense in 2017.

Salaries and Benefits

Salaries and benefits decreased $135.5 million in 2017 as compared to 2016 primarily due to decreases of $68.7 million in compensation and benefits resulting primarily from a lower average headcount driven by site closures and various organizational changes to the scale and proficiency of the leadership team and support functions as well as our exit from the reverse mortgage originations business in early 2017, $22.3 million in severance due to the departure of certain senior executives and workforce optimization accruals in 2016, $19.9 million primarily related to a change in the commissions structure, $14.3 million in bonus accruals, $8.8 million in overtime driven by cost reduction measures and $4.4 million in stock compensation expense related to increased forfeitures and fewer grants in 2017. Headcount decreased by approximately 1,100 full-time employees from approximately 4,900 at December 31, 2016 to approximately 3,800 at December 31, 2017.

Interest Expense

We incur interest expense on our corporate debt, servicing advance liabilities, master repurchase agreements, and mortgage-backed debt issued by the Residual Trusts, all of which are accounted for at amortized cost. Interest expense increased $5.5 million in 2017 as compared to 2016 driven by an increase in interest expense related to master repurchase agreements, offset in part by decreases in interest expense related to servicing advance liabilities and corporate debt. Interest expense related to master repurchase agreements increased primarily as a result of the amortization of debt issuance costs incurred in connection with the DIP Warehouse Facilities, which are being amortized over the estimated bankruptcy period of two months, and a higher average cost of debt related to higher LIBOR rates and interest rate increases on our warehouse facilities during 2017. Interest expense related to servicing advance liabilities decreased due primarily to the net pay down of our advance facilities resulting from advance reimbursements received in connection with the sale of loans and servicing rights during 2017 and the fourth quarter of 2016 and the retirement and termination of certain advance facilities in exchange for the DIP Warehouse Facilities, partially offset by the amortization of debt issuance costs related to the DIP Warehouse Facilities. Interest expense related to corporate debt decreased as a result of payments made on our 2013 Term Loan during 2017. Refer to the Liquidity and Capital Resources section below for additional information on our debt.

Provided below is a summary of the average balances of our corporate debt, servicing advance liabilities, master repurchase agreements, and mortgage-backed debt of the Residual Trusts, as well as the related interest expense and average rates (dollars in thousands):

	For the Years Ended December 31,		
	2017	2016	Variance
Corporate debt [1]			
Interest expense	$ 134,661	$ 144,171	$ (9,510)
Average balance [2]	2,093,800	2,170,296	(76,496)
Average rate	6.43%	6.64%	(0.21)%
Servicing advance liabilities [3]			
Interest expense	$ 27,966	$ 40,038	$ (12,072)
Average balance [2]	607,620	1,084,171	(476,551)
Average rate	4.60%	3.69%	0.91 %
Master repurchase agreements [4]			
Interest expense	$ 73,008	$ 43,263	$ 29,745
Average balance [2]	1,244,727	1,243,547	1,180
Average rate	5.87%	3.48%	2.39 %
Mortgage-backed debt of the Residual Trusts [3]			
Interest expense	$ 25,609	$ 28,309	$ (2,700)
Average balance [5]	411,123	454,467	(43,344)
Average rate	6.23%	6.23%	0.00 %

(1) Corporate debt includes our 2013 Term Loan, Senior Notes and Convertible Notes. Corporate debt activities are included in the Other non-reportable segment.
(2) Average balance for corporate debt, servicing advance liabilities and master repurchase agreements is calculated as the average daily carrying value.
(3) Servicing advance liabilities and mortgage-backed debt of the Residual Trusts are held by our Servicing segment.
(4) Master repurchase agreements are held by the Originations and Reverse Mortgage segments.
(5) Average balance for mortgage-backed debt of the Residual Trusts is calculated as the average carrying value at the beginning of each month during the year.

Depreciation and Amortization

Depreciation and amortization decreased $18.7 million in 2017 as compared to 2016 primarily due to the sale of assets related to our insurance business in the first quarter of 2017 and as a result of certain assets having reached the end of their estimated useful lives at the end of 2016.

Reorganization Items

We recorded reorganization items of $37.6 million that were directly attributable to the Chapter 11 Case during 2017. These expenses resulted primarily from the write-off of $34.4 million of costs related to previously issued debt and $3.1 million of legal and professional fees.

Goodwill and Intangible Assets Impairment

We recorded $326.3 million in goodwill and intangible assets impairment charges during 2016. The impairment charges were the result of certain market, industry and company-specific matters as discussed in more detail in Note 15 to the Consolidated Financial Statements.

Gain on Sale of Business

Gain on sale of business of $67.7 million during 2017 relates to the sale of our principal insurance agency and substantially all of our insurance agency business on February 1, 2017.

Net Gains (Losses) on Extinguishment of Debt

Net losses on extinguishment of debt of $6.1 million during 2017 resulted from the write-off of deferred debt issuance costs related to the termination of advance facilities and warehouse facilities in exchange for the DIP Warehouse Facilities, and the write-off of deferred debt issuance costs and debt discount related to payments made on the 2013 Term Loan, each in connection with the Restructuring.

Net gains on extinguishment of debt of $14.7 million during 2016 were primarily attributable to the repurchase of a portion of our Convertible Notes with a carrying value of $39.3 million.

Other Net Fair Value Gains (Losses)

Other net fair value gains (losses) consist primarily of fair value gains and losses on the assets and liabilities of the Non-Residual Trusts and fluctuates generally based on changes in prepayment speeds, default rates, loss severity, LIBOR rates and discount rates. Other net fair value gains (losses) increased $6.2 million to a gain in 2017 as compared to a loss in 2016 driven by improved default rate assumptions and an increase in the LIBOR rate for loans and bonds related to the Non-Residual Trusts, partially offset by a 32 bps increase in the discount rate of mortgage loans related to Non-Residual Trusts during 2017.

Other Gains (Losses)

We recorded other gains of $7.2 million in 2017 in connection with our counterparty under the Clean-up Call Agreement having fulfilled its obligation for the mandatory clean-up call of one of the remaining Non-Residual Trusts, resulting in the subsequent deconsolidation of the trust. Refer to Note 6 to the Consolidated Financial Statements for additional information on the deconsolidation of the Non-Residual Trusts.

Income Tax Expense (Benefit)

We recorded income tax benefit of $3.4 million in 2017 as compared to income tax expense of $44.0 million in 2016. The income tax expense incurred during 2016 resulted from our having recorded a $343.2 million valuation allowance against our deferred tax assets, which was offset in part by an income tax benefit related to the net loss. The income tax benefit recognized during 2017 resulted primarily from adjustments to reduce the valuation allowance due to tax law changes under the Tax Act, offset in part by tax expense related to goodwill and nominal current state tax. The tax benefit related to the net book loss was fully offset by a valuation allowance for the year ended December 31, 2017.

Financial Condition — Comparison of Consolidated Financial Condition at December 31, 2017 to December 31, 2016

Our total assets and total liabilities decreased by $2.3 billion and $1.9 billion, respectively, at December 31, 2017 as compared to December 31, 2016. The most significant changes in assets and liabilities are described below.

Residential loans at amortized cost increased $320.2 million primarily as a result of a $358.1 million increase in loans subject to repurchase from Ginnie Mae, offset in part by portfolio runoff of mortgage loans held by the Residual Trusts. As the amount of loans securitized with Ginnie Mae increases and the portfolio continues to season, the amount of loans subject to repurchase from Ginnie Mae recorded on the consolidated balance sheets will continue to increase, offset by actual repurchases of, or payments received on, these loans.

Residential loans at fair value decreased $1.7 billion and warehouse borrowings, mortgage-backed debt and HMBS related obligations decreased $1.7 billion in the aggregate primarily as a result of runoff of the reverse loan portfolio due to our exit from the reverse mortgage originations business in January 2017, runoff of mortgage loans held for sale due to lower mortgage loan originations volume, and runoff of the mortgage loans related to Non-Residual Trusts.

Servicer and protective advances decreased $381.9 million and servicing advance liabilities, which are utilized to finance servicer and protective advances, decreased $299.8 million primarily as a result of advance reimbursements received in connection with Freddie Mac loan sales and owned MSR sales as well as continued investor reimbursements on advance claims. Advances collected are used to settle servicing advance liabilities balances outstanding.

Servicing rights decreased $256.5 million primarily as a result of fair value losses, sales and runoff of the portfolio.

Payables and accrued liabilities increased $235.5 million primarily as a result of a $358.1 million increase in the liability for loans subject to repurchase from Ginnie Mae, offset in part by a decrease in employee-related liabilities from a reduction in headcount, in addition to decreases in certain liabilities related to our originations business due to a lower volume of sold loans and a change in Fannie Mae's invoicing process such that fees are paid in the month of sale as opposed to in the subsequent month.

Corporate debt decreased $914.3 million primarily due to the reclassification of the balances of our Senior Notes and Convertible Notes to liabilities subject to compromise on the consolidated balance sheets at December 31, 2017 as a result of the Chapter 11 Case. Refer to Note 3 to the Consolidated Financial Statements for detail of the liabilities subject to compromise. In addition, we made principal payments on the 2013 Term Loan of $186.9 million during 2017.

At December 31, 2016, the assets and liabilities related to the insurance business were reclassified to assets held for sale of $71.1 million and liabilities held for sale of $2.4 million as a result of our having executed a stock purchase agreement for the sale of substantially all of our insurance agency business. The sale was completed on February 1, 2017 and the related assets and liabilities were removed from our balance sheet.

Non-GAAP Financial Measures

We manage our company in three reportable segments: Servicing, Originations and Reverse Mortgage. We evaluate the performance of our business segments through the following measures: income (loss) before income taxes, Adjusted Earnings (Loss), and Adjusted EBITDA. Management considers Adjusted Earnings (Loss) and Adjusted EBITDA, both non-GAAP financial measures, to be important in the evaluation of our business segments and of the Company as a whole, as well as for allocating capital resources to our segments. Adjusted Earnings (Loss) and Adjusted EBITDA are supplemental metrics utilized by management to assess the underlying key drivers and operational performance of the continuing operations of the business. In addition, analysts, investors, and creditors may use these measures when analyzing our operating performance. Adjusted Earnings (Loss) and Adjusted EBITDA are not presentations made in accordance with GAAP and our use of these measures and terms may vary from other companies in our industry.

Adjusted Earnings (Loss) is defined as income (loss) before income taxes, plus changes in fair value due to changes in valuation inputs and other assumptions; goodwill and intangible assets impairment, if any; a portion of the provision for curtailment expense, net of expected third-party recoveries, if applicable; share-based compensation expense or benefit; non-cash interest expense; exit costs; estimated settlements and costs for certain legal and regulatory matters; fair value to cash adjustments for reverse loans; and select other cash and non-cash adjustments primarily including severance, gain or loss on extinguishment of debt, the net impact of the Non-Residual Trusts, transaction costs, reorganization items and certain non-recurring costs, as applicable. Adjusted Earnings (Loss) excludes unrealized changes in fair value of MSR that are based on projections of expected future cash flows and prepayments. Adjusted Earnings (Loss) includes both cash and non-cash gains from mortgage loan origination activities. Non-cash gains are net of non-cash charges or reserves provided. Adjusted Earnings (Loss) includes cash generated from reverse mortgage origination activities for the periods during which we were originating reverse mortgages. Adjusted Earnings (Loss) may from time to time also include other adjustments, as applicable based upon facts and circumstances, consistent with the intent of providing investors with a supplemental means of evaluating our operating performance.

Adjusted EBITDA eliminates the effects of financing, income taxes and depreciation and amortization. Adjusted EBITDA is defined as income (loss) before income taxes, plus amortization of servicing rights and other fair value adjustments; interest expense on corporate debt; depreciation and amortization; goodwill and intangible assets impairment, if any; a portion of the provision for curtailment expense, net of expected third-party recoveries, if applicable; share-based compensation expense or benefit; exit costs; estimated settlements and costs for certain legal and regulatory matters; fair value to cash adjustments for reverse loans; and select other cash and non-cash adjustments primarily including the net provision for the repurchase of loans sold, non-cash interest income, severance, gain or loss on extinguishment of debt, interest income on unrestricted cash and cash equivalents, the net impact of the Non-Residual Trusts, the provision for loan losses, Residual Trust cash flows, transaction costs, reorganization items, servicing fee economics, and certain non-recurring costs, as applicable. Adjusted EBITDA includes both cash and non-cash gains from mortgage loan origination activities. Adjusted EBITDA excludes the impact of fair value option accounting on certain assets and liabilities and includes cash generated from reverse mortgage origination activities for the periods during which we were originating reverse mortgages. Adjusted EBITDA may also include other adjustments, as applicable based upon facts and circumstances, consistent with the intent of providing investors a supplemental means of evaluating our operating performance.

Adjusted Earnings (Loss) and Adjusted EBITDA should not be considered as alternatives to (i) net income (loss) or any other performance measures determined in accordance with GAAP or (ii) operating cash flows determined in accordance with GAAP. Adjusted Earnings (Loss) and Adjusted EBITDA have important limitations as analytical tools, and should not be considered in isolation or as substitutes for analysis of our results as reported under GAAP. Some of the limitations of these metrics are:

- Adjusted Earnings (Loss) and Adjusted EBITDA do not reflect cash expenditures for long-term assets and other items that have been and will be incurred, future requirements for capital expenditures or contractual commitments;
- Adjusted Earnings (Loss) and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted Earnings (Loss) and Adjusted EBITDA do not reflect certain tax payments that represent reductions in cash available to us;
- Adjusted Earnings (Loss) and Adjusted EBITDA do not reflect any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- Adjusted Earnings (Loss) and Adjusted EBITDA do not reflect non-cash compensation that is and will remain a key element of our overall long-term incentive compensation package;
- Adjusted Earnings (Loss) and Adjusted EBITDA do not reflect the change in fair value due to changes in valuation inputs and other assumptions;
- Adjusted EBITDA does not reflect the change in fair value resulting from the realization of expected cash flows; and
- Adjusted EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our corporate debt, although it does reflect interest expense associated with our servicing advance liabilities, master repurchase agreements, mortgage-backed debt, and HMBS related obligations.

Because of these limitations, Adjusted Earnings (Loss) and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted Earnings (Loss) and Adjusted EBITDA only as supplements. Users of our financial statements are cautioned not to place undue reliance on Adjusted Earnings (Loss) and Adjusted EBITDA.

The following tables reconcile Adjusted Loss and Adjusted EBITDA to net loss, which we consider to be the most directly comparable GAAP financial measure to Adjusted Loss and Adjusted EBITDA (in thousands):

Adjusted Loss

	For the Year Ended December 31, 2017
Net loss	$ (426,899)
Adjust for income tax benefit	(3,357)
Loss before income taxes	(430,256)
Adjustments to loss before income taxes	
Changes in fair value due to changes in valuation inputs and other assumptions [(1)]	118,740
Gain on sale of business	(67,734)
Transaction costs [(2)]	55,694
Fair value to cash adjustment for reverse loans [(3)]	38,351
Reorganization items	37,645
Non-cash interest expense	33,401
Exit costs [(4)]	22,359
Share-based compensation expense	2,212
Other [(5)]	20,866
Subtotal	261,534
Adjusted Loss	$ (168,722)

(1) Consists of the change in fair value due to changes in valuation inputs and other assumptions relating to servicing rights and charged-off loans.
(2) Transaction costs result primarily from our debt restructuring initiative.
(3) Represents the non-cash fair value adjustment to arrive at cash generated from reverse mortgage origination activities.
(4) Exit costs include expenses related to the closing of offices and the termination and replacement of certain employees as well as other expenses to institute efficiencies. Exit costs incurred for the year ended December 31, 2017 include those relating to our exit from the consumer retail channel of the Originations segment, our exit from the reverse mortgage originations business, and actions initiated in 2015, 2016 and 2017 in connection with our continued efforts to enhance efficiencies and streamline processes in the organization. Refer to Note 18 to the Consolidated Financial Statements for additional information regarding exit costs.
(5) Includes severance, costs associated with transforming the business, the net impact of the Non-Residual Trusts, and net loss on extinguishment of debt.

Adjusted EBITDA

	For the Year Ended December 31, 2017
Net loss	$ (426,899)
Adjust for income tax benefit	(3,357)
Loss before income taxes	(430,256)
EBITDA adjustments	
Amortization of servicing rights and other fair value adjustments [(1)]	272,367
Interest expense	157,921
Gain on sale of business	(67,734)
Transaction costs [(2)]	55,694
Depreciation and amortization	40,764
Fair value to cash adjustment for reverse loans [(3)]	38,351
Reorganization items	37,645
Exit costs [(4)]	22,359
Share-based compensation expense	2,212
Other [(5)]	12,273
Subtotal	571,852
Adjusted EBITDA	$ 141,596

(1) Consists of the change in fair value due to changes in valuation inputs and other assumptions relating to servicing rights and charged-off loans as well as the amortization of servicing rights and the realization of expected cash flows relating to servicing rights carried at fair value.
(2) Transaction costs result primarily from our debt restructuring initiative.
(3) Represents the non-cash fair value adjustment to arrive at cash generated from reverse mortgage origination activities.
(4) Exit costs include expenses related to the closing of offices and the termination and replacement of certain employees as well as other expenses to institute efficiencies. Exit costs incurred for the year ended December 31, 2017 include those relating to our exit from the consumer retail channel of the Originations segment, our exit from the reverse mortgage originations business, and actions initiated in 2015, 2016 and 2017 in connection with our continued efforts to enhance efficiencies and streamline processes in the organization. Refer to Note 18 to the Consolidated Financial Statements for additional information regarding exit costs.
(5) Includes the net provision for the repurchase of loans sold, non-cash interest income, severance, net loss on extinguishment of debt, interest income on unrestricted cash and cash equivalents, costs associated with transforming the business, the net impact of the Non-Residual Trusts, the provision for loan losses, and the Residual Trust cash flows.

Business Segment Results

In calculating income (loss) before income taxes for our segments, we allocate indirect expenses to our business segments. Indirect expenses are allocated to our Servicing, Originations, Reverse Mortgage and certain non-reportable segments based on headcount.

We reconcile our income (loss) before income taxes for our business segments to our GAAP consolidated loss before income taxes and report the financial results of our Non-Residual Trusts, other non-reportable operating segments and certain corporate expenses as other activity. Additional information regarding the results of operations for our Servicing, Originations and Reverse Mortgage segments is presented below. Refer to Note 28 to the Consolidated Financial Statements for a reconciliation of our income (loss) before income taxes for our business segments to our GAAP consolidated loss before income taxes.

***Reconciliation of GAAP Consolidated Income (Loss) Before Income Taxes to Adjusted Earnings (Loss) and Adjusted EBITDA* (in thousands):**

	For the Year Ended December 31, 2017				
	Servicing	Originations	Reverse Mortgage	Other	Total Consolidated
Income (loss) before income taxes	**$ (174,218)**	**$ 46,539**	**$ (75,531)**	**$ (227,046)**	**$ (430,256)**
Adjustments to income (loss) before income taxes					
Changes in fair value due to changes in valuation inputs and other assumptions	118,740	—	—	—	118,740
Gain on sale of business	(67,734)	—	—	—	(67,734)
Transaction costs	6,704	—	—	48,990	55,694
Fair value to cash adjustment for reverse loans	—	—	38,351	—	38,351
Reorganization items	—	—	—	37,645	37,645
Non-cash interest expense	6,796	8,638	7,826	10,141	33,401
Exit costs	19,149	1,436	1,628	146	22,359
Share-based compensation expense	938	154	348	772	2,212
Other	13,274	1,683	2,098	3,811	20,866
Total adjustments	97,867	11,911	50,251	101,505	261,534
Adjusted Earnings (Loss)	**(76,351)**	**58,450**	**(25,280)**	**(125,541)**	**(168,722)**
EBITDA adjustments					
Amortization of servicing rights and other fair value adjustments	152,133	—	1,494	—	153,627
Interest expense on debt	—	—	—	124,520	124,520
Depreciation and amortization	34,666	2,979	3,119	—	40,764
Other	(2,887)	(5,780)	82	(8)	(8,593)
Total adjustments	183,912	(2,801)	4,695	124,512	310,318
Adjusted EBITDA	**$ 107,561**	**$ 55,649**	**$ (20,585)**	**$ (1,029)**	**$ 141,596**

	For the Year Ended December 31, 2016				
	Servicing	Originations	Reverse Mortgage	Other	Total Consolidated
Income (loss) before income taxes	**$ (690,402)**	**$ 135,117**	**$ (84,545)**	**$ (149,988)**	**$ (789,818)**
Adjustments to income (loss) before income taxes					
Changes in fair value due to changes in valuation inputs and other assumptions	209,412	—	—	—	209,412
Transaction costs	10,955	—	—	6,563	17,518
Fair value to cash adjustment for reverse loans	—	—	17,501	—	17,501
Non-cash interest expense	1,518	—	—	11,245	12,763
Exit costs	11,621	3,118	5,437	5,582	25,758
Share-based compensation expense (benefit)	5,007	1,019	1,032	(490)	6,568
Goodwill and intangible assets impairment	319,551	—	6,735	—	326,286
Other	37,095	14,531	3,971	(12,902)	42,695
Total adjustments	595,159	18,668	34,676	9,998	658,501
Adjusted Earnings (Loss)	**(95,243)**	**153,785**	**(49,869)**	**(139,990)**	**(131,317)**
EBITDA adjustments					
Amortization of servicing rights and other fair value adjustments	256,880	—	1,753	—	258,633
Interest expense on debt	6,469	—	—	132,925	139,394
Depreciation and amortization	44,439	8,888	6,088	11	59,426
Other	(1,634)	(1,924)	151	196	(3,211)
Total adjustments	306,154	6,964	7,992	133,132	454,242
Adjusted EBITDA	**$ 210,911**	**$ 160,749**	**$ (41,877)**	**$ (6,858)**	**$ 322,925**

Servicing Segment

Provided below is a summary of results of operations, Adjusted Loss and Adjusted EBITDA for our Servicing segment (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Net servicing revenue and fees				
Third parties	$ 319,116	$ 309,960	$ 9,156	3 %
Intercompany	9,620	11,952	(2,332)	(20)%
Total net servicing revenue and fees	328,736	321,912	6,824	2 %
Interest income on loans	41,147	45,651	(4,504)	(10)%
Intersegment retention revenue	12,902	37,630	(24,728)	(66)%
Insurance revenue	3,963	41,968	(38,005)	(91)%
Net gains (losses) on sales of loans	607	(4,931)	5,538	(112)%
Other revenues	77,693	54,721	22,972	42 %
Total revenues	465,048	496,951	(31,903)	(6)%
General and administrative and allocated indirect expenses	426,635	486,348	(59,713)	(12)%
Salaries and benefits	182,855	261,227	(78,372)	(30)%
Interest expense	53,593	68,529	(14,936)	(22)%
Depreciation and amortization	34,666	44,439	(9,773)	(22)%
Goodwill impairment	—	319,551	(319,551)	(100)%
Other expenses, net	5,065	5,146	(81)	(2)%
Total expenses	702,814	1,185,240	(482,426)	(41)%
Gain on sale of business	67,734	—	67,734	n/m
Net losses on extinguishment of debt	(2,249)	—	(2,249)	n/m
Other net fair value losses	(1,937)	(945)	(992)	105 %
Other losses	—	(1,168)	1,168	(100)%
Loss before income taxes	**(174,218)**	**(690,402)**	**516,184**	**(75)%**
Adjustments to loss before income taxes				
Changes in fair value due to changes in valuation inputs and other assumptions	118,740	209,412	(90,672)	(43)%
Gain on sale of business	(67,734)	—	(67,734)	n/m
Exit costs	19,149	11,621	7,528	65 %
Transaction costs	6,704	10,955	(4,251)	(39)%
Non-cash interest expense	6,796	1,518	5,278	348 %
Share-based compensation expense	938	5,007	(4,069)	(81)%
Goodwill impairment	—	319,551	(319,551)	(100)%
Other	13,274	37,095	(23,821)	(64)%
Total adjustments	97,867	595,159	(497,292)	(84)%
Adjusted Loss	**(76,351)**	**(95,243)**	**18,892**	**(20)%**
EBITDA Adjustments				
Amortization of servicing rights and other fair value adjustments	152,133	256,880	(104,747)	(41)%
Depreciation and amortization	34,666	44,439	(9,773)	(22)%
Interest expense on debt	—	6,469	(6,469)	(100)%
Other	(2,887)	(1,634)	(1,253)	77 %
Total adjustments	183,912	306,154	(122,242)	(40)%
Adjusted EBITDA	**$ 107,561**	**$ 210,911**	**$ (103,350)**	**(49)%**

Mortgage Loan Servicing Portfolio

Provided below is a summary of the activity in our mortgage loan servicing portfolio (dollars in thousands):

	For the Years Ended December 31,			
	2017		2016	
	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance
Third-party servicing portfolio [(1)]				
Balance at beginning of the year	1,910,605	$ 223,414,398	2,087,618	$ 244,124,312
Loan sales with servicing retained [(2)]	33,414	7,080,797	65,122	13,915,277
Other new business added [(3)]	18,352	4,064,478	95,004	16,353,692
Sales	(39,695)	(5,138,637)	(36,953)	(8,023,285)
Payoffs and other adjustments, net [(4)]	(376,845)	(42,855,787)	(300,186)	(42,955,598)
Balance at end of the year [(5)]	1,545,831	186,565,249	1,910,605	223,414,398
On-balance sheet residential loans and real estate owned [(6)]	27,748	1,949,013	34,903	2,368,593
Total mortgage loan servicing portfolio	1,573,579	$ 188,514,262	1,945,508	$ 225,782,991

(1) Third-party servicing includes servicing rights capitalized, subservicing rights capitalized and subservicing rights not capitalized. Subservicing rights capitalized consist of contracts acquired through business combinations whereby the benefits from the contract are greater than adequate compensation for performing the servicing. Refer to Note 4 to the Consolidated Financial Statements for additional information regarding servicing rights.
(2) Includes loan sales for which the servicing rights have been or will be transferred to NRM on a flow basis.
(3) Consists of activities associated with servicing and subservicing contracts and includes co-issue to NRM of $3.9 billion during 2017.
(4) Amounts presented are net of loan sales associated with servicing retained recapture activities of $5.0 billion and $6.4 billion in 2017 and 2016, respectively.
(5) Excludes the impact of the sale of servicing rights associated with 1,497 accounts and $248.1 million in unpaid principal balance during 2016 as we continued to service these loans as subservicer until the release of servicing in the first quarter of 2017.
(6) On-balance sheet residential loans and real estate owned include mortgage loans held for sale, the assets of the Non-Residual Trusts and Residual Trusts, and loans subject to repurchase from Ginnie Mae.

At Freddie Mac's request, we completed the voluntary transfer of $640.6 million in unpaid principal balance of MSR relating to Freddie Mac mortgage loans that were 90 days or more delinquent to another special default servicer during the year ended December 31, 2017. Also at Freddie Mac's request, we completed the voluntary transfer of $4.2 billion in unpaid principal balance of MSR relating to Freddie Mac re-performing mortgage loans to another servicer during the year ended December 31, 2017. These transfers are included in sales in the table above. Ditech Financial's status as an approved seller/servicer for Freddie Mac has not been, and we do not expect such status to be, adversely impacted by the consummation of these voluntary MSR transfers.

The portfolio disappearance rate, consisting of contractual payments, voluntary prepayments, and defaults, net of recapture, of the total mortgage loan portfolio was 14.41% and 15.72% in 2017 and 2016, respectively.

Provided below is a summary of the composition of our mortgage loan servicing portfolio (dollars in thousands):

	At December 31, 2017			
	Number of Accounts	Unpaid Principal Balance	Weighted-Average Contractual Servicing Fee [(1)]	30 Days or More Past Due [(2)]
Third-party servicing portfolio				
First lien mortgages	1,335,845	$ 180,317,101	0.21%	9.59%
Second lien mortgages	31,976	1,153,401	0.59%	7.86%
Manufactured housing and other	178,010	5,094,747	1.10%	13.09%
Total accounts serviced for third parties [(3)]	1,545,831	186,565,249	0.23%	9.67%
On-balance sheet residential loans and real estate owned [(4)(5)]	27,748	1,949,013		35.90%
Total mortgage loan servicing portfolio	1,573,579	$ 188,514,262		9.95%

	At December 31, 2016			
	Number of Accounts	Unpaid Principal Balance	Weighted-Average Contractual Servicing Fee [1]	30 Days or More Past Due [2]
Third-party servicing portfolio				
First lien mortgages	1,565,300	$ 212,990,240	0.22%	11.11%
Second lien mortgages	142,172	4,579,757	0.45%	4.90%
Manufactured housing and other	203,133	5,844,401	1.08%	11.67%
Total accounts serviced for third parties [3]	1,910,605	223,414,398	0.24%	10.99%
On-balance sheet residential loans and real estate owned [4][5]	34,903	2,368,593		14.52%
Total mortgage loan servicing portfolio	1,945,508	$ 225,782,991		11.03%

(1) The weighted average contractual servicing fee is calculated as the sum of the product of the contractual servicing fee and the ending unpaid principal balance divided by the total ending unpaid principal balance.

(2) Past due status is measured based on either the MBA method or the OTS method as specified in the servicing agreement. Under the MBA method, a loan is considered past due if its monthly payment is not received by the end of the day immediately preceding the loan's next due date. Under the OTS method, a loan is considered past due if its monthly payment is not received by the loan's due date in the following month. Past due status is based on the current contractual due date of the loan, except in the case of an approved repayment plan, including a plan approved by the bankruptcy court, or a completed loan modification, in which case past due status is based on the modified due date or status of the loan.

(3) Consists of $91.8 billion and $94.8 billion in unpaid principal balance associated with servicing and subservicing contracts, respectively, at December 31, 2017 and $110.9 billion and $112.5 billion, respectively, at December 31, 2016.

(4) Includes residential loans and real estate owned held by the Servicing segment for which it does not recognize servicing fees. The Servicing segment receives intercompany servicing fees related to on-balance sheet assets of the Originations segment and the Other non-reportable segment.

(5) Loans subject to repurchase from Ginnie Mae that were 30 days or more past due comprised 27.83% and 7.78% of on-balance sheet residential loans and real estate owned at December 31, 2017 and 2016, respectively. All other loans that were 30 days or more past due comprised 8.07% and 6.74% of on-balance sheet residential loans and real estate owned at December 31, 2017 and 2016, respectively.

The unpaid principal balance of our third-party servicing portfolio decreased $36.8 billion at December 31, 2017 as compared to December 31, 2016 primarily due to runoff of the portfolio including the transfer of certain portfolios during 2017, partially offset by portfolio additions including loans sold with servicing retained. The decrease in the unpaid principal balance of our on-balance sheet residential loans and real estate owned of $419.6 million can be attributed to a decrease in mortgage loans held for sale of $581.4 million and portfolio runoff of the assets held by the Residual and Non-Residual Trusts, offset in part by a $358.1 million increase in loans subject to repurchase from Ginnie Mae.

The delinquencies associated with our third-party servicing portfolio decreased at December 31, 2017 as compared to December 31, 2016 primarily due to efforts to improve the collections coverage on delinquent loans by making adjustments to our dialing and coverage strategies, increasing resources allocated to the lower performing portfolios and reducing the level of delinquent loans allocated to each collector, as well as the transfer of certain non-performing loans out of our servicing portfolio. Additionally, delinquencies at December 31, 2016 were also still being negatively impacted by the closure of our regional offices. The delinquencies associated with our on-balance sheet residential loans and real estate owned increased as a result of higher volumes of loans subject to repurchase from Ginnie Mae and modification buyouts.

Net Servicing Revenue and Fees

A summary of net servicing revenue and fees for our Servicing segment is provided below (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Servicing fees	$ 485,201	$ 674,064	$ (188,863)	(28)%
Incentive and performance fees	51,298	60,640	(9,342)	(15)%
Ancillary and other fees	79,005	92,718	(13,713)	(15)%
Servicing revenue and fees	615,504	827,422	(211,918)	(26)%
Changes in valuation inputs or other assumptions (1)	(134,573)	(243,645)	109,072	(45)%
Other changes in fair value (2)	(131,673)	(236,831)	105,158	(44)%
Change in fair value of servicing rights	(266,246)	(480,476)	214,230	(45)%
Amortization of servicing rights	(20,460)	(20,048)	(412)	2 %
Change in fair value of servicing rights related liabilities (3)	(62)	(4,986)	4,924	(99)%
Net servicing revenue and fees	$ 328,736	$ 321,912	$ 6,824	2 %

(1) Represents the net change in servicing rights carried at fair value resulting primarily from market-driven changes in interest rates and prepayment speeds.
(2) Represents the realization of expected cash flows over time.
(3) Includes interest expense on servicing rights related liabilities, which represents the accretion of fair value, of $16.3 million during 2016.

Servicing fees decreased $188.9 million in 2017 as compared to 2016 primarily due to the reduction in our owned MSR portfolio driven by MSR sales in 2017 and the fourth quarter of 2016 and continued runoff of the portfolio. We expect servicing fees to continue to decline as a result of the shift in our portfolio towards subservicing as we earn a lower fee for subservicing accounts in relation to servicing accounts. Average loans serviced decreased by $33.6 billion, or 14%, in 2017 as compared to 2016.

Incentive and performance fees include modification fees, fees earned under HAMP, asset recovery income, and other incentives. Fees earned under HAMP decreased $6.6 million in 2017 as compared to 2016 due primarily to fewer loans having been eligible for these fees due to the expiration of HAMP on December 31, 2016 and subsequent winding down of the program. Asset recovery income decreased $3.6 million for 2017 as compared to 2016 due primarily to runoff of the related portfolio and fewer dedicated resources. In addition, incentives relating to the performance of certain loan pools serviced by us decreased $1.4 million for 2017 as compared to 2016. We expect incentives relating to the performance of loan pools serviced by us to continue to decline as a result of market conditions and other factors, including changes in incentive programs, runoff of the related loan portfolio and improving economic conditions, which may reduce the opportunity to earn these incentives. These decreases were offset in part by an increase to other modification fees of $2.3 million for 2017 as compared to 2016 due primarily to a shift from HAMP incentives to Fannie Mae and Freddie Mac incentives and an increase in resources dedicated to helping customers complete modifications.

Ancillary and other fees, which primarily include late fees and expedited payment fees, decreased $13.7 million in 2017 as compared to 2016 primarily due to lower late fee income and convenience and expedited payment fees resulting from a smaller MSR portfolio and our having waived late fees for customers located within disaster areas during the end of 2017. In addition, we had a decrease in insurance premium service fees as a result of the sale of substantially all of our insurance agency business on February 1, 2017.

Provided below is a summary of the average unpaid principal balance of loans serviced and the related average servicing fee for our Servicing segment (dollars in thousands):

	For the Years Ended December 31,		Variance
	2017	2016	2017 vs. 2016
Average unpaid principal balance of loans serviced (1)	$ 210,507,868	$ 244,147,919	$ (33,640,051)
Average servicing fee (2)	0.23%	0.28%	(0.05)%

(1) Average unpaid principal balance of loans serviced is calculated as the average of the average monthly unpaid principal balances. The average unpaid principal balance presented above includes on-balance sheet loans owned by the Servicing segment for which it does not earn a servicing fee.
(2) Average servicing fee is calculated by dividing gross servicing fees by the average unpaid principal balance of loans serviced.

The decrease in average servicing fee of five basis points for 2017 as compared to 2016 was due primarily to the increase in our subservicing portfolio in relation to our servicing portfolio as we earn a lower fee for subservicing.

Servicing Rights Carried at Fair Value

Changes in the fair value of servicing rights, which reflect our quarterly valuation process, have a significant effect on net servicing revenue and fees. A summary of key economic inputs and assumptions used in estimating the fair value of servicing rights carried at fair value is presented below (dollars in thousands):

	December 31,		
	2017	2016	Variance
Servicing rights at fair value	$ 714,774	$ 949,593	$ (234,819)
Unpaid principal balance of accounts	84,279,258	101,387,913	(17,108,655)
Inputs and assumptions			
Weighted-average remaining life in years	5.6	6.0	(0.4)
Weighted-average stated borrower interest rate on underlying collateral	4.05%	3.95%	0.10%
Weighted-average discount rate	11.92%	11.56%	0.36%
Weighted-average conditional prepayment rate	11.10%	9.09%	2.01%
Weighted-average conditional default rate	0.91%	0.88%	0.03%

The decrease in servicing rights carried at fair value at December 31, 2017 as compared to December 31, 2016 related primarily to a reduction in fair value of $266.2 million and sales of $117.5 million, partially offset by $148.9 million in servicing rights capitalized upon sales of loans and purchases. The reduction in fair value of these servicing rights in 2017 was attributed to a loss of $134.6 million in changes in valuation inputs or other assumptions and a loss of $131.7 million in other changes in fair value, which reflect the impact of the realization of expected cash flows resulting from both regularly scheduled and unscheduled payments and payoffs of loan principal.

The loss resulting from changes in valuation inputs or other assumptions of $134.6 million in 2017 was driven by market interest rate decreases during the period, changes in home price appreciation, and adjustments to prepayment and default models based on observed trends at December 31, 2017 as compared to December 31, 2016, offset in part by a discount rate assumption adjustment to align the valuation with market observations. In comparison, the loss resulting from changes in valuation inputs or other assumptions of $243.6 million in 2016 was driven by changes in interest rates and forward projections of the interest rate curve. We incurred significant losses during the first half of 2016 resulting from decreasing interest rates when we owned a much larger servicing portfolio, offset only partially by gains incurred during the fourth quarter of 2016 as interest rates increased while the balance of our servicing portfolio had diminished.

The change in fair value of servicing rights resulting from the realization of expected cash flows decreased $105.2 million in 2017 as compared to 2016 due primarily to a smaller capitalized servicing portfolio resulting from sales of servicing rights and portfolio runoff.

Servicing Rights Related Liabilities

The net change in fair value of servicing rights related liabilities decreased $4.9 million in 2017 as compared to 2016 as a result of the derecognition of the servicing rights related liabilities in the fourth quarter of 2016.

Interest Income on Loans

Interest income on loans decreased $4.5 million in 2017 as compared to 2016 primarily due to runoff of the overall mortgage loan portfolio and a lower average yield on loans due to an increase in delinquencies that are 90 days or more past due.

Intersegment Retention Revenue

Intersegment retention revenue relates to fees the Servicing segment charges to our Originations segment for loan originations completed that resulted from access to the Servicing segment's servicing portfolio related to capitalized servicing rights. The decrease in intersegment retention revenue of $24.7 million in 2017 as compared to 2016 was due primarily to lower overall retention volume due to our smaller owned MSR portfolio.

Insurance Revenue

Insurance revenue decreased $38.0 million in 2017 as compared to 2016 due primarily to the sale of our principal insurance agency and substantially all of our insurance agency business on February 1, 2017. As a result of this sale, we no longer receive any insurance commissions on lender-placed insurance policies. Commencing February 1, 2017, another insurance agency owned by us began to provide insurance marketing services to a third party with respect to voluntary insurance policies, including hazard insurance. This insurance agency receives premium-based commissions for its insurance marketing services, which are recognized in other revenues. Refer to Note 4 to the Consolidated Financial Statements for additional information on the sale of our insurance business.

Net Gains (Losses) on Sales of Loans

Net gains or losses on sales of loans include realized and unrealized gains and losses on loans as well as the changes in fair value of our IRLCs and other freestanding derivatives. A substantial portion of the gain or loss on sales of loans is recognized at the time we commit to originate or purchase a loan at specified terms as we recognize the value of the IRLC at the time of commitment. The fair value of the IRLC includes an estimate of the fair value of the servicing right we expect to receive upon sale of the loan.

The Originations segment recognizes the initial fair value of the entire commitment, including the servicing rights component, on the date of the commitment, while the Servicing segment historically recognized the change in fair value of the servicing rights component of our IRLCs and loans held for sale that occurred subsequent to the date of our commitment through the sale of the loan. Beginning with new locks occurring after January 1, 2017, the Servicing segment recognizes the change in fair value of the servicing rights component of the IRLCs and loans held for sale for Ginnie Mae loans that occur subsequent to the date of our commitment through the sale of the loan; however, the change in fair value of GSE loans is now in the Originations segment due to flow arrangements in place with third parties. Net gains (losses) on sales of loans for the Servicing segment consist of this change in fair value as well as net gains or losses on sales of loans to third parties. Net gains (losses) on sales of loans increased $5.5 million to a net gain in 2017 as compared to a net loss in 2016 due primarily to an increase in realized and unrealized gains (losses) on originated mortgage servicing rights associated with the mortgage loan pipeline and mortgage loans held for sale.

Other Revenues

Other revenues consist primarily of interest income on cash and cash equivalents, changes in the fair value of charged-off loans and, beginning in 2017, insurance marketing commissions. Other revenues increased $23.0 million in 2017 as compared to 2016 due primarily to higher other interest income and, to a lesser extent, insurance marketing commissions recognized in 2017.

General and Administrative and Allocated Indirect Expenses

General and administrative and allocated indirect expenses decreased $59.7 million in 2017 as compared to 2016 resulting primarily from decreases of $27.0 million in corporate allocations for salaries and benefits and transformation costs, $24.6 million in servicer interest expense primarily due to the reduction in our owned MSR portfolio, $22.0 million in contractor and other costs related to our servicing platform conversion that occurred in 2016, $11.5 million in advance loss provision due to additional reserves established in 2016, $6.7 million in legal expenses due to lower litigation and settlement costs and $18.8 million in other cost savings; offset in part by increases of $22.7 million in charges associated with default servicing, $10.0 million in accruals for lease cancellation costs related to site closures, $9.3 million in costs associated with the use of MSP and outsourcing initiatives and $5.6 million in additional costs related to the sale of the insurance business.

Salaries and Benefits

Salaries and benefits expense decreased $78.4 million in 2017 as compared to 2016 due primarily to decreases of $55.7 million in compensation and benefits primarily resulting from a lower average headcount driven by site closures, organizational changes and a shift from full-time employees to outsourced services, and $15.1 million related to a change in the commissions structure. Headcount assigned directly to our Servicing segment decreased by approximately 800 full-time employees from 2,900 at December 31, 2016 to 2,100 at December 31, 2017.

Interest Expense

Interest expense decreased $14.9 million in 2017 as compared to 2016 driven by a $14.5 million decrease in interest expense related to servicing advance liabilities due primarily to the net pay down of our advance facilities resulting from advance reimbursements received in connection with the sale of loans and servicing rights during 2017 and the fourth quarter of 2016 and the retirement and termination of certain advance facilities in exchange for the DIP Warehouse Facilities, partially offset by $4.3 million in amortization of debt issuance costs related to the DIP Warehouse Facilities, which are being amortized over the estimated bankruptcy period of two months.

Depreciation and Amortization

Depreciation and amortization decreased $9.8 million in 2017 as compared to 2016 primarily due to the sale of assets related to our insurance business in the first quarter of 2017 and as a result of certain fixed assets and intangible assets having reached the end of their estimated useful lives.

Goodwill Impairment

We recorded goodwill impairment charges of $319.6 million in 2016. The impairment charges were the result of certain market, industry and company-specific matters as discussed in more detail in Note 15 to the Consolidated Financial Statements.

Gain on Sale of Business

Gain on sale of business of $67.7 million in 2017 relates to the sale of our principal insurance agency and substantially all of our insurance agency business on February 1, 2017.

Adjusted Loss and Adjusted EBITDA

Adjusted loss improved by $18.9 million and Adjusted EBITDA decreased $103.4 million in 2017 as compared to 2016. Adjusted loss improved primarily due to lower realization of expected cash flows and salaries and benefits, offset in part by lower servicing fees. Adjusted EBITDA decreased primarily due to lower servicing fees, offset in part by lower salaries and benefits.

Originations Segment

Provided below is a summary of results of operations, Adjusted Earnings and Adjusted EBITDA for our Originations segment (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	**2016**	**$**	**%**
Net gains on sales of loans	$ 280,967	$ 410,544	$ (129,577)	(32)%
Other revenues	31,377	38,886	(7,509)	(19)%
Total revenues	312,344	449,430	(137,086)	(31)%
Salaries and benefits	113,111	125,958	(12,847)	(10)%
General and administrative and allocated indirect expenses	94,539	107,825	(13,286)	(12)%
Interest expense	41,555	34,012	7,543	22 %
Intersegment retention expense	12,902	37,630	(24,728)	(66)%
Depreciation and amortization	2,979	8,888	(5,909)	(66)%
Total expenses	265,086	314,313	(49,227)	(16)%
Net losses on extinguishment of debt	(719)	—	(719)	n/m
Income before income taxes	**46,539**	**135,117**	**(88,578)**	**(66)%**
Adjustments to income before income taxes				
Non-cash interest expense	8,638	—	8,638	n/m
Exit costs	1,436	3,118	(1,682)	(54)%
Share-based compensation expense	154	1,019	(865)	(85)%
Other	1,683	14,531	(12,848)	(88)%
Total adjustments	11,911	18,668	(6,757)	(36)%
Adjusted Earnings	**58,450**	**153,785**	**(95,335)**	**(62)%**
EBITDA adjustments				
Depreciation and amortization	2,979	8,888	(5,909)	(66)%
Other	(5,780)	(1,924)	(3,856)	200 %
Total adjustments	(2,801)	6,964	(9,765)	(140)%
Adjusted EBITDA	**$ 55,649**	**$ 160,749**	**$ (105,100)**	**(65)%**

The volume of our originations activity and changes in market rates primarily govern the fluctuations in revenues and expenses of our Originations segment. Provided below are summaries of our originations volume by channel (in thousands):

	For the Year Ended December 31, 2017			
	Correspondent	Consumer	Wholesale	Total
Locked Volume [3]				
Purchase	$ 6,562,755	$ 98,583	$ 505,610	$ 7,166,948
Refinance	2,690,679	4,640,181	442,894	7,773,754
Total	$ 9,253,434	$ 4,738,764	$ 948,504	$ 14,940,702
Funded Volume				
Purchase	$ 6,736,255	$ 113,406	$ 444,401	$ 7,294,062
Refinance	2,806,222	5,077,224	432,170	8,315,616
Total	$ 9,542,477	$ 5,190,630	$ 876,571	$ 15,609,678
Sold Volume				
Purchase	$ 6,922,893	$ 112,440	$ 419,800	$ 7,455,133
Refinance	2,971,297	5,336,742	418,678	8,726,717
Total	$ 9,894,190	$ 5,449,182	$ 838,478	$ 16,181,850

	For the Year Ended December 31, 2016				
	Correspondent	Consumer	Wholesale [1]	Retail [2]	Total
Locked Volume [3]					
Purchase	$ 8,108,275	$ 102,244	$ 30,976	$ 5,893	$ 8,247,388
Refinance	5,271,061	6,914,462	115,260	5,030	12,305,813
Total	$ 13,379,336	$ 7,016,706	$ 146,236	$ 10,923	$ 20,553,201
Funded Volume					
Purchase	$ 8,206,636	$ 136,428	$ 24,835	$ 10,900	$ 8,378,799
Refinance	5,280,502	6,576,683	105,531	3,983	11,966,699
Total	$ 13,487,138	$ 6,713,111	$ 130,366	$ 14,883	$ 20,345,498
Sold Volume					
Purchase	$ 8,290,301	$ 136,257	$ 18,255	$ 34,457	$ 8,479,270
Refinance	5,283,536	6,578,608	86,012	30,210	11,978,366
Total	$ 13,573,837	$ 6,714,865	$ 104,267	$ 64,667	$ 20,457,636

(1) During the third quarter of 2016, we re-entered the wholesale channel in an effort to expand our customer base.
(2) We exited the consumer retail channel in January 2016.
(3) Volume has been adjusted by the percentage of mortgage loans not expected to close based on previous historical experience and changes in interest rates.

Net Gains on Sales of Loans

Net gains on sales of loans include realized and unrealized gains and losses on loans, the initial fair value of the capitalized servicing rights upon loan sales with servicing retained, as well as the changes in fair value of our IRLCs and other freestanding derivatives. The amount of net gains on sales of loans is a function of the volume and margin of our originations activity and is impacted by fluctuations in interest rates. A substantial portion of our gains on sales of loans is recognized at the time we commit to originate or purchase a loan at specified terms, as we recognize the value of the IRLC at the time of commitment. The fair value of the IRLC includes our estimate of the fair value of the servicing right we expect to retain upon sale of the loan. We recognize loan origination costs as incurred, which typically align with the date of loan funding for consumer originations and the date of loan purchase for correspondent lending. These expenses are primarily included in general and administrative expenses and salaries and benefits on the consolidated statements of comprehensive loss. In addition, we record a provision for losses relating to representations and warranties made as part of the loan sale transaction at the time the loan is sold.

The volatility in the gain on sale of loans spread is attributable to market pricing, which changes with demand, channel mix, and the general level of interest rates. While many factors may affect consumer demand for mortgages, generally, pricing competition on mortgage loans is lower in periods of low or declining interest rates, as consumer demand is greater. This provides opportunities for originators to increase volume and earn wider margins. Conversely, pricing competition increases when interest rates rise as consumer demand lessens. This reduces overall origination volume and may lead originators to reduce margins. The level and direction of interest rates are not the sole determinant of consumer demand for mortgages. Other factors such as secondary market conditions, home prices, credit spreads or legislative activity may impact consumer demand more significantly than interest rates in any given period.

Net gains on sales of loans for our Originations segment consists of the following (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Realized gains on sales of loans [1]	$ 169,285	$ 224,796	$ (55,511)	(25)%
Change in unrealized gains on loans held for sale [1]	7,226	(14,117)	21,343	(151)%
Gains (losses) on interest rate lock commitments [1][2]	(23,046)	194	(23,240)	n/m
Losses on forward sales commitments [1][2]	(31,662)	(12,335)	(19,327)	157 %
Losses on MBS purchase commitments [1][2]	(2,749)	(20,317)	17,568	(86)%
Capitalized servicing rights [3]	135,176	205,365	(70,189)	(34)%
Provision for repurchases	(6,991)	(15,331)	8,340	(54)%
Interest income	33,856	41,715	(7,859)	(19)%
Other	(128)	574	(702)	(122)%
Net gains on sales of loans	$ 280,967	$ 410,544	$ (129,577)	(32)%

(1) Gains or losses on interest rate lock commitments, forward sales commitments, and MBS purchase commitments are principally offset by gains or losses included in realized gains on sales of loans or change in unrealized gains on loans held for sale.
(2) Realized losses on freestanding derivatives were $8.8 million and $57.3 million during 2017 and 2016, respectively.
(3) Includes MSR sales to NRM of $62.3 million and $12.9 million during 2017 and 2016, respectively. Refer to Note 5 to the Consolidated Financial Statements for additional information regarding transactions with NRM.

The decrease in net gains on sales of loans in 2017 as compared to 2016 was primarily due to an overall lower volume of locked loans. In addition, we experienced a shift in mix from the higher margin consumer channel to the lower margin correspondent and wholesale channels during 2017 as compared to 2016. The consumer channel locked volume declined in part due to lower HARP volume in 2017. Other contributors to the decrease in net gains on sales of loans included a market shift away from loan refinance towards home purchase volume, a reduction in direct mail lead generation and a lower servicing rights margin.

The years ended December 31, 2017 and 2016 included the benefit of higher margins from HARP, which is scheduled to expire on December 31, 2018. HARP is a federal program of the U.S. that helps homeowners refinance their mortgage. Our strategy includes significant efforts to maintain retention volumes through traditional refinancing opportunities and HARP, although we believe peak HARP refinancing occurred in prior periods.

Provided below is a summary of origination economics for all channels (in basis points):

	For the Years Ended December 31,		Variance	
	2017	2016	Bps	%
Gain on sale of loans [1]	188	200	(12)	(6)%
Fee income [2]	20	19	1	5 %
Direct expenses [2]	(133)	(125)	(8)	6 %
Direct margin	75	94	(19)	(20)%

(1) Calculated on pull-through adjusted locked volume.
(2) Calculated on funded volume.

The direct margin decreased during 2017 as compared to 2016 resulting from lower gain on sale of loans margin and higher direct expense margin. The gain on sale of loans margin decreased in part due to the shift in mix from the higher margin consumer channel to the lower margin correspondent and wholesale channels. Our correspondent and wholesale volume represented 68% of total pull-through adjusted locked volume for 2017 as compared to 66% for 2016. In addition, there were lower margins in the correspondent channel during 2017 as compared to 2016 generally due to lower pricing levels, as well as higher volume incentives offered in 2017.

Direct expenses increased due to higher compensation margins due to incentive plan changes and fixed headcount costs, as well as higher interest expense due to higher average interest rates on our warehouse facilities. These were partially offset by lower intersegment expense as a result of lower overall retention volume due to our smaller owned MSR portfolio.

Other Revenues

Other revenues, which consists primarily of origination fee income and interest on cash equivalents, decreased $7.5 million in 2017 as compared to 2016 resulting primarily from $6.3 million in lower origination fee income primarily due to an overall lower volume of funded loans.

Salaries and Benefits

Salaries and benefits expense decreased $12.8 million in 2017 as compared to 2016 due primarily to decreases of $6.4 million in commissions and incentives resulting from lower originations volume, $4.4 million in overtime driven by lower locked and funded volume in the consumer channel and cost reduction measures and $3.0 million in severance.

General and Administrative and Allocated Indirect Expenses

General and administrative and allocated indirect expenses decreased $13.3 million in 2017 as compared to 2016 primarily due to decreases of $4.7 million related to asset impairment charges in 2016, $3.6 million in corporate allocations for salaries and benefits and transformation costs, $4.0 million in advertising costs resulting from a decrease in mail solicitations attributable to a strategy shift in lead acquisition and in sponsorship costs and gift card campaigns, $2.8 million in document custody and overnight mail costs corresponding to originations volume, $2.2 million in legal fees primarily related to the settlement of a legal case in 2016 and $4.2 million in other cost savings; partially offset by a $5.0 million lower reduction to the representations and warranty reserve resulting from assumption updates and $4.3 million in higher loan origination expense due to an increase in loan processing and underwriting expenses and higher net appraisal expense in 2017.

Interest Expense

Interest expense increased $7.5 million in 2017 as compared to 2016 primarily due to $8.6 million in amortization of debt issuance costs incurred in connection with the DIP Warehouse Facilities, which are being amortized over the estimated bankruptcy period of two months, and extending another of our warehouse facilities. This amortization was offset in part by a $1.0 million decrease in interest expense related to the existing warehouse facilities due to lower average borrowings, partially offset by a higher average interest rate.

Intersegment Retention Expense

Intersegment retention expense relates to fees charged by our Servicing segment to the Originations segment in relation to loan originations completed that resulted from access to the Servicing segment’s servicing portfolio related to capitalized servicing rights. The decrease in intersegment retention expense of $24.7 million in 2017 as compared to 2016 was due primarily to lower overall retention volume due to our smaller owned MSR portfolio.

Depreciation and Amortization

Depreciation and amortization decreased $5.9 million in 2017 as compared to 2016 primarily as a result of certain assets having reached the end of their estimated useful lives at the end of 2016 and during 2017.

Adjusted Earnings and Adjusted EBITDA

Adjusted Earnings and Adjusted EBITDA decreased $95.3 million and $105.1 million, respectively, in 2017 as compared to 2016 due primarily to lower net gains on sales of loans, partially offset by decreases in intersegment retention expense and salaries and benefits.

Reverse Mortgage Segment

Provided below is a summary of results of operations, Adjusted Loss and Adjusted EBITDA for our Reverse Mortgage segment (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Net fair value gains on reverse loans and related HMBS obligations	$ 42,419	$ 59,022	$ (16,603)	(28)%
Net servicing revenue and fees	27,566	31,031	(3,465)	(11)%
Other revenues	2,750	5,742	(2,992)	(52)%
Total revenues	72,735	95,795	(23,060)	(24)%
General and administrative and allocated indirect expenses	60,019	83,250	(23,231)	(28)%
Salaries and benefits	47,202	69,112	(21,910)	(32)%
Interest expense	31,435	9,070	22,365	247 %
Depreciation and amortization	3,119	6,088	(2,969)	(49)%
Intangible assets impairment	—	6,735	(6,735)	(100)%
Other expenses, net	5,146	4,421	725	16 %
Total expenses	146,921	178,676	(31,755)	(18)%
Net losses on extinguishment of debt	(1,345)	—	(1,345)	n/m
Other losses	—	(1,664)	1,664	(100)%
Loss before income taxes	**(75,531)**	**(84,545)**	**9,014**	**(11)%**
Adjustments to loss before income taxes				
Fair value to cash adjustment for reverse loans	38,351	17,501	20,850	119 %
Non-cash interest expense	7,826	—	7,826	n/m
Exit costs	1,628	5,437	(3,809)	(70)%
Share-based compensation expense	348	1,032	(684)	(66)%
Intangible assets impairment	—	6,735	(6,735)	(100)%
Other	2,098	3,971	(1,873)	(47)%
Total adjustments	50,251	34,676	15,575	45 %
Adjusted Loss	**(25,280)**	**(49,869)**	**24,589**	**(49)%**
EBITDA adjustments				
Depreciation and amortization	3,119	6,088	(2,969)	(49)%
Amortization of servicing rights	1,494	1,753	(259)	(15)%
Other	82	151	(69)	(46)%
Total adjustments	4,695	7,992	(3,297)	(41)%
Adjusted EBITDA	**$ (20,585)**	**$ (41,877)**	**$ 21,292**	**(51)%**

Reverse Mortgage Servicing Portfolio

Provided below is a summary of the activity in our third-party servicing portfolio for our reverse mortgage business, which included accounts serviced for third parties for which we earn servicing revenue. It excludes servicing performed related to reverse mortgage loans and real estate owned recognized on our consolidated balance sheets, as the securitized loans are accounted for as a secured borrowing (dollars in thousands):

	For the Years Ended December 31,			
	2017		2016	
	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance
Third-party servicing portfolio				
Balance at beginning of the year	56,550	$ 10,340,727	56,046	$ 9,818,400
New business added	6,012	1,169,169	10,091	1,789,432
Other additions [1]	—	772,161	—	784,523
Payoffs and curtailments	(12,380)	(2,505,310)	(9,587)	(2,051,628)
Balance at end of the year	50,182	$ 9,776,747	56,550	$ 10,340,727

(1) Other additions include additions to the principal balance serviced related to draws on lines of credit, interest, servicing fees, mortgage insurance and advances owed by the existing borrower.

Provided below is a summary of our reverse loan servicing portfolio (dollars in thousands):

	At December 31, 2017		At December 31, 2016	
	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance
Third-party servicing portfolio [1]	50,182	$ 9,776,747	56,550	$ 10,340,727
On-balance sheet residential loans and real estate owned	54,732	9,573,804	62,485	10,321,425
Total reverse loan servicing portfolio	104,914	$ 19,350,551	119,035	$ 20,662,152

(1) We earn a fixed dollar amount per loan on a majority of our third-party reverse loan servicing portfolio. The weighted-average contractual servicing fee for our third-party servicing portfolio, which is calculated as the annual average servicing fee divided by the ending unpaid principal balance, was 0.13% at December 31, 2017 and 2016.

Net Fair Value Gains on Reverse Loans and Related HMBS Obligations

Provided in the table below is a summary of the components of net fair value gains on reverse loans and related HMBS obligations (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Interest income on reverse loans	$ 450,628	$ 450,008	$ 620	— %
Interest expense on HMBS related obligations	(398,241)	(412,090)	13,849	(3)%
Net interest income on reverse loans and HMBS related obligations	52,387	37,918	14,469	38 %
Change in fair value of reverse loans	(208,340)	(111,687)	(96,653)	87 %
Change in fair value of HMBS related obligations	198,372	132,791	65,581	49 %
Net change in fair value on reverse loans and HMBS related obligations	(9,968)	21,104	(31,072)	(147)%
Net fair value gains on reverse loans and related HMBS obligations	$ 42,419	$ 59,022	$ (16,603)	(28)%

Net fair value gains on reverse loans and related HMBS obligations include the contractual interest income earned on reverse loans, including those not yet securitized or no longer in securitization pools, net of interest expense on HMBS related obligations, and the change in fair value of these assets and liabilities. Included in the change in fair value are gains due to loan originations that include tail draws. Tail draws are participations in previously securitized HECMs and are created by additions to principal for borrower draws on lines-of-credit, interest, servicing fees, and mortgage insurance premiums. Economic gains and losses result from the pricing of an aggregated pool of loans exceeding the cost of the origination or acquisition of the loan as well as the change in fair value resulting from changes to market pricing on HECMs and HMBS. No gain or loss is recognized as a result of the securitization of reverse loans as these transactions are accounted for as secured borrowings. However, HECMs and HMBS related obligations are marked to fair value, which can result in a net gain or loss related to changes in market pricing.

Net interest income on reverse loans and HMBS related obligations increased $14.5 million in 2017 as compared to 2016, primarily as a result of a decrease in HMBS related obligations due to an increase in buyouts, partially offset by an increase in nonperforming reverse loans, which generally have lower interest rates than performing loans. If the net interest income were adjusted for interest expense from debt financing on warehouse facilities, which is recorded in interest expense, the aforementioned impact would be minimal for the year ended December 31, 2017. The net change in fair value on reverse loans and HMBS related obligations is comprised of cash generated by origination, purchase, and securitization of HECMs as well as non-cash fair value gains or losses. Cash generated by the origination, purchase and securitization of HECMs decreased $10.2 million in 2017 as compared to 2016 primarily due to our exit from the reverse mortgage originations business in early 2017, partially offset by a shift in mix from lower margin new originations to higher margin tails. Net non-cash fair value losses increased by $20.9 million in 2017 as compared to 2016 due primarily to valuation model assumption adjustments related to buyout loans as well as the impact of an increased level of buyout loans and changes in market pricing in 2017.

Reverse loans and related HMBS obligations are generally subject to net fair value gains when interest rates decline primarily as a result of a longer duration of reverse loans as compared to HMBS related obligations. Our reverse loans have longer durations primarily as a result of our obligations as issuer of HMBS, which includes the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount. The conditional repayment rate utilized in the valuation of reverse loans and HMBS related obligations has increased from 28.48% and 27.74%, respectively, at December 31, 2016 to 30.23% and 32.07%, respectively, at December 31, 2017 primarily due to runoff of the portfolio.

Provided below is a summary of our funded volume, which represents purchases and originations of reverse loans, and volume of securitizations into HMBS (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	**2016**	**$**	**%**
Funded volume	$ 399,165	$ 872,203	$ (473,038)	(54)%
Securitized volume [(1)]	426,531	868,023	(441,492)	(51)%

(1) Securitized volume includes $347.5 million and $422.7 million of tails securitized for 2017 and 2016, respectively. Tail draws associated with the HECM IDL product were $200.0 million and $248.7 million for 2017 and 2016, respectively.

Funded and securitized volumes decreased during 2017 as compared to 2016 primarily due to the decision made by management during December 2016 to exit the reverse mortgage originations business. As of December 31, 2017, there were no reverse loans in the originations pipeline as we finalized the shutdown of the reverse mortgage originations business during 2017. We will continue to fund undrawn tails available to borrowers. Refer to Note 18 to the Consolidated Financial Statements for additional information regarding exit activities.

Net Servicing Revenue and Fees

A summary of net servicing revenue and fees for our Reverse Mortgage segment is provided below (dollars in thousands):

	For the Years Ended December 31,		Variance	
	2017	2016	$	%
Servicing fees	$ 13,133	$ 14,055	$ (922)	(7)%
Incentive and performance fees	8,362	9,557	(1,195)	(13)%
Ancillary and other fees	7,565	9,172	(1,607)	(18)%
Servicing revenue and fees	29,060	32,784	(3,724)	(11)%
Amortization of servicing rights	(1,494)	(1,753)	259	(15)%
Net servicing revenue and fees	$ 27,566	$ 31,031	$ (3,465)	(11)%

The decline in net servicing revenue and fees of $3.5 million in 2017 as compared to 2016 was due primarily to a decrease in ancillary and other fees and incentive and performance fees for the management of real estate owned.

General and Administrative and Allocated Indirect Expenses

General and administrative and allocated indirect expenses decreased by $23.2 million in 2017 as compared to 2016 due primarily to decreases of $5.4 million in loan servicing expense, $5.0 million in advertising costs due to our exit from the reverse mortgage originations business in early 2017, $4.2 million in contractor fees, $2.8 million of asset impairment charges in 2016 and $1.9 million in curtailment-related accruals. Corporate allocations for salaries and benefits and transformation costs decreased $2.8 million in 2017 as compared to 2016.

Salaries and Benefits

Salaries and benefits expense decreased $21.9 million in 2017 as compared to 2016 due primarily to lower compensation and benefits, severance, bonuses, commissions and overtime as a result of lower origination volume and lower average headcount resulting from our decision to exit the reverse mortgage originations business. Headcount assigned directly to our Reverse segment decreased by approximately 200 full-time employees from 800 at December 31, 2016 to 600 at December 31, 2017.

Interest Expense

Interest expense increased $22.4 million in 2017 as compared to 2016 due primarily to higher average borrowings on master repurchase agreements resulting from higher buyout loan levels, combined with a higher average cost of debt, which included the excess amortization of debt costs of $7.8 million due to securing the DIP and Exit Warehouse Facilities during December 2017, discussed in more detail in the Liquidity and Capital Resources section below.

Intangible Assets Impairment

We recorded $6.7 million in intangible assets impairment charges in 2016. These impairment charges were the result of certain market, industry and company-specific matters as discussed in more detail in Note 15 to the Consolidated Financial Statements.

Adjusted Loss and Adjusted EBITDA

Adjusted Loss and Adjusted EBITDA improved by $24.6 million and $21.3 million, respectively, in 2017 as compared to 2016 primarily due to the decreases in salaries and benefits and general and administrative expenses, partially offset by the increase in interest expense as described above.

Other Non-Reportable Segment

Other Revenues

Other revenues consist primarily of asset management advisory fees, investment income and other interest income. Other revenues remained flat in 2017 as compared to 2016.

Expenses

Expenses increased $76.7 million in 2017 as compared to 2016 as a result of higher costs related to our debt restructuring in connection with the Chapter 11 Case.

Other Gains (Losses)

Net losses on extinguishment of debt of $1.8 million in 2017 resulted primarily from the write-off of deferred debt issuance costs and debt discount related to payments made on the 2013 Term Loan in connection with the Restructuring. Net gains on extinguishment of debt of $14.7 million in 2016 primarily relate to the repurchase of a portion of our Convertible Notes with a carrying value of $39.3 million.

Other net fair value gains (losses) increased $7.2 million to a gain in 2017 as compared to a loss in 2016 driven by improved default rate assumptions and an increase in the LIBOR rate for loans and bonds related to the Non-Residual Trusts, partially offset by a 32 bps increase in the discount rate of mortgage loans related to Non-Residual Trusts during 2017.

We recorded other gains of $7.2 million in 2017 in connection with our counterparty under the Clean-up Call Agreement having fulfilled its obligation for the mandatory clean-up call of one of the remaining Non-Residual Trusts, resulting in the subsequent deconsolidation of the trust. Refer to Note 6 to the Consolidated Financial Statements for additional information on the deconsolidation of the Non-Residual Trusts.

Liquidity and Capital Resources

Overview

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay debt and meet the financial obligations of our operations including funding MSR acquisitions; mortgage loan and reverse loan servicing advances; obligations associated with the repurchase of reverse loans and mortgage loans from securitization pools; funding additional borrowing capacity on reverse loans; origination of mortgage loans; and other general business needs, including the cost of compliance with changing legislation and related rules. Our liquidity is measured as our consolidated cash and cash equivalents excluding subsidiary minimum cash requirement balances, which are typically associated with our servicer licensing or financing or subservicing agreements with third parties.

At December 31, 2017, our liquidity was $242.3 million, including cash liquidity of $241.8 million and availability under the 2013 Revolver of $0.5 million. As discussed further in the Corporate Debt section below, at December 31, 2017 the maximum amount we would have been able to borrow on the 2013 Revolver was $20.0 million, of which $0.5 million remained available after reductions for issued letters of credit. As of the Effective Date and upon entry into the 2018 Credit Agreement, the 2013 Revolver and all issued letters of credit were terminated.

As discussed further herein, effective December 5, 2017, we entered into an agreement with certain warehouse lenders to provide the DIP Warehouse Facilities during the Chapter 11 Case and the Exit Warehouse Facilities until February 2019. Beginning on the Effective Date, the DIP Warehouse Facilities transitioned into the Exit Warehouse Facilities, whereupon such facilities were modified but will continue to fund the purchase and origination of mortgage loans, the repurchases of HECMs and servicing advances related to mortgage loan servicing activities in an aggregate combined capacity of $1.9 billion. In connection with such transition, among other modifications, (i) the Securities Master Repurchase Agreement was terminated and replaced by the newly implemented DAAT Facility and DPATII Facility, (ii) the maximum capacity sub-limit with respect to Ditech Financial’s master repurchase agreement was increased from $750.0 million to $1.0 billion, (iii) the maturity date with respect to the Ditech Financial and RMS warehouse facilities was extended to February 8, 2019, and (iv) the DAAT Facility and DPATII Facility will be due and payable on February 11, 2019

We endeavor to maintain our liquidity at a level sufficient to fund certain known or expected payments and to fund our working capital needs. Our principal sources of liquidity are the cash flows generated from our business segments and funds available from our master repurchase agreements, mortgage loan servicing advance facilities, issuance of GMBS, issuance of HMBS to fund our tail commitments and sales of MSR, any portion thereof, or other assets. From time to time, we utilize our excess cash to reinvest in the business, including but not limited to investment in MSR and repayment of debt.

We believe that, based on current forecasts and anticipated market conditions, our current liquidity, along with the funds generated from our principal sources of liquidity discussed above, will allow us to meet anticipated cash requirements to fund operating needs and expenses, servicing advances, loan originations and repurchases of mortgage loans and HECMs, planned capital expenditures, asset acquisitions, cash taxes and all required debt service obligations for the next 12 months. Our operating cash flows and liquidity are significantly influenced by numerous factors, including interest rates, the continued availability of financing and other factors discussed below. Our liquidity outlook assumes we are able to maintain, renew, resize or replace our existing mortgage loan servicing advance facilities, mortgage loan master repurchase agreements and reverse loan master repurchase agreements to fund repurchases of HECMs with enough capacity to meet projected needs, and/or are able to implement other financing solutions to meet such needs. We continually monitor our cash flows and liquidity in order to be responsive to changing conditions and other factors.

Recent Actions

The following actions relating to our liquidity have been completed or are currently in process:

- we emerged from the Chapter 11 Case on February 9, 2018, which resulted in approximately $807 million of corporate debt and accrued interest being extinguished. Contemporaneously, we issued $250 million aggregate principal amount of Second Lien Notes;
- on March 29, 2018, we entered into an agreement with the Term Lenders to waive certain covenants through 2019 in exchange for an additional incremental minimum paydown of no less than $30 million by December 31, 2018; and
- we are currently working with an advisor to help market and sell a pool of defaulted reverse Ginnie Mae buyout loans that are owned by the Company and financed under its existing financing facilities and with our existing as well as new lenders to increase financing capacity for reverse Ginnie Mae buyout loans. These actions are expected to provide adequate liquidity to satisfy our Ginnie May buyout obligations.

Strategic plans designed to improve our liquidity include the following:

- our leadership team continues the transformation of the operating businesses by contemplating further cost reductions, operational enhancements and streamlining of the businesses and reduction of leverage;
- for the Servicing business, we continue the transition to a fee-for-service model with a focus on selling servicing rights to third parties on a more selective basis while continuing to grow the subservicing business with third-party servicing rights owners; and
- dispose of assets that are not necessary to support our business strategies including the sale or securitization of reverse Ginnie Mae buyout loans. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Mortgage Loan Servicing Business

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 pay property taxes, insurance premiums and foreclosure costs and various other items, referred to as protective advances. Protective advances are required to preserve the collateral underlying the residential loans being serviced. In addition, we advance our own funds to meet contractual principal and interest payment requirements for certain credit owners. In the normal course of business, we borrow money from various counterparties who provide us with either financing to fund a portion of our mortgage loan related servicing advances on a short-term basis or provide for reimbursement within an agreed-upon period. Payments on the amounts due under these servicer advance funding agreements are paid from certain proceeds received (i) in connection with the liquidation of mortgaged properties, (ii) from repayments received from mortgagors, (iii) from reimbursements received from the owners of the mortgage loans, such as Fannie Mae, Freddie Mac and private label securitization trusts, or (iv) from the issuance of new notes or other refinancing transactions.

Subservicers are generally reimbursed for advances in the month following the advance, so our advance funding requirements may be reduced if we succeed in transitioning to a greater mix of subservicing in our portfolio. Our ability to fund servicing advances on our owned MSR portfolio is a significant factor that affects our liquidity, and to operate and grow our servicing portfolio we depend upon our ability to secure financing arrangements on acceptable terms and to renew, replace or resize existing financing facilities as they expire. However, there can be no assurance that these facilities will be available to us in the future. The servicing advance financing agreements that support our servicing operations are discussed below.

Pre-petition Servicer Advance Facilities

GTAAFT Facility

During 2017, prior to the Chapter 11 Case, Ditech Financial utilized the non-recourse GTAAFT Facility to provide funding for servicer and protective advances made in connection with its servicing of certain Fannie Mae and Freddie Mac mortgage loans. In connection with the GTAAFT Facility, Ditech Financial sold and/or contributed the rights to reimbursement for servicer and protective advances to a depositor entity, which then sold and/or contributed such rights to reimbursement to an issuer entity. Each of the issuer and the depositor entities under this facility is structured as a bankruptcy remote special purpose entity and is the sole owner of its respective assets.

Prior to the Chapter 11 Case, the GTAAFT Facility consisted of (i) Series 2016-T1 two-year term notes issued September 30, 2016 with an aggregate principal balance of $300.0 million and an expected repayment date of October 15, 2018, and (ii) up to $150.0 million of Series 2014-VF2 variable funding notes of which $22.9 million was outstanding with a scheduled repayment date of October 3, 2018.

Other Servicing Advance Facilities

During 2017, prior to the Chapter 11 Case, Ditech Financial had two additional servicing advance facilities that were used to fund servicer and protective advances under certain servicing agreements. Prior to the Chapter 11 Case, these servicing advance facilities had an aggregate capacity of $125.0 million, of which $75.0 million was non-recourse to us, and aggregate borrowings of $85.3 million.

These servicing advance facilities contained customary events of default and covenants. Ditech Financial received waivers and/or amendments from each of its lenders to the extent necessary to waive any default, event of default, amortization event, termination event or similar event resulting from or arising from the Restatement. Additionally, we received a limited waiver under two of the servicing advance facilities to waive any event of default or similar event arising from the Restructuring.

DIP Warehouse Facilities - Servicing Advance Facilities

Securities Master Repurchase Agreement

Effective December 5, 2017, we entered into a Securities Master Repurchase Agreement with certain existing warehouse lenders as part of our DIP Warehouse Facilities to provide servicer advance financing during the Chapter 11 Case. The Securities Master Repurchase Agreement provided up to $550.0 million to fund the purchase of new variable funding notes issued under the GTAAFT Facility and DPAT Facility. The DPAT Facility was created to finance non-GSE servicer and protective advances and is otherwise structured similar to the GTAAFT facility. The new variable funding notes issued under these facilities were pledged as collateral under the Securities Master Repurchase Agreement. Proceeds from the funding were used to repay existing borrowings under the GTAAFT Facility and other servicing advance facilities, including the $300.0 million Series 2016-T1 two-year term notes, $22.9 million Series 2014-VF2 variable funding notes, and $85.3 million of borrowings outstanding under other advance facilities. As of December 31, 2017, Ditech Financial had $421.2 million outstanding under the Securities Master Repurchase Agreement. The interest rate for the Securities Master Repurchase Agreement was based on 3-month LIBOR plus 3.00%.

On February 12, 2018, as part of the implementation of our Exit Warehouse Facilities, the Securities Master Repurchase Agreement was terminated and repaid with proceeds from the issuance of variable funding notes under two new servicing advance facilities, the DAAT Facility and DPATII Facility.

Post-Effective Date Servicer Advance Facilities

DAAT Facility / DPATII Facility

The DAAT Facility and DPATII Facility acquired the outstanding advances from the GTAAFT Facility and DPAT Facility, respectively. The variable funding notes issued under the GTAAFT Facility and DPAT Facility, which had been pledged as collateral under the Securities Master Repurchase Agreement, were fully redeemed and the GTAAFT Facility and DPAT Facility were both terminated on February 12, 2018.

In connection with the DAAT Facility and DPATII Facility, Ditech Financial sells and/or contributes the rights to reimbursement for servicer and protective advances to a depositor entity, which then sells and/or contributes such rights to reimbursement to an issuer entity. Each of the issuer and the depositor entities under this facility is structured as a bankruptcy remote special purpose entity and is the sole owner of its respective assets. Advances made under the DAAT Facility and DPATII Facility are held in two separate trusts: DAAT, used to hold GSE advances, and DPATII, used to hold non-GSE advances. This financing provides funding for servicer and protective advances made in connection with Ditech Financial's servicing of certain Fannie Mae and other mortgage loans and is non-recourse to us.

The collateral securing the borrowings outstanding under the DAAT Facility and DPATII Facility consists primarily of rights to reimbursement for servicer and protective advances in respect of certain mortgage loans serviced by Ditech Financial on behalf of Fannie Mae and other private-label securitization trusts, as well as cash.

As part of our Exit Warehouse Facilities, the DAAT Facility and DPATII Facility have maximum capacity sub-limits of $475.0 million and $75.0 million, respectively. The interest on the variable funding notes issued under the DAAT Facility and DPATII Facility is based on the lender's applicable index, plus a per annum margin of 2.25%. No other notes have been issued under these facilities. We may repay and redraw the variable funding notes issued for 364-days from and including February 12, 2018 subject to the satisfaction of various funding conditions including Ditech Holding not being in default under warehouse, repurchase, credit or other similar agreements relating to indebtedness in excess of certain amounts and there being no breaches of representations, warranties and covenants by us under the DAAT and DPATII transaction agreements. If such 364-day period is not extended, the variable funding notes will become due and payable on February 11, 2019. These facilities, together with Ditech Financial's master repurchase agreement and RMS's master repurchase agreement are subject, collectively, to a combined maximum outstanding amount of $1.9 billion under our Exit Warehouse Facilities agreements. As of March 1, 2018, the DAAT Facility and DPATII Facility had outstanding balances of $262.2 million and $67.3 million, respectively, and the Exit Warehouse Facilities in total had an outstanding balance of $1.7 billion.

The facilities' base indenture and indenture supplements include facility events of default and target amortization events customary for financings of this type. The target amortization events include, among other events, events related to breaches of representations, financial and non-financial covenants, certain tests related to the collection and performance of the receivables securing the variable funding notes, defaults under certain other material indebtedness, material judgments and change of control. Upon the occurrence of a target amortization event, the outstanding principal balance of the variable funding notes is payable on the first payment date occurring after the occurrence of such target amortization event. Failure to make requisite payments on the variable funding notes following the occurrence of a target amortization event could lead to an event of default. Upon the occurrence of an event of default, specified percentages of noteholders have the right to terminate all commitments and accelerate the variable funding notes under the base indenture, enforce their rights with respect to the collateral and take certain other actions. The events of default include, among other events, the occurrence of any failure to make payments (subject to certain cure periods and including balances due after the occurrence of a target amortization event), failure of Ditech Financial to satisfy various deposit and remittance obligations as servicer of certain mortgage loans, the requirement of the issuer to be registered as an "investment company" under the Investment Company Act of 1940, as amended, certain tests related to the collection and performance of the receivables securing the notes issued pursuant to the base indenture and applicable indenture supplement, removal of Ditech Financial's status as an approved seller or servicer by either Fannie Mae or Freddie Mac and bankruptcy events.

In connection with these facilities, we entered into an acknowledgment agreement with Fannie Mae, dated as of February 9, 2018, that waived Fannie Mae's respective rights of set-off against rights to reimbursement for certain servicer advances and delinquency advances subject to the DAAT Facility. The Fannie Mae acknowledgment agreement remains in effect unless Fannie Mae withdraws its consent (i) at each yearly anniversary of the agreement by providing 30 days' advance written notice or (ii) upon certain other specified events. If Fannie Mae were to withdraw such waiver or subordination, as applicable, of its respective rights of set-off, our ability to increase the draws on the variable funding notes or maintain the drawn balances thereunder could be materially limited or eliminated.

Early Advance Reimbursement Agreement

Ditech Financial's Early Advance Reimbursement Agreement with Fannie Mae is used exclusively to fund certain principal and interest and servicer and protective advances that are the responsibility of Ditech Financial under its Fannie Mae servicing agreements. This agreement was renewed in March 2017 and expires on March 31, 2018. In March 2018, we executed an amendment effective April 1, 2018, which extends this agreement to December 31, 2018 at which time this facility will terminate. Upon termination, any remaining balance would become due and payable. At December 31, 2017, we had borrowings of $62.3 million under the Early Advance Reimbursement Agreement, which has a capacity of $100.0 million.

Mortgage Loan Originations Business

Master Repurchase Agreements

Ditech Financial utilizes master repurchase agreements with various warehouse lenders to fund the origination and purchase of residential loans. These facilities provide creditors a security interest in the mortgage loans that meet the eligibility requirements under the terms of each particular facility in exchange for cash proceeds used to originate or purchase mortgage loans. We agree to repay borrowings under these facilities within a specified timeframe, and the source of repayment is typically from the sale or securitization of the underlying loans into the secondary mortgage market. We evaluate our needs under these facilities based on forecasted mortgage loan origination volume; however, there can be no assurance that these facilities will be available to us in the future.

During 2017, Ditech Financial received waivers and/or amendments on its previous warehouse facilities, required as a result of the Restatement and conclusions reached regarding our ability to continue as a going concern, as described in Note 2 to the Consolidated Financial Statements. Two of the Ditech Financial master repurchase agreements that contained profitability covenants were also amended to allow for a net loss under such covenants for the quarter ending September 30, 2017 as applicable to the terms of each respective agreement. These amendments, among other things, reduced the advance rates on certain previously existing facilities.

In October 2017, one warehouse facility was terminated and another warehouse facility matured and was not renewed. All borrowings under these facilities were fully repaid.

Effective December 5, 2017, we amended one of our master repurchase agreements, which included the consolidation with another master repurchase agreement, as part of our DIP Warehouse Facilities. The DIP Warehouse Facilities, which have a total capacity of $1.9 billion, include this master repurchase agreement, provide up to $750.0 million to finance Ditech Financial's origination business during the Chapter 11 Case, and upon transitioning into the Exit Warehouse Facilities on February 9, 2018, provide up to $1.0 billion to continue financing Ditech Financial's origination business and expire on February 8, 2019. At December 31, 2017, the interest rate under such master repurchase agreement was based on 3-month LIBOR plus 3.00%. This facility provides creditors a security interest in the mortgage loans that meet the eligibility requirements under the terms of the facility in exchange for cash proceeds used to originate or purchase mortgage loans. We agree to repay borrowings under the facility within a specified timeframe, and the source of repayment is typically from the sale or securitization of the underlying loans into the secondary mortgage market. The entire capacity under such master repurchase agreement is provided on a committed basis. We had $520.4 million of short-term borrowings under the master repurchase agreement at December 31, 2017. Ditech Financial had no other master repurchase agreements as of December 31, 2017.

On February 9, 2018, in connection with the Effective Date of the Prepackaged Plan, the DIP Warehouse Facilities began transitioning into the Exit Warehouse Facilities, whereupon the Ditech Financial master repurchase agreement amended under the DIP Warehouse Facilities continues to provide financing for Ditech Financial's origination business. Upon the Effective Date, the Ditech Financial master repurchase agreement was amended to, among other things, extend the maturity date to February 8, 2019, change the interest rate to the lender's applicable index, plus a per annum margin of 2.25%, and increase the maximum capacity sub-limit available to finance Ditech Financial's origination business from $750.0 million to $1.0 billion. On March 29, 2018, Ditech Financial amended its master repurchase agreement to provide for a 30 day extension to its deadline to deliver audited annual financial statements in respect of itself and Ditech Holding for the year ended December 31, 2017. As a result of such amendment, Ditech Financial is permitted to deliver the relevant Ditech Financial audited annual financial statements for the year ended December 31, 2017 within 120 days (formerly 90 days) before triggering a default or event of default or otherwise constituting a breach of any representation, warranty or covenant under its master repurchase agreement. The Ditech Financial master repurchase agreement, together with RMS's master repurchase agreement and the DAAT and DPATII Facilities are subject, collectively, to a combined maximum outstanding amount of $1.9 billion under our Exit Warehouse Facilities. As of March 1, 2018, Ditech Financial's master repurchase agreement had an outstanding balance of $572.4 million, and the Exit Warehouse Facilities in total had an outstanding balance of $1.7 billion.

Our ability to utilize our master repurchase facilities from time to time depends, among other things, upon us being able to make representations and warranties as to our solvency, the accuracy of information we have furnished, no material adverse changes having occurred, maintenance of our approved seller/servicer status with GSEs, no notices of adverse actions having been received from GSEs or agencies, the adequacy of our control program, our ability to service loans in accordance with accepted servicing practices and our compliance with applicable laws. The Ditech Financial master repurchase agreement contains customary events of default and financial covenants. Financial covenants that are most sensitive to the operating results of our subsidiaries and resulting financial position are minimum tangible net worth requirements, indebtedness to tangible net worth ratio requirements, and minimum liquidity and profitability requirements. Ditech Financial was in compliance with the terms of the master repurchase agreement, including financial covenants, at December 31, 2017.

We are dependent on the ability to secure warehouse facilities on acceptable terms and to either renew or replace existing facilities as needed when they expire. If we fail to comply with the terms of an agreement that results in an event of default or breach of covenant without obtaining a waiver or amendment, we may be subject to termination of future funding, enforcement of liens against assets securing the respective facility, repurchase of assets pledged in a repurchase agreement, acceleration of outstanding obligations, or other adverse actions. We may seek waivers or amendments of warehouse facility terms in the future, if necessary or advisable.

Representations and Warranties

In conjunction with our originations business, we provide representations and warranties on loan sales. We sell substantially all of our originated or purchased mortgage loans into the secondary market for securitization or to private investors as whole loans. We sell conventional-conforming and government-backed mortgage loans through GSE and agency-sponsored securitizations in which mortgage-backed securities are created and sold to third-party investors. We also sell non-conforming mortgage loans to private investors. In doing so, representations and warranties regarding certain attributes of the loans are made to the third-party investor. Subsequent to the sale, if it is determined that a loan sold is in breach of these representations or warranties, we generally have an obligation to cure such breach. In general, if we are unable to cure such breach, the purchaser of the loan may require us to repurchase such loan for the unpaid principal balance, accrued interest, and related advances, and in any event, we must indemnify such purchaser for certain losses and expenses incurred by such purchaser in connection with such breach. Our credit loss may be reduced by any recourse we have to correspondent lenders that, in turn, have sold such residential loans to us and breached similar or other representations and warranties.

Our representations and warranties are generally not subject to stated limits of exposure with the exception of certain loans originated under HARP, which limits exposure based on payment history of the loan. At December 31, 2017, our maximum exposure to repurchases due to potential breaches of representations and warranties was $69.0 billion, and was based on the original unpaid principal balance of loans sold from the beginning of 2013 through December 31, 2017 adjusted for voluntary payments made by the borrower on loans for which we perform the servicing. A majority of our loan sales were servicing retained.

Rollforwards of the liability associated with representations and warranties are included below (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at beginning of the year	$ 22,094	$ 23,145
Provision for new sales	6,991	15,331
Change in estimate of existing reserves [(1) (2)]	(10,596)	(15,660)
Net realized losses on repurchases	(1,697)	(722)
Balance at end of the year	$ 16,792	$ 22,094

(1) The change in estimate of existing reserves during the year ended December 31, 2017 primarily relates to portfolio performance, voluntary loan payoffs and paydowns, clean loan reviews, and loans meeting certain age triggers, which reduces estimated loss exposure.
(2) The change in estimate of existing reserves during the year ended December 31, 2016 is primarily due to adjustments to certain assumptions based on recently observed trends as compared to historical expectations, primarily relating to loan defect rates and counterparty review probabilities.

Rollforwards of loan repurchase requests based on the original unpaid principal balance are included below (dollars in thousands):

	For the Years Ended December 31,			
	2017		2016	
	No. of Loans	Unpaid Principal Balance	No. of Loans	Unpaid Principal Balance
Balance at beginning of the year	29	$ 5,974	30	$ 6,225
Repurchases and indemnifications	(35)	(7,279)	(33)	(7,144)
Claims initiated	147	28,814	174	37,370
Rescinded	(110)	(20,835)	(142)	(30,477)
Balance at end of the year	31	$ 6,674	29	$ 5,974

The following table presents our maximum exposure to repurchases due to potential breaches of representations and warranties at December 31, 2017 based on the original unpaid principal balance of loans sold adjusted for voluntary payments made by the borrower on loans for which we perform the servicing by vintage year (in thousands):

	Unpaid Principal Balance
2013	$ 8,281,787
2014	10,426,717
2015	17,214,517
2016	17,544,627
2017	15,504,927
Total	$ 68,972,575

Reverse Mortgage Business

Master Repurchase Agreements

RMS utilizes master repurchase agreements to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools. These facilities are secured by the underlying assets and provide creditors a security interest in the assets that meet the eligibility requirements under the terms of each particular facility. We agree to repay the borrowings under these facilities within a specified timeframe, and the source of repayment is typically from claim proceeds received from HUD or liquidation proceeds from the sale of real estate owned. We evaluate our needs under these facilities based on forecasted reverse loan repurchases and timing of reimbursement from HUD; however, there can be no assurance that these facilities will be available to us in the future.

During 2017, RMS received waivers and/or amendments on its previous warehouse facilities, required as a result of the restatement of its and our consolidated financial statements as of and for the periods ended June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017 and conclusions reached regarding our ability to continue as a going concern, as described in Note 2 to the Consolidated Financial Statements. These amendments, among other things, reduced the advance rates on certain previously existing facilities.

Effective December 5, 2017, we amended and restated one of our master repurchase agreements, which included the consolidation with another master repurchase agreement, as part of our DIP Warehouse Facilities. The DIP Warehouse Facilities, which had a total capacity of $1.9 billion, include this master repurchase agreement and provided up to $800.0 million to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools during the Chapter 11 Case and upon transitioning into the Exit Warehouse Facilities on February 9, 2018 will continue to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools until February 8, 2019. At December 31, 2017, the interest rate under the master repurchase agreement was based on 3-month LIBOR plus 4.50%. The entire capacity under such master repurchase agreement is provided on a committed basis. We had $564.8 million of short-term borrowings under the master repurchase agreement at December 31, 2017. RMS had no other master repurchase agreements as of December 31, 2017.

On February 9, 2018, upon the Effective Date of the Prepackaged Plan the DIP Warehouse Facilities began transitioning into the Exit Warehouse Facilities, whereupon the RMS master repurchase agreement continues to provide financing for repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools. Upon the Effective Date, the RMS master repurchase agreement was amended to, among other things, extend the maturity date to February 8, 2019 and change the interest rate to the lender's applicable index, plus a per annum margin of 3.25%. On March 29, 2018, RMS amended its master repurchase agreement to provide for a 30 day extension to its deadline to deliver audited annual financial statements in respect of itself and Ditech Holding for the year ended December 31, 2017. As a result of such amendment, RMS is permitted to deliver the relevant RMS audited annual financial statements for the year ended December 31, 2017 within 120 days (formerly 90 days) before triggering a default or event of default or otherwise constituting a breach of any representation, warranty or covenant under its master repurchase agreement. The RMS master repurchase agreement, together with Ditech Financial's master repurchase agreement and the DAAT and DPATII Facilities are subject, collectively, to a combined maximum outstanding amount of $1.9 billion under our Exit Warehouse Facilities. As of March 1, 2018, RMS' master repurchase agreement had an outstanding balance of $796.7 million, and the Exit Warehouse Facilities in total had an outstanding balance of $1.7 billion.

The master repurchase agreement contains customary events of default and covenants, the most significant of which are financial covenants. Financial covenants that are most sensitive to the operating results of our subsidiaries and resulting financial position are minimum tangible net worth requirements, indebtedness to tangible net worth ratio requirements, and minimum liquidity and profitability requirements. RMS was in compliance with the terms of the master repurchase agreement, including financial covenants, at December 31, 2017.

We are dependent on our ability to secure warehouse facilities on acceptable terms and to either renew or replace existing facilities as needed when they expire. If we fail to comply with the terms of an agreement that results in an event of default or breach of covenant without obtaining a waiver or amendment, we may be subject to termination of future funding, enforcement of liens against assets securing the respective facility, repurchase of assets pledged in a repurchase agreement, acceleration of outstanding obligations, or other adverse actions. We may seek waivers or amendments of warehouse facility terms in the future, if necessary or advisable.

Reverse Loan Securitizations

We transfer reverse loans that we have originated or purchased through the Ginnie Mae HMBS issuance process. The proceeds from the transfer of the HMBS are accounted for as a secured borrowing and are classified on the consolidated balance sheets as HMBS related obligations. The proceeds from the transfer are used to repay borrowings under our master repurchase agreements. At December 31, 2017, we had $8.7 billion in unpaid principal balance outstanding on the HMBS related obligations. At December 31, 2017, $8.6 billion in unpaid principal balance of reverse loans and real estate owned was pledged as collateral to the HMBS beneficial interest holders, and are not available to satisfy the claims of our creditors. Ginnie Mae, as guarantor of the HMBS, is obligated to the holders of the HMBS in an instance of RMS default on its servicing obligations, or when the proceeds realized on HECMs are insufficient to repay all outstanding HMBS related obligations. Ginnie Mae has recourse to RMS in connection with certain claims relating to the performance and obligations of RMS as both an issuer of HMBS and a servicer of HECMs underlying HMBS.

Borrower remittances received on the reverse loans, if any, proceeds received from the sale of real estate owned and our funds used to repurchase reverse loans are used to reduce the HMBS related obligations by making payments to Ginnie Mae, who will then remit the payments to the holders of the HMBS. The maturity of the HMBS related obligations is directly affected by the liquidation of the reverse loans or liquidation of real estate owned and events of default as stipulated in the reverse loan agreements with borrowers. Refer to the section below for additional information on repurchases of reverse loans.

HMBS Issuer Obligations

As an HMBS issuer, we assume certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount. Performing repurchased loans are conveyed to HUD and payment is received from HUD typically within a short timeframe of repurchase. HUD reimburses us for the outstanding principal balance on the loan up to the maximum claim amount. We bear the risk of exposure if the amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Recent regulatory changes introduced by HUD increased the requirements for completing an assignment to HUD. These new requirements may increase the time interval between when a loan is repurchased and when the assignment claim is filed with HUD, and inability to meet such requirements could preclude assignment. During this period, accruals for interest, HUD-required mortgage insurance payments, and borrower draws may cause the unpaid balance on the loan to increase and ultimately exceed the maximum claim amount. Nonperforming repurchased loans are generally liquidated through foreclosure and subsequent sale of real estate owned. Loans are considered nonperforming upon events such as, but not limited to, the death of the mortgagor, the mortgagor no longer occupying the property as their principal residence, or the property taxes or insurance not being paid.

We currently rely upon certain master repurchase agreements and operating cash flows, to the extent necessary, to repurchase these Ginnie Mae loans. Given continued growth in the number and amount of our reverse loan repurchases, we may seek additional, or expansion of existing, master repurchase or similar agreements to provide financing capacity for future required loan repurchases. The timing and amount of our obligation to repurchase HECMs is uncertain as repurchase is predicated on certain factors such as whether or not a borrower event of default occurs prior to the HECM reaching the mandatory repurchase threshold under which we are obligated to repurchase the loan.

Rollforwards of reverse loan and real estate owned repurchase activity (by unpaid principal balance) are included below (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at beginning of the year [1]	$ 346,983	$ 191,123
Repurchases and other additions [1][2]	1,320,230	641,410
Liquidations [1]	(858,705)	(485,550)
Balance at end of the year [1]	$ 808,508	$ 346,983

(1) The 2016 amounts and the balance at the beginning of the year ended December 31, 2017 have been adjusted to conform to the current year presentation, which excludes current month unfunded buyouts from repurchases and other additions and the balance at end of period.
(2) Other additions include additions to the principal balance related to interest, servicing fees, mortgage insurance and advances.

Our repurchases of reverse loans and real estate owned have increased significantly during the year ended December 31, 2017 as compared to 2016. We expect a continued increase to repurchase requirements due to the increased flow of HECMs and real estate owned that are reaching 98% of their maximum claim amount. At December 31, 2017, we have commitments to repurchase reverse loans and real estate owned of $121.5 million, and we have $235.2 million available under our master repurchase agreements for repurchases of reverse loans and real estate owned. There can be no assurance that we will be able to maintain or expand our borrowing capacity to fund loan repurchases. Refer to Notes 7 and 30 of the Consolidated Financial Statements for further discussion.

Reverse Loan Servicer Obligations

Similar to our mortgage loan servicing business, our reverse mortgage servicing agreements impose on us obligations to advance our own funds to meet contractual payment requirements for customers and credit owners and to pay protective advances, which are required to preserve the collateral underlying the residential loans being serviced. We rely upon operating cash flows to fund these obligations.

As servicer of reverse loans, we are also obligated to fund additional borrowing capacity in the form of undrawn lines of credit on floating rate and fixed rate reverse loans. We rely upon our operating cash flows to fund these additional borrowings on a short-term basis prior to securitization (when performing services of both the issuer and servicer) or reimbursement by the issuer (when providing third-party servicing). The additional fundings made by us, as issuer and servicer, are generally securitized within 30 days after funding. Similarly the additional fundings made by us, as third-party servicer, are typically reimbursed by the issuer within 30 days after funding. Our commitment to fund additional borrowing capacity was $1.0 billion at December 31, 2017, which includes $1.0 billion in capacity that was available to be drawn by borrowers at December 31, 2017 and $13.3 million in capacity that will become eligible to be drawn by borrowers throughout the twelve months ending December 31, 2018 assuming the loans remain performing. There is no termination date for these drawings so long as the loan remains performing. The obligation to fund these additional borrowings could have a significant impact on our liquidity.

Corporate Debt

2013 Credit Agreement

At December 31, 2017, we had a 2013 Term Loan in the original principal amount of $1.5 billion and a $100.0 million 2013 Revolver. Our obligations under the 2013 Secured Credit Facilities were guaranteed by substantially all of our subsidiaries and secured by substantially all of our assets subject to certain exceptions, the most significant of which are the assets of the consolidated Residual and Non-Residual Trusts, the residential loans and real estate owned of the Ginnie Mae securitization pools, and advances of the consolidated financing entities that have been recorded on our consolidated balance sheets. The balance outstanding on the 2013 Term Loan was $1.2 billion at December 31, 2017.

In July 2017, we entered into the Third Amendment to the 2013 Credit Agreement to make certain changes to the mandatory prepayment provisions and negative covenants thereof and certain technical changes.

The material terms of our 2013 Secured Credit Facilities at December 31, 2017 are summarized in the table below:

Debt Agreement	Interest Rate	Amortization	Maturity/Expiration
2013 Term Loan	1-month LIBOR plus 3.75% 1-month LIBOR floor of 1.00%	1.00% per annum beginning 1st quarter of 2014; remainder at final maturity	December 18, 2020
2013 Revolver	1-month LIBOR plus 3.75%	Bullet payment at maturity	December 19, 2018

Under the 2013 Credit Agreement, in order to borrow in excess of 20% of the committed amount under the 2013 Revolver, each quarter we had to satisfy both a specified interest coverage ratio and a specified total leverage ratio as defined in the agreement on a pro forma basis after giving effect to the borrowing. As of December 31, 2017, we did not satisfy these ratios, and as a result the maximum amount we would have been able to borrow on the 2013 Revolver, was $20.0 million. As of December 31, 2017, we had $19.5 million outstanding in issued LOCs and $0.5 million remained available on the 2013 Revolver.

During the year ended December 31, 2016, we repurchased $7.2 million in principal balance of the 2013 Term Loan for $6.3 million resulting in a gain on extinguishment of debt of $0.9 million.

During the year ended December 31, 2017, in accordance with 2013 Credit Agreement and related amendments, as well as the Term Loan RSA and related amendments, we made principal payments on the term loan totaling $186.9 million, resulting in a loss on extinguishment of $1.8 million, primarily due to the write-off of deferred financing fees and discount.

During the first quarter of 2018, in accordance with 2013 Credit Agreement and related amendments, as well as the Term Loan RSA and related amendments, we made principal payments on the 2013 Term Loan totaling $73.1 million and in accordance with the 2018 Credit Agreement, upon the Effective Date, the Company made an additional principal payment totaling $37.5 million.

2018 Credit Agreement

On February 9, 2018, in connection with the Effective Date of the Prepackaged Plan, we entered into the 2018 Credit Agreement, which amended and restated our 2013 Credit Agreement. The 2013 Revolver and LOCs issued thereunder were terminated upon the effectiveness of the 2018 Credit Agreement. Our obligations under this agreement continue to be guaranteed by substantially all of our subsidiaries and secured by substantially all of our assets subject to certain exceptions, the most significant of which are the assets of the consolidated Residual and Non-Residual Trusts, the residential loans and real estate owned of the Ginnie Mae securitization pools, and advances of the consolidated financing entities that have been recorded on our consolidated balance sheets.

On the Effective Date, pursuant to the terms of the Prepackaged Plan, we entered into the 2018 Credit Agreement. The 2018 Credit Agreement provides for the 2018 Term Loan maturing on June 30, 2022 in an original principal amount of approximately $1.2 billion. The 2018 Term Loan bears interest at a rate per annum equal to, at our option, (i) LIBOR plus 6.00% (with a LIBOR "floor" of 1.00%) or (ii) an alternate base rate plus 5.00% (which interest will be payable (a) with respect to any alternate base rate loan, the last business day of each March, June, September and December, and (b) with respect to any LIBOR loan, the last day of the interest period applicable to the borrowing of which such loan is a part). The 2018 Term Loan matures on June 30, 2022. In addition to a payment of $37.5 million that was due upon the Effective Date, the 2018 Term Loan amortizes in quarterly installments, in the amounts listed below (in thousands):

Repayment Date	Principal Amount[(1)]
March 2018	$ 7,500
June 2018	7,500
September 2018	7,500
December 2018	7,500
March 2019	10,000
June 2019	26,700
September 2019	36,700
December 2019	36,700
each March, June, September and December thereafter until maturity	15,000

(1) As noted below, on March 29, 2018, the 2018 Credit Agreement was amended to, among other things, require us to make additional principal payments from March 29, 2018 to December 31, 2018 in an aggregate amount equal to $30.0 million. These additional principal payments are not reflected in this table.

In addition to the quarterly installments detailed above, mandatory repayment obligations under the 2018 Credit Agreement include, subject to exceptions, (i) 100% of the net sale proceeds from the sale or other disposition of certain non-core assets of the Company and of certain of the Company's subsidiaries, (ii) 80% of the net sale proceeds of certain non-ordinary course asset sales and dispositions of certain bulk mortgage servicing rights , (iii) 100% of the net cash proceeds from the issuance of certain indebtedness and (iv) beginning with the fiscal year ending December 31, 2018, 50% of the Company's excess cash flow as defined in the agreement. The 2018 Credit Agreement allows us to prepay, in whole or in part, our borrowings outstanding thereunder, together with any accrued and unpaid interest, with prior notice and subject to the prepayment premium described below and breakage or redeployment costs.

The 2018 Credit Agreement contains affirmative and negative covenants and representations and warranties customary for financings of this type, including restrictions on liens, dispositions of assets, fundamental changes, dividends, the ability to incur additional indebtedness, investments, transactions with affiliates, modifications of certain agreements, certain restrictions on subsidiaries, issuance of certain equity interests, changes in lines of business, creation of additional subsidiaries and prepayments of other indebtedness, in each case subject to customary exceptions. The 2018 Credit Agreement also contains financial covenants requiring compliance with certain asset coverage ratios and, commencing in 2020 as described below, an interest expense coverage ratio and a first lien net leverage ratio. The 2018 Credit Agreement permits the incurrence of an additional incremental letter of credit facility in an aggregate principal amount at any time outstanding not to exceed $30.0 million.

On March 29, 2018, we entered into an amendment to 2018 Credit Agreement to (i) waive our compliance with the first lien net leverage ratio covenant and the interest expense coverage ratio covenant until the test period ending March 31, 2020, (ii) require us to make additional principal payments from March 29, 2018 to December 31, 2018 in an aggregate amount equal to $30.0 million, (iii) provide for a one percent prepayment premium in connection with prepayments of the term loans made during the first 18 months after entering into this amendment (for all prepayments of principal other than mandatory amortization payments and the payments described in the foregoing clause (ii)), and (iv) increase certain asset coverage ratios for all test periods ending on March 31, 2018 through December 31, 2018.

Senior Notes

In December 2013, we completed the sale of $575.0 million aggregate principal amount of Senior Notes, which paid interest semi-annually at an interest rate of 7.875% and were scheduled to mature on December 15, 2021. The balance outstanding on the Senior Notes was $538.7 million at December 31, 2017. At December 31, 2017, the outstanding balance of Senior Notes as well as accrued interest on the Senior Notes of $19.4 million were included in liabilities subject to compromise on the consolidated balance sheets. On February 9, 2018, upon the Effective Date of the Prepackaged Plan, the Senior Notes were canceled and each holder of a Senior Notes claim received its pro rata share of (a) Second Lien Notes and (b) mandatorily convertible preferred stock. See below for additional information on the Second Lien Notes and see Item 5 above for additional information regarding the mandatorily convertible preferred stock.

Convertible Notes

In October 2012, we closed on a registered underwritten public offering of $290.0 million aggregate principal amount of Convertible Notes. The Convertible Notes paid interest semi-annually on May 1 and November 1, commencing on May 1, 2013, at a rate of 4.50% per annum, and were scheduled to mature on November 1, 2019. The balance outstanding on the Convertible Notes was $242.5 million at December 31, 2017. At December 31, 2017, the outstanding balance of Convertible Notes as well as accrued interest on the Convertible Notes of $6.4 million were included in liabilities subject to compromise on the consolidated balance sheets. On February 9, 2018, upon the Effective Date of the Prepackaged Plan, the Convertible Notes were canceled and each holder of a Convertible Notes claim received common stock and warrants. See the Item 5 above for additional information.

During the year ended December 31, 2016, we repurchased Convertible Notes with a carrying value of $39.3 million and unpaid principal balance of $47.5 million for $24.8 million resulting in a gain on extinguishment of debt of $14.5 million, which is recorded in net gains (losses) on extinguishment of debt on the consolidated statements of comprehensive loss.

Second Lien Notes

On February 9, 2018, pursuant to the terms of the Prepackaged Plan, we issued $250.0 million aggregate principal amount of Second Lien Notes to each holder of a Senior Notes claim on a pro rata basis. The Second Lien Notes pay interest semi-annually on June 15 and December 15, commencing on June 15, 2018, at a rate of 9.00% per year, and mature December 31, 2024. The Second Lien Notes require payment of interest in cash, except that interest on up to $50.0 million principal amount (plus previously accrued PIK interest payable), at our election, may be paid by increasing the principal amount of the outstanding notes or by issuing additional notes. The terms of the 2018 Credit Agreement requires us to exercise such election. The Second Lien Notes are secured on a second-priority basis by substantially all of our assets and are guaranteed by substantially all of our subsidiaries. The Second Lien Notes and the guarantees thereof are subordinated to the prior payment in full of the 2018 Credit Agreement and certain other senior indebtedness (as defined and to the extent set forth in the Second Lien Notes Indenture).

We may redeem all or a portion of the Second Lien Notes prior to December 15, 2020 by paying a specified premium, or at any time on or after December 15, 2020 at applicable redemption prices, in each case, plus accrued and unpaid interest. In addition, on or before December 15, 2020, we may redeem up to 35% of the aggregate principal amount of the Second Lien Notes with the net proceeds of certain equity offerings at the redemption price of 109.000% of the principal amount of Second Lien Notes redeemed, plus accrued and unpaid interest. If we experience specific kinds of changes of control, we must offer to repurchase the Second Lien Notes at 101% of their principal amount, plus accrued and unpaid interest. In addition, if the Second Lien Notes would otherwise constitute "applicable high-yield discount obligations," at the end of each accrual period ending on or after February 9, 2023, we will be required to redeem a portion of the Second Lien Notes. The Second Lien Notes Indenture limits our ability to, among other things, pay dividends and make distributions or repurchase stock; make certain investments; incur additional debt; sell assets; enter into certain transactions with affiliates; create or incur liens; materially change its lines of business; and merge or consolidate or transfer or sell all or substantially all of its assets. The Second Lien Notes Indenture contains certain customary events of default, including the failure to make timely payments on the Second Lien Notes, failure to satisfy certain covenants and specified events of bankruptcy and insolvency.

Mortgage-Backed Debt

We funded the residential loan portfolio in the consolidated Residual Trusts through the securitization market. We record on our consolidated balance sheets the assets and liabilities, including mortgage-backed debt, of the Non-Residual Trusts as a result of certain obligations to exercise mandatory clean-up calls for each of these trusts at their earliest exercisable dates. The total unpaid principal balance of mortgage-backed debt was $744.5 million at December 31, 2017.

At December 31, 2017, mortgage-backed debt was collateralized by $763.2 million of assets including residential loans, receivables related to the Non-Residual Trusts, real estate owned and restricted cash and cash equivalents. All of the mortgage-backed debt is non-recourse and not cross-collateralized and, therefore, must be satisfied exclusively with the proceeds from the residential loans and real estate owned held in each securitization trust and also from draws on the LOCs of certain Non-Residual Trusts.

Borrower remittances received on the residential loans of the Residual and Non-Residual Trusts collateralizing this debt and draws under LOCs issued by a third party and serving as credit enhancements to certain of the Non-Residual Trusts are used to make principal and interest payments due on the mortgage-backed debt. The maturity of the mortgage-backed debt is directly affected by the rate of principal prepayments on the collateral. As a result, the actual maturity of the mortgage-backed debt is likely to occur earlier than the stated maturity. Certain of our mortgage-backed debt issued by the Residual Trusts is subject to voluntary redemption according to the specific terms of the respective indenture agreements, including an option by us to exercise a clean-up call. Under the mortgage-backed debt issued by the Non-Residual Trusts, we had certain obligations to exercise mandatory clean-up calls for each of these trusts at their earliest exercisable date, which is the date the principal amount of each loan pool falls to 10% of the original principal amount. We fulfilled our obligation for our mandatory clean-up call obligations in the second and third quarters of 2017 by making payments of $28.4 million during the year ended December 31, 2017.

On October 10, 2017, we entered into a Clean-up Call Agreement with a counterparty. Pursuant to the Clean-up Call Agreement, we paid an inducement fee in the amount of $36.5 million to the counterparty to assume our mandatory obligation to exercise the clean-up calls for the eight remaining securitization trusts. In addition, we agreed to reimburse the counterparty for certain losses with respect to these trusts to the extent that such losses exceed $17.0 million in the aggregate for the eight remaining trusts from July 1, 2017 through each individual call date. In connection with the exercise of each clean-up call, the counterparty agreed to reimburse us for certain outstanding advances we previously made with respect to the related trusts, up to an aggregate amount of approximately $6.4 million for the eight remaining trusts. Following the counterparty's assumption, pursuant to the Clean-up Call Agreement, of our obligations to exercise future clean-up calls, we are no longer obligated to exercise and fund such clean-up calls.

Contractual Obligations

The following table summarizes, by remaining maturity, our future cash obligations at December 31, 2017 (in thousands):

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Indeterminate Maturity	Total
Corporate debt						
Principal [1]	$ 110,590	$ 1,361,468	$ 538,662	$ —	$ —	$ 2,010,720
Interest [2]	138,532	215,415	42,420	—	—	396,367
Total corporate debt	249,122	1,576,883	581,082	—	—	2,407,087
Warehouse borrowings [3]	1,085,198	—	—	—	—	1,085,198
Leases	15,452	23,918	21,489	22,228	—	83,087
HMBS related obligations [4]	—	—	—	—	8,743,700	8,743,700
Acquisitions of servicing rights and related advances [5]	8,232	—	—	—	—	8,232
Unfunded commitments associated with the Originations segment [6]	1,807,712	—	—	—	—	1,807,712
Unfunded commitments associated with the Reverse Mortgage segment [6][7]	—	—	—	—	1,073,829	1,073,829
Early Advance Reimbursement Agreement [8]	62,297	—	—	—	—	62,297
Servicing advance facilities [8][9]	421,165	—	—	—	—	421,165
Uncertain tax positions	—	—	—	—	5,601	5,601
Total	$ 3,649,178	$ 1,600,801	$ 602,571	$ 22,228	$ 9,823,130	$ 15,697,908

(1) The above table does not include indebtedness incurred or reflect contractual maturities amended on February 9, 2018 in connection with the Prepackaged Plan. Principal payments represent the original contractual maturities of our corporate debt obligations at December 31, 2017. The unpaid principal balance on the Convertible Notes of $242.5 million due in 2019 and the unpaid principal balance on the Senior Notes of $538.7 million due in 2021 were included in liabilities subject to compromise on the consolidated balance sheets at December 31, 2017. Upon the Effective Date of the Prepackaged Plan the outstanding Convertible Notes and Senior Notes were canceled.

(2) Amounts relate to future cash payments for interest expense on our 2013 Term Loan, Convertible Notes and Senior Notes and are calculated by multiplying outstanding principal balances by the respective interest rate and contractual maturities for each commitment at December 31, 2017. Payments due in less than 1 year also includes accrued interest at December 31, 2017 on the Convertible Notes and Senior Notes of $6.4 million and $19.4 million, respectively, which is included in liabilities subject to compromise.

(3) Warehouse borrowings, which were issued under the DIP Warehouse Facilities, are repaid primarily with proceeds from sales or securitizations of mortgage loans or from claim proceeds received from HUD or liquidation proceeds from the sale of real estate owned.

(4) HMBS related obligations have no stated maturity. The maturity of HMBS related obligations is directly affected by the liquidation of the reverse loans or liquidation of real estate owned, including voluntary liquidation on behalf of the borrower, and events of default as stipulated in the reverse loan agreements with borrowers. Refer to the HMBS Issuer Obligations section above for HECM and real estate owned repurchase activity, which would exclude voluntary liquidations made on behalf of the borrower, during 2017 and 2016. There is no repurchase activity in instances where proceeds from voluntary liquidations are made on behalf of the borrower as such proceeds are used to settle the associated HMBS related obligation.

(5) Contractual obligations associated with acquisitions of servicing rights and related advances for which we have executed an agreement.

(6) Refer to Note 30 to the Consolidated Financial Statements for further information regarding unfunded commitments.

(7) Unfunded commitments presented under indeterminate maturity above represents the aggregate unfunded borrowing capacity of borrowers under our reverse loans at December 31, 2017. This amount includes $1.0 billion in capacity that was available to be drawn by borrowers at December 31, 2017 and $13.3 million in capacity that will become eligible to be drawn by borrowers throughout 2017 assuming the loans remain performing. There is no termination date for these drawings so long as the loan remains performing.

(8) Our Early Advance Reimbursement Agreement and servicing advance facilities above are included in servicing advance liabilities on our consolidated balance sheets. Collections of advances that have been reimbursed under the Early Advance Reimbursement Agreement require remittance upon collection to settle the outstanding balance. We are required to remit 85% to 95% of advances reimbursed under the servicing advance facilities to settle the balance outstanding under the agreements.

(9) On February 12, 2018, outstanding Servicing Advance Liabilities under the Securities Master Repurchase Agreement were fully repaid with proceeds from the issuance of variable funding notes under the DAAT Facility and DPATII Facility. These facilities are non-recourse to us. Payments under these facilities are required upon collection of the underlying advances that have been reimbursed under the agreement.

We exclude mortgage-backed debt from the contractual obligations disclosed in the table above as this debt is non-recourse and not cross-collateralized and, therefore, must be satisfied exclusively from the proceeds of the residential loans and real estate owned held in the securitization trusts.

Operating lease obligations include (i) a lease for our executive and principal administrative office as well as our originations operations located in Fort Washington, Pennsylvania; (ii) leases for our centralized servicing operations in Saint Paul, Minnesota; Tempe, Arizona; Rapid City, South Dakota; and Jacksonville, Florida; (iii) leases related to our reverse mortgage operations located in Charlotte, North Carolina; Palm Beach Gardens, Florida; and Houston, Texas; (iv) a lease for our administrative office in Tampa, Florida; and (v) other regional servicing and originations operations.

Contractual Obligations - Post Bankruptcy emergence

The following table summarizes, by remaining maturity, our future cash obligations for indebtedness incurred or amended on February 9, 2018 in connection with the Prepackaged Plan, and in the case of the 2018 Credit Agreement, the additional principal payments due as a result of an amendment entered into on March 30, 2018, discussed further above (in thousands):

	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Corporate debt					
Principal [1]	$ 60,000	$ 170,100	$ 888,901	$ 291,733	$ 1,410,734
Interest [2]	89,499	187,024	137,681	36,000	450,204
Total corporate debt	$ 149,499	$ 357,124	$ 1,026,582	$ 327,733	$ 1,860,938
Warehouse borrowings[3]	$ 1,007,310	$ —	$ —	$ —	$ 1,007,310

(1) The above table reflects payments totaling $110.6 million made during the first quarter of 2018 but on or before February 9, 2018.

(2) Amounts relate to future cash payments for interest expense on our 2018 Term Loan and Second Lien Notes and are calculated by multiplying outstanding principal balances by the respective interest rate and contractual maturities for each commitment at February 9, 2018.

(3) Warehouse borrowings, which were issued under the Exit Warehouse Facilities, are repaid primarily with proceeds from sales or securitizations of mortgage loans or from claim proceeds received from HUD or liquidation proceeds from the sale of real estate owned.

We exclude from the table above the amounts due under the DAAT Facility and DPAT II Facility, which are non-recourse to us. Payments under these facilities are required upon collection of the underlying advances that have been reimbursed under the agreement. Upon issuance, the DAAT Facility and DPAT II Facility had outstanding balances of $265.8 million and $66.0 million, respectively.

Certain Capital Requirements and Guarantees

We, including our subsidiaries, are required to comply with requirements under federal and state laws and regulations, including requirements imposed in connection with certain licenses and approvals, as well as requirements of federal, state, GSE, Ginnie Mae and other business partner loan programs, some of which are financial covenants related to minimum levels of net worth and other financial requirements. If these mandatory imposed capital requirements are not met, our selling and servicing agreements could be terminated and lending and servicing licenses could be suspended or revoked. As a result of the restatement of our consolidated financial statements as of and for the periods ended June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017, RMS was not in compliance with certain financial covenants required by Ginnie Mae and Fannie Mae as of December 31, 2016. As of December 31, 2017, RMS was in compliance with such financial covenants.

Noncompliance with any requirements for which we do not receive a waiver could have a negative impact on us, which could include suspension or termination of the selling and servicing agreements, which would prohibit future origination or securitization of mortgage loans or being an approved seller or servicer for the applicable GSE.

We also have financial covenant requirements relating to our servicing advance facilities and master repurchase agreements. Refer to additional information at the Mortgage Loan Servicing Business, Mortgage Loan Originations Business and Reverse Mortgage Business sections above for further information.

Dividends

We have no current plans to pay any cash dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant (including restrictions contained in the 2018 Credit Agreement and the Second Lien Notes indenture). In addition, our ability to pay dividends is restricted by the terms of the 2018 Credit Agreement and the Second Lien Notes indenture. Refer to the Corporate Debt section above.

Sources and Uses of Cash

The following table sets forth selected consolidated cash flow information (in thousands):

	For the Years Ended December 31,		Variance
	2017	2016	2017 vs. 2016
Cash flows provided by operating activities:			
Net loss adjusted for non-cash operating activities	$ (361,899)	$ (220,055)	$ (141,844)
Changes in assets and liabilities	320,564	315,940	4,624
Net cash provided by originations activities [(1)]	820,407	356,065	464,342
Cash flows provided by operating activities	779,072	451,950	327,122
Cash flows provided by investing activities	1,555,721	699,809	855,912
Cash flows used in financing activities	(2,273,422)	(1,129,989)	(1,143,433)
Net increase in cash and cash equivalents	$ 61,371	$ 21,770	$ 39,601

(1) Represents purchases and originations of residential loans held for sale, net of proceeds from sales and payments.

Operating Activities

The primary sources and uses of cash for operating activities are purchases, originations and sales activity of residential loans held for sale, changes in assets and liabilities, or operating working capital, and net loss adjusted for non-cash items. Cash provided by operating activities increased $327.1 million in 2017 as compared to 2016. The increase in cash provided by operating activities was primarily a result of an increase in cash provided by origination activities resulting from a higher volume of loans sold in relation to loans originated in 2017 as compared to 2016, offset in part by net changes in working capital items as described in more detail in the Financial Condition section.

Investing Activities

The primary sources and uses of cash for investing activities relate to purchases, originations and payment activity on reverse loans, payments received on mortgage loans held for investment, and payments made for business and servicing rights acquisitions. Cash provided by investing activities increased $855.9 million in 2017 as compared to 2016. Cash provided by principal payments received on reverse loans held for investment, net of purchases and originations, increased $822.9 million primarily as a result of a lower funded volume of reverse loans due to our exit from the reverse mortgage originations business in early 2017, and higher principal repayments and payments received for loans conveyed to HUD. In addition, we received cash proceeds of $131.1 million from the sale of our insurance business in 2017. These increases in cash were offset partially by lower cash proceeds of $110.5 million from the sale of servicing rights and real estate owned during 2017 as compared to 2016 and $101.0 million in cash outflow related to the deconsolidation of variable interest entities during 2017.

Financing Activities

The primary sources and uses of cash for financing activities relate to securing cash for our originations, reverse mortgage and servicing businesses, as well as for our corporate investing activities. Cash used in financing activities increased $1.1 billion in 2017 as compared to 2016. Cash payments on HMBS related obligations, net of cash generated from the securitization of reverse loans, increased $1.1 billion primarily as a result of a lower volume of reverse loan securitizations due to our exit from the reverse mortgage originations business in early 2017 and an increase in the repurchase of certain HECMs and real estate owned from securitization pools. Cash payments on and for the extinguishment and settlement of corporate debt increased $155.4 million driven by a payment made to the 2013 Term Loan in connection with the Restructuring. These decreases in cash were offset partially by $143.8 million in lower net cash borrowings on servicing advance liabilities used to fund advances for our servicing business due to the closing of one facility and net paydowns on other facilities driven by lower advance balances.

Credit Risk

Consumer Credit Risk

In conjunction with our originations business, we provide representations and warranties on loan sales. Subsequent to the sale, if it is determined that a loan sold is in breach of these representations or warranties, we generally have an obligation to cure such breach. In general, if we are unable to cure such breach, the purchaser of the loan may require us to repurchase such loan for the unpaid principal balance, accrued interest, and related advances, and in any event, we must indemnify such purchaser for certain losses and expenses incurred by such purchaser in connection with such breach. In the case we repurchase the loan, we bear any subsequent credit loss on the loan. Our credit loss may be reduced by any recourse we have to correspondent lenders that, in turn, have sold such residential loans to us and breached similar or other representations and warranties. We maintain a reserve for losses on our representations and warranties obligations. Refer to Notes 7 and 30 to the Consolidated Financial Statements and to the Liquidity and Capital Resources section for additional information regarding these transactions. At December 31, 2017, we held $4.9 million in repurchased loans.

We are also subject to credit risk associated with mortgage loans that we purchase and originate during the period of time prior to the sale of these loans. We consider the credit risk associated with these loans to be insignificant as we hold the loans, on average, for approximately 20 days from the date of borrowing, and the market for these loans continues to be highly liquid.

Counterparty Credit Risk

We are exposed to counterparty credit risk in the event of non-performance by counterparties to various agreements we enter into from time to time, including but not limited to our subservicing agreements, our agreements with GSEs and government agencies relating to our residential loan servicing and originations businesses, our master repurchase agreements we use to fund our residential loan originations business and our HECM repurchase obligations, certain of our advance financing facility agreements, and other agreements relating to our mortgage loan sales and MBS purchase commitments. We are also exposed to counterparty credit risk with respect to wholesale and correspondent lenders with whom we do business, and counterparties from whom we have purchased MSR. We attempt to minimize our counterparty credit risk through, among other things, conducting quality control reviews of wholesale and correspondent lenders, reviewing compliance by wholesale and correspondent lenders with applicable underwriting standards and our client guide, our use of internal monitoring procedures, including monitoring of our counterparties’ credit ratings, reviewing of our counterparties' financial statements and general credit worthiness, and the establishment of collateral requirements. Counterparty credit risk, as well as our own credit risk, is taken into account when determining fair value, although its impact is diminished by any requisite margin posting and other collateral requirements.

Real Estate Market Risk

We include on our consolidated balance sheets assets secured by real property and property obtained directly as a result of foreclosures. Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could also cause us to suffer losses.

The following tables present the activity related to foreclosed property (dollars in thousands):

	For the Year Ended December 31, 2017					
	Reverse Mortgage		Servicing		Non-Residual Trusts[1]	
	Units	Amount	Units	Amount	Units	Amount
Balance at beginning of year	726	$ 90,667	239	$ 12,859	41	$ 1,028
Foreclosures and other additions, at fair value	1,086	143,409	321	18,076	218	2,495
Cost basis of financed sales	—	—	(202)	(10,724)	—	—
Cost basis of cash sales to third parties and other dispositions	(1,086)	(127,170)	(82)	(6,535)	(204)	(2,438)
Lower of cost or fair value adjustments	—	(5,146)	—	45	—	(13)
Balance at end of year	726	$ 101,760	276	$ 13,721	55	$ 1,072

	For the Year Ended December 31, 2016					
	Reverse Mortgage		Servicing		Non-Residual Trusts[1]	
	Units	Amount	Units	Amount	Units	Amount
Balance at beginning of year	542	$ 66,458	199	$ 10,367	59	$ 558
Foreclosures and other additions, at fair value	1,109	128,798	334	18,554	289	3,925
Cost basis of financed sales	—	—	(247)	(13,020)	—	—
Cost basis of cash sales to third parties and other dispositions	(925)	(100,168)	(47)	(2,681)	(307)	(3,171)
Lower of cost or fair value adjustments	—	(4,421)	—	(361)	—	(284)
Balance at end of year	726	$ 90,667	239	$ 12,859	41	$ 1,028

(1) Foreclosed property held by the Non-Residual Trusts is included in our Other non-reportable segment.

A non-performing reverse loan for which the maximum claim amount has not been met is generally foreclosed upon on behalf of Ginnie Mae with the real estate owned remaining in the securitization pool until liquidation. Although performing and non-performing loans are covered by FHA insurance, we may incur expenses and losses in the process of repurchasing and liquidating these loans that are not reimbursable by FHA in accordance with program guidelines. In addition, in certain circumstances, we may be subject to real estate price risk to the extent we are unable to liquidate real estate owned within the FHA program guidelines. We attempt to mitigate this risk by monitoring the aging of real estate owned and managing our marketing and sales program based on this aging. The growth in the real estate owned portfolio held by the Reverse Mortgage segment was due to the increased flow of HECMs that move through the foreclosure process.

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, or are based on, financial assets. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Ratings

We receive various credit and servicer ratings as set forth below. Our ratings may be subject to a revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Rating agency ratings are not a recommendation to buy, sell or hold any security.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a particular company, security or obligation and are considered by lenders in connection with the setting of interest rates and terms for a company's borrowings. Our ability to obtain adequate and cost effective financing depends, in part, on our credit ratings. Further, downgrades in our credit ratings could negatively affect our cost of, and ability to access, capital. The following table summarizes our credit ratings and outlook as of the date of this report.

	Moody's	S&P
Corporate / CCR	Caa2	CCC+
Senior Secured Debt	Caa2	B-
Second Lien Debt	n/a	CCC-
Outlook	Negative	Stable
Date of Last Action	February 2018	February 2018

Servicer Ratings

Residential loan and manufactured housing servicer ratings reflect the applicable rating agency's assessment of a servicer’s operational risk and how the quality and experience of the servicer affect loan performance. The following table summarizes the servicer ratings and outlook assigned to certain of our servicer subsidiaries as of the date of this report. Unless otherwise specified, these servicer ratings relate to Ditech Financial as a servicer of mortgage loans.

	Moody's	S&P
Residential Subprime Servicer	SQ3+	Above Average
Residential Special Servicer	—	Above Average
Residential Second/Subordinated Lien Servicer	SQ2-	Above Average
Manufactured Housing Servicer	SQ2-	Above Average
Residential Reverse Mortgage Servicer	—	Strong [(1)]
Outlook	On review	Negative
Date of Last Action	October 2017	May 2017

(1) S&P last affirmed its rating for RMS as a residential reverse mortgage servicer in October 2017 with a stable outlook.

Cybersecurity

We devote significant resources to maintain and regularly update our systems and processes that are designed to protect the security of our computer systems, software, networks and other technology assets against attempts by unauthorized parties to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. From time to time we, our vendors and other companies that store or process confidential borrower personal and transactional data are targeted by unauthorized parties using malicious code and viruses or otherwise attempting to breach the security of our or our vendors’ systems and data. We employ extensive layered security at all levels within our organization to help us detect malicious activity, both from within the organization and from external sources. It is company protocol to investigate the cause and extent of all instances of cyber-attack, potential or confirmed, and take any additional necessary actions including: conducting additional internal investigation; engaging third-party forensic experts; updating our defenses; and involving senior management. We have established, and continue to establish on an ongoing basis, defenses to identify and mitigate these cyber-attacks and, to date, we have not experienced any material disruption to our operations due to a cyber-attack. Cyber-attacks resulting in loss, unauthorized access to, or misuse of confidential or personal information could disrupt our operations, damage our reputation, and expose us to claims from customers, financial institutions, regulators, employees and other persons, any of which could have an adverse effect on our business, financial condition and results of operations.

In addition to our vendors, other third parties with whom we do business or that facilitate our business activities (e.g., GSEs, transaction counterparties and financial intermediaries) could also be sources of cybersecurity risk to us, including with respect to breakdowns or failures of their systems, misconduct by the employees of such parties, or cyber-attacks, which could affect their ability to deliver a product or service to us or result in lost or compromised information of us or our consumers. We work with our vendors and other third parties with whom we do business, to enhance our defenses and improve resiliency to cybersecurity threats. Systems failures could result in reputational damage to our business and cause us to incur significant costs and third-party liability, and this could adversely affect our business, financial condition and results of operations.

Off-Balance Sheet Arrangements

We have certain off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues and expenses, results of operations, liquidity, capital expenditures or capital resources.

We have exposure to representations and warranties obligations as a result of our loan sales activities. If it is determined that loans sold are in breach of these representations or warranties and we are unable to cure such breach, we generally have an obligation to either repurchase the loan for the unpaid principal balance, accrued interest, and related advances, and in any event, we must indemnify the purchaser of the loans for certain losses and expenses incurred by such purchaser in connection with such breach. Our credit loss may be reduced by any recourse we have to correspondent lenders that, in turn, have sold such residential loans to us and breached similar or other representations and warranties. We record an estimate of the liability associated with our representations and warranties exposure on our consolidated balance sheets. Refer to Notes 7 and 30 to the Consolidated Financial Statements for the financial effect of these arrangements and to the Liquidity and Capital Resources section for additional information.

We have a variable interest in WCO, which provided financing to us from 2014 to 2016 through the sale of excess servicing spreads and servicing rights. In addition, we performed subservicing for WCO through 2016. WCO commenced liquidation activities in December 2016 and is currently winding down its operations. Refer to Notes 14 and 32 to the Consolidated Financial Statements for additional information on servicing activities and transactions with WCO. We also have other variable interests in other entities that we do not consolidate as we have determined that we are not the primary beneficiary of such entities. Included in Note 6 to the Consolidated Financial Statements are descriptions of our variable interests in VIEs that we do not consolidate as we have determined that we are not the primary beneficiary of such VIEs.

Critical Accounting Estimates

Our ability to measure and report our financial position and operating results is influenced by the need to estimate the impact or outcome of future events on the basis of information available at the time of the financial statements. An accounting estimate is considered critical if it requires that management make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on our results of operations and cash flows. Our significant accounting policies are included in Note 4 to the Consolidated Financial Statements.

Fair Value Measurements

We have an established and documented process for determining fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities, or Level 1 inputs, and the lowest priority to unobservable inputs, or Level 3 inputs. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Refer to Note 8 to the Consolidated Financial Statements for a description of valuation methodologies used to measure assets and liabilities at fair value and details on the valuation models, key inputs to those models and significant assumptions utilized.

The following table summarizes the assets and liabilities measured at fair value on a recurring basis using Level 3 inputs (dollars in thousands):

	December 31,	
	2017	2016
Assets		
Reverse loans	$ 9,789,444	$ 10,742,922
Mortgage loans related to Non-Residual Trusts	301,435	450,377
Mortgage loans held for sale	68	—
Charged-off loans	45,800	46,963
Receivables related to Non-Residual Trusts	5,608	15,033
Servicing rights carried at fair value	714,774	936,423
Freestanding derivative instruments (IRLCs)	26,637	53,394
Assets at fair value using Level 3 inputs	$ 10,883,766	$ 12,245,112
As a percentage of total assets measured at fair value on a recurring basis	94.85%	90.91%
Liabilities		
Freestanding derivative instruments (IRLCs)	$ 269	$ 4,193
Mortgage-backed debt related to Non-Residual Trusts	348,682	514,025
HMBS related obligations	9,175,128	10,509,449
Liabilities at fair value using Level 3 inputs	$ 9,524,079	$ 11,027,667
As a percentage of total liabilities measured at fair value on a recurring basis	99.99%	99.91%

When available, we generally use quoted market prices to determine fair value. If quoted market prices are not available, fair value is based upon internally-developed valuation models, such as a discounted cash flow model, that where possible, use current market-based or independently sourced market parameters, such as market rates commensurate with an instrument's credit quality and duration. We consider market liquidity when estimating fair value based on the type of asset or liability measured and the valuation method used. For example, for mortgage loans where the significant inputs have become unobservable due to illiquidity in the markets for non-agency and non-conforming mortgage loans, we use a discounted cash flow technique to estimate fair value. This technique incorporates forecasting of expected cash flows discounted at an appropriate market discount rate that is intended to reflect the lack of liquidity in the market. Level 3 unobservable assumptions reflect our own estimates for assumptions that market participants would use in pricing the asset or liability.

Unobservable inputs used in our internal valuation models require considerable judgment and are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. Separate from the possible future impact to our results of operations from changes to inputs, the value of market-sensitive assets and liabilities may change subsequent to the balance sheet date due to the nature and magnitude of future credit and market conditions. Such credit and market conditions may change quickly and in unforeseen ways and the resulting volatility could have a significant, negative effect on future operating results. These fluctuations would not be indicative of deficiencies in our models or inputs.

All of the techniques used and information obtained in the valuation process provide a range of estimated values, which are evaluated in order to establish an estimated value that, based on management's judgment, represents a reasonable estimate of fair value. It is not uncommon for the range of value to vary widely, and in such cases, we select an estimated value that we believe is the best indication of value based on the yield a market participant in the current environment would expect.

Our Valuation Committee determines and approves valuation policies and unobservable inputs used to estimate the fair value of items measured at fair value on a recurring basis. The Valuation Committee meets on a quarterly basis to review the assets and liabilities that require fair value measurement, including how each asset and liability has actually performed in comparison to the unobservable inputs and the projected performance. The Valuation Committee also reviews related available market data.

The changes to the fair value of our Level 3 assets and liabilities are discussed in the Results of Operations and Business Segment Results sections.

Reverse Loans and HMBS Related Obligations

Changes in market pricing for HECMs and HMBS and LIBOR can have a material impact on fair value and our results of operations. We utilize and give priority to observable market inputs, such as interest rates and market spreads, in our valuation of reverse loans and HMBS related obligations. However, we also utilize unobservable inputs, such as repayment speeds, mortality assumptions and expected duration, and also consider the value of underlying collateral. These unobservable inputs require the use of our judgment and can also have a significant impact on the determination of fair value.

Non-Residual Trusts

We utilize and give priority to observable market inputs, such as interest rates and market spreads, in our valuation of the assets and liabilities of the Non-Residual Trusts. However, we also utilize internal inputs, such as prepayment speeds, default rates, loss severity and discount rates, and also consider the value of underlying collateral. These internal inputs require the use of our judgment and can have a significant impact on the determination of fair value. The nets assets of the Non-Residual Trusts have remained relatively consistent at December 31, 2017 as compared to December 31, 2016. Our mandatory call obligation associated with the Non-Residual Trusts impacts our liquidity. Refer to the Liquidity and Capital Resources section for additional information.

Charged-off Loans

We primarily utilize internal inputs, such as collection rates and discount rates, in the valuation of charged-off loans and also consider borrower specific factors such as FICO scores and bankruptcy status as well as underlying collateral. In addition, we take into account current and expected future economic conditions. Charged-off loans remained relatively consistent at December 31, 2017 as compared to December 31, 2016.

Servicing Rights

We estimate the fair value of our servicing rights by calculating the present value of expected future cash flows utilizing assumptions that we believe a market participant would consider in valuing our servicing rights. The significant components of the estimated future cash flows for servicing rights include estimates and assumptions related to the prepayments of principal, defaults, ancillary fees, and discount rates that we believe approximate yields required by investors for these assets, and the expected cost of servicing. We reassess periodically and adjust the underlying inputs and assumptions in the model to reflect market conditions and assumptions that a market participant would consider in valuing servicing rights.

We use a discounted cash flow model to value our servicing rights. This process allows us to determine inputs that are significant to the valuation and serves as a basis to forecast prepayment and default rates. These rates, which are used in the development of expected future cash flows, are based on historical observations of prepayment behavior in similar periods, comparing current and expected future mortgage rates to the mortgage rates of our servicing portfolio, and incorporates loan characteristics (e.g., loan type and note rate) and the relative sensitivity of our servicing portfolio to refinancing and also considers estimated levels of home equity. The fair value estimates and assumptions are compared to industry surveys, recent market activity, actual portfolio experience, and when available, observable market data, and are adjusted as applicable based on this data. We obtain third-party valuations on a quarterly basis to assess the reasonableness of the fair value calculated by our model.

Changes in these assumptions are generally expected to affect our results of operations as follows:

- A declining interest rate environment generally drives increases in prepayment speeds. Increases in prepayments of principal reduce the value of our servicing rights as the underlying loans prepay faster, which causes accelerated servicing right amortization or declines in the fair value of servicing rights;
- Increases in defaults generally reduce the value of our servicing rights as the cost of servicing increases during the delinquency period due primarily to increases in servicing advances and related interest expense, which is partially offset by increases in ancillary fees; and
- Increases in discount rate reduce the value of our servicing rights due to the lower overall net present value of the cash flows.

In contrast, decreases in prepayment speeds, defaults and discount rates generally increase the value of servicing rights.

Refer to Note 14 to the Consolidated Financial Statements for the effect on the fair value of servicing rights carried at fair value for adverse changes to certain significant assumptions. Refer to the Servicing section within Business Segment Results for a discussion of the changes in servicing rights carried at fair value.

Interest Rate Lock Commitments

Fair values of IRLCs are derived using valuation models incorporating market pricing for instruments with similar characteristics and by estimating the fair value of the servicing rights expected to be recorded upon sale of the loan and are adjusted for anticipated loan funding probability. The loan funding probability ratio represents the aggregate likelihood that loans currently in a lock position will ultimately close, which is largely dependent on the loan processing stage that a loan is currently in, and changes in interest rates from the time of the rate lock through the time a loan is closed. The estimation process involved with the fair value of servicing rights is discussed above. Both the fair value of the servicing rights expected to be recorded upon sale of the loan and the loan funding probability ratio are based on management judgment; these inputs can have a material effect on the estimated fair values.

We have derivative instruments that we hold to manage the price risk associated with IRLCs and mortgage loans held for sale. These derivatives and mortgage loans held for sale are classified as Level 2 within the fair value hierarchy. Refer to Notes 8 and 9 to the Consolidated Financial Statements for additional information related to derivative instruments.

Allowance for Uncollectible Advances

We establish an allowance for uncollectible advances that provides for probable losses inherent in funded servicer and protective advances. The allowance is based on a collection risk analysis that considers the underlying loan, the type of advance, our customers' servicing and advance reimbursement guidelines, reimbursement patterns and past loss experience. Although we examine a variety of available data to determine our allowance, our estimation process is subject to risks and uncertainties, including a reliance on historical loss and trend information that may not be representative of current conditions and indicative of future performance.

Asset Impairment Reviews

We review our long-lived assets for impairment indicators throughout the year. We perform impairment testing for goodwill at least annually and for all other long-lived assets whenever impairment indicators are present. When we have determined an impairment has occurred, we record an impairment charge for the amount by which the fair value is less than the carrying value of these assets. Our impairment review processes are described in Note 4 to the Consolidated Financial Statements.

Examples of events or circumstances that may be indicative of impairment include:

- decline in future expected cash flows;
- changes in facts and circumstances associated with a shift in strategic direction;
- decline in overall financial performance;
- changes in market capitalization;
- changes in regulatory requirements;
- increased liquidity requirements; and
- industry and market considerations.

When determining the fair value of goodwill, we are required to determine the fair value of each reporting unit. We primarily use the income approach but we may also use the market approach, or a weighted-average combination of both approaches.

The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, the method that we use is the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then we apply a reporting unit-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, long-term growth rate, discount rate and tax rate.

The market approach is a historical approach to estimating fair value and relies primarily on external information. Within the market approach are two methods that we may use:

- Guideline public company method—this method employs market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.
- Guideline transaction method—this method relies on pricing multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business and the application of the identified multiples to the corresponding measure of our reporting unit's financial performance.

The market approach is only appropriate when the available external information is robust and deemed to be a reliable proxy for the specific reporting unit being valued; however, these assessments may prove to be incomplete or inaccurate. Some of the more significant estimates and assumptions inherent in this approach include: the selection of appropriate guideline companies and transactions and the determination of applicable premiums and discounts based on any differences in ownership percentages, ownership rights, business ownership forms or marketability between the reporting unit and the guideline companies and transactions.

When determining the fair value of intangible assets other than goodwill, we use an income approach, specifically the discounted cash flow method. We start with a forecast of all the expected net cash flows associated with the asset, which includes the application of a terminal value for indefinite-lived assets, and then we apply an asset-specific discount rate to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, long-term growth rate, discount rate and tax rate.

We are likely to continue to be impacted in the near term by certain company-specific matters, overall market performance within the sector, and a continued level of regulatory scrutiny. As a result, market capitalization, overall economic and sector conditions and other events or circumstances, including the ability to execute on our strategic objectives, amongst other factors, will continue to be regularly monitored by management. Unanticipated outcomes in these areas may result in an impairment of goodwill and/or intangible assets and have a related impact on income taxes in the future.

Income Taxes

We record a tax provision for the anticipated tax consequences of the reported results of operations. We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates in each jurisdiction that applies to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We are required to establish a valuation allowance for deferred tax assets and record a charge to income if it is determined, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be realized. A full valuation allowance has been established for deferred tax assets at December 31, 2017.

Our evaluation of the realizability of the deferred tax assets focuses on identifying significant, objective evidence that we will more likely than not be able to realize our deferred tax assets in the future. We consider both positive and negative evidence when evaluating the need for a valuation allowance, which is highly judgmental and requires subjective weighting of such evidence.

Contingencies

We estimate contingent liabilities based on management's evaluation of the probability of outcomes and the ability to estimate the range of exposure. A liability is contingent if the extent of loss is not presently known but may become known in the future through the occurrence of some uncertain future event. Accounting standards require that a liability be recorded if it is determined that it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. In deriving an estimate, we are required to make assumptions about matters that are, by their nature, highly uncertain. The assessment of contingent liabilities, including legal contingencies, curtailment obligations and repurchase obligations, involves the use of critical estimates, assumptions and judgments. Through our assessment we consider many factors, including the progress of the matter, prior experience and experience of others in similar matters, available defenses, and the advice of legal counsel and other experts. Our estimates are based on the belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. Because matters may be resolved over long periods of time, accruals are adjusted as more information becomes available or when an event occurs requiring a change. However, there can be no assurance that future events will not differ from our assessments.

Fresh Start Accounting

In connection with our emergence from Chapter 11, we believe that we will meet the conditions to qualify under GAAP for fresh start accounting, and accordingly expect to adopt fresh start accounting effective February 10, 2018. The reorganization value will represent the fair value of the entity before considering liabilities and will approximate the amount a willing buyer would pay for our assets immediately after restructuring. The reorganization value is then allocated to the respective fair value of assets. The excess reorganization value over the fair value of identified tangible and intangible assets, if any, is recorded as goodwill. Liabilities, other than deferred taxes, will be stated at present values of amounts expected to be paid.

Fair values of assets and liabilities will represent our best estimates based on independent appraisals and valuations. Where the foregoing are not available, industry data and trends or references to relevant market rates and transactions will be used. These estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond our reasonable control. Moreover, the market value of our common stock may differ materially from the fresh start equity valuation.

New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for a summary of recently adopted and recently issued accounting standards and their related effects or anticipated effects on our consolidated results of operations and financial condition.

Glossary of Terms

This Glossary of Terms includes acronyms and defined terms that are used throughout this Annual Report on Form 10-K.

Term	Definition
2011 Plan	2011 Omnibus Incentive Plan established by the Company on May 10, 2011, as amended and restated
2013 Credit Agreement	Amended and Restated Credit agreement entered into on December 19, 2013 among the Company, Credit Suisse AG, as administrative agent and collateral agent, the lenders from time to time party thereto and other parties thereto, as amended on July 31, 2017
2013 Revolver	Senior secured revolving credit facility entered into on December 19, 2013, as amended
2013 Secured Credit Facilities	2013 Term Loan and 2013 Revolver, collectively
2013 Term Loan	$1.5 billion senior secured first lien term loan borrowed on December 19, 2013 pursuant to the 2013 Credit Agreement
2017 Plan	2017 Omnibus Incentive Plan established by the Company on May 17, 2017
2018 Credit Agreement	Second Amended and Restated Credit Agreement entered into on February 9, 2018 (and as amended prior to the date hereof) among the Company, Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, the lenders from time to time party thereto and other parties thereto
2018 Term Loan	Approximately $1.16 billion senior secured first lien term loan borrowed on February 9, 2018 pursuant to the 2018 Credit Agreement
Adjusted EBITDA	Adjusted earnings before interest, taxes, depreciation and amortization, a non-GAAP financial measure; refer to Non-GAAP Financial Measures section under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for description of metric
Adjusted Earnings (Loss)	Adjusted earnings or loss before taxes, a non-GAAP financial measure; refer to Non-GAAP Financial Measures section under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for description of metric
Advisers Act	Investment Advisers Act of 1940
ARM	Asset Receivables Management, a deficiencies collections reporting unit of the Company
Articles of Amendment and Restatement	Amended and Restated Articles of Incorporation dated February 9, 2018, filed as Exhibit 3.1 to Amendment No. 2 to the Registrant's Current Report on Form 8-K as filed with the SEC on February 13, 2018
Articles Supplementary	Exhibit A to the Company's Articles of Amendment and Restatement, which contains the terms, rights and preferences of the Company's outstanding Convertible Preferred Stock
Assurant	Assurant, Inc.
Bankruptcy Code	The United States Bankruptcy Code, 11 U.S.C. Section 101, et seq. as amended
Bankruptcy Court	The United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Case, and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157, pursuant to 28 U.S.C. § 151, the United States District Court for the Southern District of New York
Bankruptcy Petition	Voluntary petition filed on November 30, 2017 by Walter Investment Management Corp. under Chapter 11 of the Bankruptcy Code
Borrowers	Borrowers under residential mortgage loans and installment obligors under residential retail installment agreements
Bps	Basis points
CCR	Corporate credit rating
CFPB	Consumer Financial Protection Bureau
Chapter 11 Case	The case under Chapter 11 of the Bankruptcy Code
Charged-off loans	Defaulted consumer and residential loans acquired by the Company at substantial discounts to face value during 2014, which are also referred to as post charge-off deficiency balances
Clean-up Call Agreement	Clean-up Call Agreement, dated as of October 10, 2017, by and among the Company and Capital One, National Association

Coal Acquisition	Warrior Met Coal, LLC (f/k/a Coal Acquisition LLC)
Code	Internal Revenue Code of 1986, as amended
Common Stock Directors	Three Class III directors elected by the holders of common stock
Computershare	Computershare Trust Company, N.A., as Rights Agent to the Rights Agreement
Confirmation Order	Order entered into on January 18, 2018 with the Court confirming approval of the Prepackaged Plan
Consolidated Financial Statements	The consolidated financial statements of Ditech Holding Corporation and its subsidiaries and the notes thereto included in Item 8 of this Form 10-K
Convertible Notes	4.50% convertible senior subordinated notes due 2019 sold in a registered underwritten public offering on October 23, 2012
Convertible Noteholders	Holders of the Convertible Notes
Convertible Preferred Stock	Shares of the Company’s mandatorily Convertible Preferred Stock, par value $0.01 per share, having a conversion multiple of 114.9750 shares of common stock per share of Convertible Preferred Stock pursuant to the terms of the Articles of Amendment and Restatement
COSO	Committee of Sponsoring Organizations of the Treadway Commission
DAAT Facility	Ditech Agency Advance Trust financing facility
Debtor	Walter Investment Management Corp.
Demand Registration	Under the Registration Rights Agreement, holders beneficially holding 10% or more of the common stock have the right to demand that the Company effect the registration of any or all of the registrable securities
DIP	Debtor-in-possession
DIP Warehouse Facilities	Warehouse facilities governed by agreements with Credit Suisse First Boston Mortgage Capital LLC, as sole structuring agent, lead arranger, co-lender and administrative agent on behalf of Credit Suisse AG, Cayman Islands Branch and Barclays Bank PLC, as co-lender to replace and refinance certain of the master repurchase agreements governing certain warehouse borrowings and certain other financing facilities during the Chapter 11 Case
Distribution taxes	Taxes imposed on Walter Energy or a Walter Energy shareholder as a result of the potential determination that the Company's spin-off from Walter Energy was not tax-free pursuant to Section 355 of the Code
Ditech Financial	Ditech Financial LLC, an indirect wholly-owned subsidiary of the Company
Ditech Holding	Ditech Holding Corporation and its consolidated subsidiaries
Ditech Mortgage Corp	Formerly an indirect wholly-owned subsidiary of the Company; effectually merged into Ditech Financial LLC
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOJ	United States Department of Justice
DPAT Facility	Ditech Private Label Securities Advance Trust financing facility
DPATII Facility	Ditech Private Label Securities Advance Trust II financing facility
Early Advance Reimbursement Agreement	$100 million financing facility with Fannie Mae
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ECOA	Equal Credit Opportunity Act
Effective Date	February 9, 2018, the date of our emergence from bankruptcy
EFTA	Electronic Fund Transfer Act
Exchange Act	Securities Exchange Act of 1934, as amended
Exit Warehouse Facilities	Warehouse facilities governed by agreements with Credit Suisse First Boston Mortgage Capital LLC, as sole structuring agent, lead arranger, co-lender and administrative agent on behalf of Credit Suisse AG, Cayman Islands Branch and Barclays Bank PLC, as co-lender to replace and refinance certain of the master repurchase agreements governing certain warehouse borrowings and certain other financing facilities for one year following the Effective Date
Fannie Mae	Federal National Mortgage Association
FASB	Financial Accounting Standards Board

FCRA	Fair Credit Reporting Act
FDCPA	Fair Debt Collection Practices Act
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FICO	Fair Isaac Corporation (borrower credit score)
Forward sales commitments	Forward sales of agency to-be-announced securities, a freestanding derivative financial instrument
Freddie Mac	Federal Home Loan Mortgage Corporation
FTC	Federal Trade Commission
GAAP	United States Generally Accepted Accounting Principles
Ginnie Mae	Government National Mortgage Association
Ginnie Mae II MBS	Modified pass-through mortgage-backed securities for which holders receive an aggregate principal and interest payment from a central paying agent
Ginnie Mae Guaranty Agreement	Ginnie Mae Guaranty Agreement together with related documents
Ginnie MBS Guide	Ginnie Mae Mortgage Backed-Securities Guide including the annexes thereto
GMBS	Government National Mortgage Association mortgage-backed securities
Green Tree Servicing	Green Tree Servicing LLC; effectually merged into Ditech Financial LLC
GSE	Government-sponsored entity
GTAAFT Facility	Green Tree Agency Advance Funding Trust financing facility
GTIM	Green Tree Investment Management, LLC, an indirect wholly-owned subsidiary of the Company
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HECM	Home Equity Conversion Mortgage
HECM IDL	Home Equity Conversion Mortgage Initial Disbursement Limit
HMBS	Home Equity Conversion Mortgage-Backed Securities
HMDA	Home Mortgage Disclosure Act
HOA	Homeowner's Association
HOEPA	Home Ownership and Equity Protection Act of 1994
HUD	U.S. Department of Housing and Urban Development
IRLC	Interest rate lock commitment, a freestanding derivative financial instrument
IRS	Internal Revenue Service
"Know Before You Owe" mortgage disclosure rule	Mortgage disclosure rule amending Regulation X of RESPA and Regulation Z of TILA to integrate certain mortgage loan disclosure forms and requirements, which became effective October 3, 2015
Lender-placed	Also referred to as "force-placed" insurance is an insurance policy placed by a bank or mortgage servicer on a home when the homeowners’ own property insurance may have lapsed or where the bank deems the homeowners’ insurance insufficient
LIBOR	London Interbank Offered Rate
Loans subject to repurchase from Ginnie Mae	Delinquent mortgage loans that the Company is required to record on its consolidated balance sheets, along with a corresponding liability, as a result of its unilateral right to repurchase such loans from Ginnie Mae
LOC	Letter of Credit
Marix	Marix Servicing, LLC
MBA	Mortgage Bankers Association
MBS	Mortgage-backed securities

MBS purchase commitments	Commitments to purchase mortgage-backed securities, a freestanding derivative financial instrument
MGCL	Maryland General Corporation Law
Moody's	Moody’s Investors Service Limited, a nationally recognized statistical rating organization designated by the SEC
Mortgage loans	Traditional mortgage loans and residential retail installment agreements, which include manufactured housing loans as well as consumer loans
MSP	A mortgage and consumer loan servicing platform licensed from Black Knight Financial Services, LLC
MSR	Mortgage servicing rights
N/A	Not applicable
Net realizable value	Fair value less cost to sell
n/m	Not meaningful
NOL	Net operating loss
NOL Carryforwards	Net operating losses carried over from prior taxable years
Non-Residual Trusts	Securitization trusts that the Company consolidates and in which the Company does not hold residual interests
NRM	New Residential Mortgage LLC, a wholly owned subsidiary of New Residential Investment Corp., a Delaware Corporation
NRM Flow and Bulk Agreement	Flow and Bulk Agreement for the Purchase and Sale of Mortgage Servicing Rights, dated as of August 8, 2016, and as subsequently amended, by and between Ditech Financial LLC and New Residential Mortgage LLC
NRM Subservicing Agreement	Subservicing Agreement, dated as of August 8, 2016, and as subsequently amended, by and between New Residential Mortgage LLC and Ditech Financial LLC
NYSE	New York Stock Exchange
OTS	Office of Thrift Supervision
Parent Company	Ditech Holding Corporation
Petition Date	November 30, 2017, the date that the Company filed the Bankruptcy Petition with the Bankruptcy Court
Prepackaged Plan	Proposed prepackaged plan of reorganization of Walter Investment Management Corp. under Chapter 11 of the Bankruptcy Code
PIK	Payment-in-kind
Preferred Stock Directors	Six Class I and Class II directors elected by the holders of preferred stock
RCS	Residential Credit Solutions, Inc., a Delaware corporation
Registration Rights Agreement	Registration Rights Agreement entered into with certain parties that received shares of the Company’s common stock, warrants and mandatorily convertible preferred stock on the Effective Date as provided in the Prepackaged Plan and which provides holders with registration rights for the holders’ registrable securities.
REIT	Real estate investment trust
REO	Real estate owned
Residential loans	Residential mortgage loans, including traditional mortgage loans, reverse mortgage loans and residential retail installment agreements, which include manufactured housing loans as well as consumer loans
Residual Trusts	Securitization trusts that the Company consolidates and in which it holds a residual interest
RESPA	Real Estate Settlement Procedures Act
Restatement	The restatement of our financial statements as of and for the periods ended June 30, 2016, September 30, 2016, December 31, 2016 and March 31, 2017
Restructuring	Financial restructuring of the Company
Reverse loans	Reverse mortgage loans, including HECMs

Revolving Credit Facility	The revolving loan commitments of lenders to the 2013 Credit Agreement and the extensions of credit made thereunder
Rights Agreement	The Amended and Restated Section 382 Rights Agreement, dated as of November 11, 2016, as amended November 9, 2017 and February 9, 2018
Risk-managed loan class	Risk-managed mortgage loan class
RMS	Reverse Mortgage Solutions, Inc., an indirect wholly-owned subsidiary of the Company
RSUs	Restricted stock units
SEC	U.S. Securities and Exchange Commission
Second Lien Notes	$250 million aggregate principal amount of 9.00% Second Lien Senior Subordinated PIK Toggle Notes due 2024 issued on February 9, 2018
Second Lien Notes Indenture	Indenture for the 9.00% Second Lien Senior Subordinated PIK Toggle Notes due 2024 dated as of February 9, 2018 among the Company, the guarantors and Wilmington Savings Fund Society, FSB, as trustee
Section 382	Section 382 of the Internal Revenue Code
Securities Act	Securities Act of 1933, as amended
Securities Master Repurchase Agreement	Master repurchase agreement issued on November 30, 2017 under the DIP Warehouse Facilities used to fund advances
Senior Notes	$575 million aggregate principal amount of 7.875% senior notes due 2021 issued on December 17, 2013
Senior Noteholders	Holders of the Senior Notes
Senior Noteholder RSA	Restructuring Support Agreement, dated as of October 20, 2017, by and among Walter Investment Management Corp. and the Consenting Senior Noteholders
Senior Notes Indenture	Indenture for the 7.875% Senior Notes due 2021 dated as of December 17, 2013 among the Company, the guarantors and Wilmington Savings Fund Society, FSB, as successor trustee
Series A Warrants	Warrants to purchase the Company's common stock, exercisable on a cash or cashless basis at an exercise price of $20.63 per share, expiring February 9, 2028
Series B Warrants	Warrants to purchase the Company's common stock, exercisable on a cash or cashless basis at an exercise price of $28.25 per share, expiring February 9, 2028
Servicer and Protective Advance Financing Facilities	The Company's interests in financing entities that acquire servicer and protective advances from certain wholly-owned subsidiaries
Side Letter Agreement	Side Letter Agreement dated as of January 17, 2018 between Ditech Financial and NRM
STAR	Servicer Total Achievement and Rewards
S&P	Standard and Poor's Ratings Services, a nationally recognized statistical rating organization designated by the SEC
Tails	Participations in previously securitized HECMs created by additions to principal for borrower draws on lines of credit, interest, servicing fees, and mortgage insurance premiums
TBAs	To-be-announced securities
Tax Act	Tax Cuts and Jobs Act, signed into law in December 2017
TCPA	Telephone Consumer Protection Act
Term Lenders	Lenders with term loan commitments or outstanding term loans under the 2013 Credit Agreement
Term Loan RSA	Restructuring Support Agreement, dated as of July 31, 2017, by and among Walter Investment Management Corp. and the lenders party thereto
TILA	Truth in Lending Act
Trust Notes	The mortgage-backed and asset-backed notes issued by the Residual Trusts
UPB	Unpaid principal balance
U.S.	United States of America
U.S. Treasury	U.S. Department of the Treasury

USDA	United States Department of Agriculture
VA	United States Department of Veterans Affairs
VIE	Variable interest entity
Walter Energy	Walter Energy, Inc.
Walter Energy Asset Purchase Agreement	Stalking horse asset purchase agreement entered into by Walter Energy, together with certain of its subsidiaries, and Coal Acquisition on November 5, 2015 and amended and restated on March 31, 2016
Walter Investment Management Corp.	Walter Investment Management Corp., former name of Ditech Holding Corporation
Warehouse borrowings	Borrowings under master repurchase agreements
WCO	Walter Capital Opportunity LLC (formerly Walter Capital Opportunity Corp.) and its consolidated subsidiaries

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We seek to manage the risks inherent in our business — including, but not limited to, credit risk, liquidity risk, real estate market risk, and interest rate risk — in a prudent manner designed to enhance our earnings and preserve our capital. In general, we seek to assume risks that can be quantified from historical experience, to actively manage such risks, and to maintain capital levels consistent with these risks. For information regarding our credit risk, real estate market risk and liquidity risk, refer to the Credit Risk, Real Estate Market Risk and Liquidity and Capital Resources sections under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Interest Rate Risk

Interest rate risk is the risk of loss of future earnings or fair value due to changes in interest rates. Our principal market exposure associated with interest rate risk relates to changes in long-term U.S. Treasury and mortgage interest rates and LIBOR.

We provide sensitivity analysis surrounding changes in interest rates in the Servicing, Originations and Reverse Mortgage Segments and Other Financial Instruments sections below. However, there are certain limitations inherent in any sensitivity analysis, 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.

Servicing, Originations and Reverse Mortgage Segments

Sensitivity Analysis

The following table summarizes the estimated change in the fair value of certain assets and liabilities given hypothetical instantaneous parallel shifts in the interest rate yield curve (in thousands):

	December 31, 2017			
	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps
Servicing segment				
Servicing rights carried at fair value	$ (148,094)	$ (60,902)	$ 46,154	$ 83,445
Net change in fair value - Servicing segment	$ (148,094)	$ (60,902)	$ 46,154	$ 83,445
Originations segment				
Residential loans held for sale	$ 7,273	$ 4,038	$ (5,224)	$ (11,275)
Freestanding derivatives [1]	(9,907)	(5,406)	5,308	11,236
Net change in fair value - Originations segment	$ (2,634)	$ (1,368)	$ 84	$ (39)
Reverse Mortgage segment				
Reverse loans	$ 103,753	$ 49,454	$ (56,922)	$ (109,026)
HMBS related obligations	(90,590)	(42,211)	52,801	99,451
Net change in fair value - Reverse Mortgage segment	$ 13,163	$ 7,243	$ (4,121)	$ (9,575)

	December 31, 2016			
	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps
Servicing segment				
Servicing rights carried at fair value	$ (115,168)	$ (51,147)	$ 41,295	$ 76,804
Net change in fair value - Servicing segment	$ (115,168)	$ (51,147)	$ 41,295	$ 76,804
Originations segment				
Residential loans held for sale	$ 21,851	$ 12,410	$ (14,099)	$ (29,869)
Freestanding derivatives [1]	(28,898)	(15,606)	14,949	30,292
Net change in fair value - Originations segment	$ (7,047)	$ (3,196)	$ 850	$ 423
Reverse Mortgage segment				
Reverse loans	$ 110,485	$ 54,754	$ (53,822)	$ (106,714)
HMBS related obligations	(90,327)	(44,867)	44,287	87,983
Net change in fair value - Reverse Mortgage segment	$ 20,158	$ 9,887	$ (9,535)	$ (18,731)

(1) Consists of IRLCs, forward sales commitments and MBS purchase commitments.

We used December 31, 2017 and 2016 market rates on our instruments to perform the sensitivity analysis. These sensitivities measure the potential impact on fair value, are hypothetical, and presented for illustrative purposes only. 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 complex market reactions that normally would arise from the market shifts modeled. 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.

Servicing Rights Carried at Fair Value

Servicing rights carried at fair value are subject to prepayment risk as the mortgage loans underlying the servicing rights permit the borrowers to prepay the loans. Consequently, the value of these servicing rights generally tend to diminish in periods of declining interest rates (as prepayments increase) and tend to increase in periods of rising interest rates (as prepayments decrease). This analysis ignores the impact of changes on certain material variables, such as non-parallel shifts in interest rates, or changing consumer behavior to incremental changes in interest rates.

Although the level of interest rates is a key driver of prepayment activity, there are other factors that influence prepayments, including home prices, underwriting standards, availability of government-sponsored refinance programs and other product characteristics. Since our Originations segment's results of operations are positively impacted when interest rates decline, our Originations segment's results of operations may partially offset the change in fair value of servicing rights over time. The interaction between the results of operations of these activities is a core component of our overall interest rate risk assessment. We take into account the estimated benefit of originations on our Originations segment's results of operations to determine the impact on net economic value from a decline in interest rates, and we continuously assess our ability to replenish lost value of servicing rights and cash flow due to increased prepayments. We do not currently use derivative instruments to hedge the interest rate risk inherent in the value of servicing rights, but we may choose to use such instruments in the future. The amount and composition of derivatives used to hedge the value of servicing rights, if any, will depend on the exposure to loss of value on the servicing rights, the expected cost of the derivatives, expected liquidity needs, and the expected increase to earnings generated by the origination of new loans resulting from the decline in interest rates. The down-rate sensitivity of servicing rights carried at fair value to interest rate changes increased at December 31, 2017 from December 31, 2016 due primarily to a higher weighted-average mortgage rate for loans within our servicing portfolio in combination with a lower interest rate environment, which increases the incentive for borrowers to refinance, thereby decreasing the fair value of the servicing rights. In addition, changes to the composition of the portfolio and to fair value model assumptions also impacted the sensitivity of servicing rights.

Servicing Rights Related Liabilities

Servicing rights related liabilities consisted of excess servicing spread liabilities and servicing rights financing. Servicing rights related liabilities are generally subject to fair value losses when interest rates rise. Increasing interest rates typically slow down refinancing activity. Decreased refinancing activity increases the life of the loans underlying the servicing rights related liabilities, thereby increasing the fair value of the servicing rights related liabilities. As the fair value of the servicing rights related liabilities are related to the future economic performance of certain servicing rights, any adverse changes in those servicing rights would inherently benefit the fair value of the servicing rights related liabilities by decreasing our obligation, while any beneficial changes in the assumptions used to value servicing rights would negatively impact the fair value of the servicing rights related liabilities by increasing our obligation.

Residential Loans Held for Sale and Related Freestanding Derivatives

We are subject to interest rate risk and price risk on mortgage loans held for sale during the short time from the loan funding date until the date the loan is sold into the secondary market. Interest rate lock commitments represent an agreement to extend credit to a mortgage loan applicant or to purchase loans from a third-party originator, collectively referred to as IRLC, whereby the interest rate of the loan is set prior to funding or purchase. IRLCs, which are considered freestanding derivatives, are subject to interest rate risk and related price risk during the period from the date of the commitment through the loan funding date or expiration date. Loan commitments generally range from 35 to 50 days from lock to funding of the mortgage loan and our holding period from funding to sale is an average of approximately 20 days.

An integral component of our interest rate risk management strategy is our use of freestanding derivative instruments to minimize significant fluctuations in earnings caused by changes in interest rates that affect the value of our IRLCs and mortgage loans held for sale. The derivatives utilized to hedge the interest rate risk are forward sales commitments, which are forward sales of agency TBAs. These TBAs are primarily used to fix the forward sales price that will be realized upon the sale of the mortgage loans into the secondary market. We also enter into commitments to purchase MBS as part of our overall hedging strategy.

Reverse Loans and HMBS Related Obligations

We are subject to interest rate risk on our reverse loans and HMBS related obligations as a result of different expected cash flows and longer expected durations for loans as compared to HMBS related obligations. Our reverse loans have longer durations primarily as a result of our obligations as issuer of HMBS, which include the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount.

Other Financial Instruments

The following summarizes the estimated changes in annual interest expense at December 31, 2017 and 2016 given a hypothetical and instant parallel shift in the yield curve of 25 and 50 basis points. Our total market risk is influenced by a wide variety of factors including market volatility and the liquidity of the markets.

Servicing Advance Liabilities

Our servicing advance agreements included both fixed rate and LIBOR-based borrowings at December 31, 2016 and only LIBOR-based borrowings at December 31, 2017. Based on an increase of 25 and 50 basis points in LIBOR at December 31, 2017 and the outstanding LIBOR-based liabilities recorded at such time, our annual interest expense for servicing advance liabilities would have increased by $1.2 million and $2.4 million, respectively. Based on the same increases in LIBOR at December 31, 2016 and the outstanding liabilities recorded at such time, our annual interest expense for servicing advance liabilities would have increased by $0.9 million and $1.7 million, respectively.

Warehouse Borrowings

Our master repurchase agreements were primarily LIBOR-based at December 31, 2016 and entirely LIBOR-based at December 31, 2017. Based on an increase of 25 and 50 basis points in LIBOR at December 31, 2017 and the outstanding borrowings recorded at such time, our annual interest expense for warehouse borrowings would have increased by $2.7 million and $5.4 million, respectively. Based on the same increases in LIBOR at December 31, 2016 and the outstanding borrowings recorded at such time, our annual interest expense for warehouse borrowings would have increased by $3.0 million and $6.0 million, respectively.

Corporate Debt

Our 2013 Term Loan is LIBOR-based with a 1.0% floor in place. Based on an increase of 25 and 50 basis points in LIBOR at December 31, 2017 and the outstanding balances at such time, our annual interest expense for corporate debt would have increased by $3.1 million and $6.1 million, respectively. Based on the same increases in LIBOR at December 31, 2016 and the outstanding balances recorded at such time, our annual interest expense for corporate debt would have increased by $0.3 million and $3.8 million, respectively.

Mortgage Loans and Related Mortgage-backed Debt

We exclude mortgage loans and mortgage-backed debt of the Residual and Non-Residual Trusts from the analysis of rate-sensitive assets and liabilities. These assets and liabilities generally do not represent significant interest rate risk to us as it relates to potential losses in future earnings or fair value. Although we hold residual interests in the Residual Trusts, the mortgage loans and mortgage-backed debt in these trusts, which are carried at amortized cost, are mostly at fixed rates of interest. In contrast, approximately half of the assets of the Non-Residual Trusts are fixed rate, whereas the mortgage-backed debt is entirely variable rate. Nonetheless, the impact of changes in interest rates are mostly offset. However, we were obligated to exercise mandatory clean-up call obligations related to the Non-Residual Trusts.

We fulfilled our obligation for these mandatory clean-up call obligations in the second and third quarters of 2017 by making payments of $28.4 million during the year ended December 31, 2017. The total outstanding balance of the residential loans expected to be called at the respective call dates is $317.2 million at December 31, 2017. Upon exercise of the clean-up calls, we were exposed to interest rate risk with regard to the purchased loans. On October 10, 2017, we entered into a Clean-up Call Agreement with a counterparty. With the execution of the Clean-Up Call Agreement, the counterparty assumed the Company’s mandatory obligation to exercise the clean-up calls for the remaining securitization trusts.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Our financial statements and related notes, together with the Report of Independent Registered Certified Public Accounting Firm thereon, are included in Part IV, Item 15. Exhibits and Financial Statement Schedules and begin on page F-1 of this report.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company's reports 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 the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2017. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, the design and operation of the Company's disclosure controls and procedures were not effective because of the material weaknesses in its internal control over financial reporting described below.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control system is designed 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management assessed the effectiveness of the Company's internal control over financial reporting at December 31, 2017. In making this assessment, management used the 2013 criteria set forth by COSO in the Internal Control-Integrated Framework. Based on its assessment and those criteria, management has concluded that a previously identified material weakness in its internal control over financial reporting at December 31, 2017 was not sufficiently remediated. Additionally, a new material weakness was identified related to the accuracy of the data utilized in the valuation calculation of fair value of MSR. The Company has therefore determined that its internal control over financial reporting was not effective as of such date.

The Company had previously identified two material weaknesses in internal control over financial reporting that were described in Management's Report on Internal Control Over Financial Reporting, which was included in the Company's Form 10-K/A for the year ended December 31, 2016. Specifically, the Company did not design and maintain effective controls related to its default servicing process, including its ability to identify foreclosure tax liens and resolve such liens timely, foreclosure related advances, and the processing and oversight of loans in bankruptcy status. Further, the Company did not design and maintain effective controls to ensure that it correctly calculated its deferred tax asset valuation allowance, including having adequate technical review of the deferred tax asset valuation allowance for the year ended December 31, 2016. Various corrective actions intended to remediate these two material weaknesses were implemented prior to December 31, 2017. Testing of these remedial actions was completed as of the end of the period covered by this report. The Company has concluded that the material weakness related to the technical review of the deferred tax asset valuation allowance has been remediated. The material weakness identified in 2016 relating to the operational processes within the transaction level processing of Ditech Financial default servicing over foreclosure tax liens and loans in bankruptcy has been remediated. However, controls around foreclosure related advances were not fully operational during 2017 and have not yet been tested for operational effectiveness and therefore, the control deficiency was not fully remediated. Additionally, management became aware of operational control deficiencies related to operational processes within the property preservation function of Ditech Financial default servicing activities. The control deficiency did not result in a misstatement of the consolidated financial statements for the year ended December 31, 2017 or prior periods. However, the control deficiency did result in an adjustment to reserves during the fourth quarter of 2017 totaling $6.3 million for exposures related to deficient processes within the operating control environment for the property preservation function. The control deficiency could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has concluded that a material weakness in internal controls exists within the operating control environment for property preservation as well as the foreclosure related advances material weakness identified in 2016 as they both pertain to the operational processes within the transaction level processing of Ditech Financial default servicing activities as of December 31, 2017.

At December 31, 2017, management determined that the Company did not design and maintain effective internal controls to ensure that data is appropriately utilized in its MSR valuation process, including its ability to appropriately query and extract data from its servicing system. Management determined, through substantive procedures performed, that the data issue was isolated to one data field within the MSR valuation file. This control deficiency did not result in a material misstatement of the consolidated financial statements for the year ended December 31, 2017 or prior periods. However, the control deficiency did result in a decrease to our MSR fair value during the fourth quarter of 2017 totaling $8.9 million for exposures related to inaccurate data pulls for purposes of MSR valuation. The control deficiency could result in a material weakness to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness.

Changes in Internal Control Over Financial Reporting

Other than with respect to the matters outlined above, there were no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2017 covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Remediation of the Material Weakness in Internal Control Over Financial Reporting

Throughout the fourth quarter of 2017, the Company implemented process enhancements and controls for the purposes of ensuring design and operating effectiveness over the material weaknesses identified at December 31, 2016. As such, management with the oversight of its Audit Committee, has taken the following actions in the design and operating effectiveness of its internal control over financial reporting in an effort to remediate the material weaknesses over Ditech Financial operational processes and over the deferred tax asset valuation allowance, respectively:

<u>Ditech Financial operational processes over foreclosure tax liens and loans in bankruptcy:</u>

- Finalized process flow narratives to describe the process flows, identify risks, and design controls mitigating the risk of financial misstatement.
- Performed walkthroughs over all key controls identified within the process flow narratives for the purpose of validating design effectiveness noting no issues.
- Tested all key controls identified within the process flow narratives for purpose of validating operating effectiveness noting no issues.

<u>Ditech Financial operational processes over foreclosure related advances:</u>

- Finalized process flow narratives to describe the process flows, identify risks, and design controls mitigating the risk of financial misstatement.
- Performed walkthroughs over certain key controls identified within the process flow narratives for the purpose of validating design effectiveness.
- Tested certain key controls identified within the process flow narratives for the purpose of validating operating effectiveness noting no issues.
- Testing of key controls lacked sufficient passage of time to conclude on operating effectiveness.

<u>Ditech Financial operational processes over property preservation:</u>

- Management is designing, documenting, and will implement control procedures related to the review of property preservation.
- Management will test and evaluate the design and operating effectiveness of control procedures throughout the property preservation function.
- Management will assess the effectiveness of the remediation plan.

<u>Deferred tax asset valuation allowance:</u>

- Finalized process flow narratives to describe the process flows, identify risks, and design controls mitigating the risk of financial misstatement.
- Performed walkthroughs over all key controls identified within the process flow narratives for the purpose of validating design effectiveness noting no issues.
- Tested all key controls identified within the process flow narratives for purpose of validating operating effectiveness noting no issues.

Management has completed implementing the remediation measures as outlined in the Restatement as it pertains to the deferred tax asset valuation allowance, as well as the remediation of operational processes over foreclosure tax liens and loans in bankruptcy as of December 31, 2017. Management is continuing to implement the remediation measures outlined above relating to operational processes over the property preservation and foreclosure related advances within default servicing, which have not been fully remediated as of December 31, 2017.

During 2018, the Company will take the following actions with respect to MSR valuation:

<u>MSR valuation:</u>

- Management is designing, documenting, and will implement control procedures related to the review of the query logic utilized to extract data from the servicing system.
- Management will test and evaluate the design and operating effectiveness of control procedures related to data extraction for us in MSR valuation.

- Management will assess the effectiveness of the remediation plan.

Management believes the remediation measures will strengthen the Company's internal control over financial reporting and remediate the material weakness identified. If management is unsuccessful in fully implementing the new controls to address the material weakness and to strengthen the overall internal control environment, financial condition and results of operations may result in inaccurate and untimely reporting. Management will continue to monitor the effectiveness of these remediation measures and will make any changes and take such other actions that management deems appropriate given the circumstances.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by Item 10 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Code of Conduct and Ethics

We have adopted a Code of Conduct and Ethics that applies to all employees, including executive officers, and to directors. The Code of Conduct and Ethics is available on the Corporate Governance page of our website at www.investor.ditechholding.com. If we ever were to amend or waive any provision of our Code of Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or any person performing similar functions, we intend to satisfy our disclosure obligations with respect to any such amendment or waiver by posting such information on our website set forth above rather than by filing a Form 8-K.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 11 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by Item 12 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by Item 13 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required by Item 14 is incorporated herein by reference to the definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

(a) Documents filed as part of this report

(1) *Financial Statements.*

The Consolidated Financial Statements filed as part of this report are listed on the Table of Contents to Consolidated Financial Statements on page F-1.

(2) *Financial Statement Schedules.*

Financial statement schedules filed as part of this report are listed on the Table of Contents to Consolidated Financial Statements on page F-1.

(b) *Exhibits.*

Exhibits required to be attached by Item 601 of Regulation S-K are listed in the Index to Exhibits attached hereto, which is incorporated herein by reference.

ITEM 16. *FORM 10-K SUMMARY*

Omitted.

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Stock Purchase Agreement among Green Tree Credit Solutions LLC, Walter Investment Management Corp., Insureco, Incorporated, and InterFinancial, Inc., solely with respect to Article X, dated as of December 30, 2016 (Incorporated herein by reference to Exhibit 2.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
2.2.1	Prepackaged Chapter 11 Plan of Reorganization of Walter Investment Management Corp. and the Affiliate Co-Plan Proponents, dated November 6, 2017 (Incorporated herein by reference to Exhibit A of Exhibit T3E.1 of the Form T-3 as filed with the Securities and Exchange Commission on November 6, 2017).
2.2.2	Findings of Fact, Conclusions of Law and Order Confirming the Amended Prepackaged Chapter 11 Plan of Walter Investment Management Corp. and the Affiliate Co-Plan Proponents, dated January 18, 2018 (Incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 19, 2018).
3.1	Walter Investment Management Corp. Articles of Amendment and Restatement, including the Articles Supplementary for the Convertible Preferred Stock attached thereto as Exhibit A, effective February 9, 2018 (Incorporated herein by reference to Exhibit 3.1 to Amendment No. 2 to Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 13, 2018).
3.2	Ditech Holding Corporation Bylaws effective February 9, 2018 (Incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 9, 2018).
4.1	Indenture, dated as of February 9, 2018, between Ditech Holding Corporation and Wilmington Savings Fund Society FSB, as trustee (Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2018).
4.2.1	Amended and Restated Section 382 Rights Agreement, dated as of November 11, 2016, between Walter Investment Management Corp. and Computershare Trust Company, N.A., as Rights Agent, which includes the Form of Articles Supplementary for the Junior Participating Preferred Stock as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of Rights as Exhibit C (Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 15, 2016).
4.2.2	Amendment No. 1, dated as of November 9, 2017, to the Amended and Restated Section 382 Rights Agreement, dated as of November 11, 2016, between Walter Investment Management Corp. and Computershare Trust Company, N.A., as Rights Agent (Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 9, 2017).
4.2.3	Amendment No. 2, dated as of February 9, 2018, to Amended and Restated Section 382 Rights Agreement between Walter Investment Management Corp. and Computershare Trust Company, N.A., as Rights Agent, (Incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-A12B/A as filed with the Securities and Exchange Commission on February 9, 2018).
4.3.1	Series A Warrant Agreement dated February 9, 2018 (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 9, 2018).
4.3.2	Series B Warrant Agreement dated February 9, 2018 (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 9, 2018).
10.1	Tax Separation Agreement dated as of April 17, 2009 between Walter Industries, Inc. and Walter Investment Management LLC (Incorporated herein by reference to Exhibit 10.1.8 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 23, 2009).
10.2	Joint Litigation Agreement between Walter Industries, Inc. and Walter Investment Management LLC, effective as of April 17, 2009 (Incorporated herein by reference to Exhibit 10.1.9 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 23, 2009).

Exhibit No.	Description
10.3†	Employment Letter Agreement between Walter Investment Management Corp. and Gary Tillett dated January 28, 2013 (Incorporated herein by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on February 27, 2014 and amended on August 14, 2014).
10.4.1†	Employment Letter Agreement between Walter Investment Management Corp. and Jonathan F. Pedersen, dated October 16, 2013 (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 as filed with the Securities and Exchange Commission on May 7, 2015).
10.4.2†	Retention Agreement between Walter Investment Management Corp. and Jonathan F. Pedersen, dated February 17, 2017 (Incorporated herein by reference to Exhibit 10.24.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
10.4.3†	Resignation Letter Agreement between Walter Investment Management Corp. and Jonathan F. Pedersen, dated March 24, 2017 (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on May 10, 2017 and amended on August 9, 2017).
10.5.1†	Letter Agreement, dated as of June 8, 2016, by and between Walter Investment Management Corp. and George M. Awad (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 9, 2016).
10.5.2†	Walter Investment Management Corp. Restricted Stock Unit Award Agreement Under the 2011 Omnibus Incentive Plan (Amended and Restated June 9, 2016), dated June 30, 2016, between the Company and George M. Awad (Incorporated herein by reference to Exhibit 10.30.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
10.6.1†	Employment Agreement, by and between Walter Investment Management Corp. and Anthony Renzi, entered into as of August 8, 2016 (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 12, 2016).
10.6.2†	Walter Investment Management Corp. Long Term Incentive Cash-Based Award Agreement Under the 2011 Omnibus Incentive Plan (Amended and Restated June 9, 2016), entered into September 13, 2016, between the Company and Anthony Renzi (Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 as filed with the Securities and Exchange Commission on November 9, 2016 and amended on August 9, 2017).
10.6.3†	Walter Investment Management Corp. Restricted Stock Unit Award Agreement Under the 2011 Omnibus Incentive Plan (Amended and Restated June 9, 2016), entered into September 13, 2016, between the Company and Anthony Renzi (Incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 as filed with the Securities and Exchange Commission on November 9, 2016 and amended on August 9, 2017).
10.6.4†	Key Employee Retention Plan Letter Agreement by and between Walter Investment Management Corp. and Anthony N. Renzi, dated as of September 1, 2017 (Incorporated herein by reference to Exhibit 10.11.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.6.5*†	Resignation Letter Agreement between Ditech Holding Corporation and Anthony N. Renzi, dated February 20, 2018.
10.7.1†	Employment Letter Agreement between Walter Investment Management Corp. and Alfred W. Young, Jr., dated October 12, 2016 (Incorporated herein by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
10.7.2†	Key Employee Retention Plan Letter Agreement by and between Walter Investment Management Corp. and Alfred W. Young, Jr., dated as of August 18, 2017 (Incorporated herein by reference to Exhibit 10.11.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.8.1†	Employment Letter Agreement between Walter Investment Management Corp. and Jeffrey Baker, dated October 14, 2016 (Incorporated herein by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).

Exhibit No.	Description
10.8.2†	Employment Letter Agreement between Walter Investment Management Corp. and Jeffrey Baker, dated May 24, 2017 (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on August 9, 2017).
10.8.3†	Key Employee Retention Plan Letter Agreement by and between Walter Investment Management Corp. and Jeffrey P. Baker, dated as of August 18, 2017 (Incorporated herein by reference to Exhibit 10.11.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.8.4*†	Employment Letter Agreement between Ditech Holding Corporation and Jeffrey P. Baker, dated February 20, 2018.
10.9*†	Employment Letter Agreement between Ditech Holding Corporation and Gerald A. Lombardo, dated November 30, 2017.
10.10*†	Retirement Agreement between Ditech Holding Corporation and Gary Tillett, dated December 6, 2017.
10.11.1†	Walter Investment Management Corp. 2011 Omnibus Incentive Plan, Amended and Restated effective June 9, 2016 (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 13, 2016).
10.11.2†	Form of 2016 Long Term Incentive Cash-Based Award Agreement under the Walter Investment Management Corp. 2011 Omnibus Incentive Plan (Amended and Restated June 9, 2016) (Incorporated herein by reference to Exhibit 10.9.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
10.12.1†	Walter Investment Management Corp. 2017 Omnibus Incentive Plan (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 23, 2017).
10.12.2†	Form of 2017 Non-Employee Director Restricted Stock Unit Award Agreement under the Walter Investment Management Corp. 2017 Omnibus Incentive Plan (Incorporated herein by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.12.3*†	Ditech Holding Corporation 2018 Equity Incentive Plan, effective March 23, 2018.
10.13†	Severance Policy of Walter Investment Management Corp. effective February 9, 2015 (Incorporated herein by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on February 29, 2016).
10.14.1	Mortgage Selling and Servicing Contract (the "MSSC"), dated March 23, 2005, by and between Fannie Mae and Green Tree Servicing (Incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on March 18, 2013).
10.14.2	Addendum to MSSC, dated March 23, 2005, by and between Fannie Mae and Green Tree Servicing (Incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on March 18, 2013).
10.14.3	Guaranty made as of March 17, 2014 by Walter Investment Management Corp. for the benefit of Fannie Mae (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 as filed with the Securities and Exchange Commission on May 8, 2014 and amended on May 13, 2014).
10.14.4+	Addendum to the MSSC, effective June 6, 2014, by and between Fannie Mae and Green Tree Servicing (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 as filed with the Securities and Exchange Commission on August 11, 2014).
10.14.5	Addendum to the MSSC between Fannie Mae and Green Tree Servicing effective April 4, 2012 (Incorporated herein by reference to Exhibit 10.14.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on February 26, 2015).
10.14.6	Addendum to the MSSC between Fannie Mae and Green Tree Servicing effective February 8, 2013 (Incorporated herein by reference to Exhibit 10.14.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on February 26, 2015).

Exhibit No.	Description
10.14.7	Addendum to the MSSC between Fannie Mae and Green Tree Servicing effective April 29, 2013 (Incorporated herein by reference to Exhibit 10.14.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on February 26, 2015).
10.14.8	Addendum to the MSSC between Fannie Mae and Ditech Financial LLC dated August 31, 2015 (Incorporated herein by reference to Exhibit 10.13.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on February 29, 2016).
10.15	Mortgage Servicing Rights Purchase and Sale Agreement, dated as of January 6, 2013, by and between Green Tree Servicing, and Bank of America, National Association (Incorporated herein by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on March 18, 2013).
10.16.1+	Subservicing Agreement between New Residential Mortgage LLC and Ditech Financial LLC, dated August 8, 2016 (Incorporated herein by reference to Exhibit 10.17.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
10.16.2	Amendment No. 1 to Subservicing Agreement between New Residential Mortgage LLC and Ditech Financial LLC, dated December 29, 2016 (Incorporated herein by reference to Exhibit 10.17.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 14, 2017 and amended on August 9, 2017).
10.16.3	Amendment No. 2 to Subservicing Agreement between New Residential Mortgage LLC and Ditech Financial LLC, dated March 8, 2017 (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on May 10, 2017 and amended on August 9, 2017).
10.16.4	Side Letter Agreement, dated as of January 17, 2018, between New Residential Mortgage LLC and Ditech Financial LLC (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 23, 2018).
10.17.1	Amended and Restated Master Repurchase Agreement, dated November 18, 2016, among Credit Suisse First Boston Mortgage Capital LLC, Credit Suisse AG, Cayman Islands Branch, Alpine Securitization LTD, Ditech Financial LLC and Walter Investment Management Corp. (Incorporated herein by reference to Exhibit 10.5.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.17.2	Amendment No. 1 to Amended and Restated Master Repurchase Agreement, dated February 21, 2017, among Credit Suisse First Boston Mortgage Capital LLC, Credit Suisse AG, Cayman Islands Branch, Alpine Securitization LTD, Ditech Financial LLC and Walter Investment Management Corp. (Incorporated herein by reference to Exhibit 10.5.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.17.3	Amendment No. 2 to Amended and Restated Master Repurchase Agreement, dated August 8, 2017, among Credit Suisse First Boston Mortgage Capital LLC, Credit Suisse AG, Cayman Islands Branch, Alpine Securitization LTD, Ditech Financial LLC and Walter Investment Management Corp. (Incorporated herein by reference to Exhibit 10.5.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.17.4	Amendment No. 3 to Amended and Restated Master Repurchase Agreement, dated October 18, 2017, among Credit Suisse First Boston Mortgage Capital LLC, Credit Suisse AG, Cayman Islands Branch, Alpine Securitization LTD, Ditech Financial LLC and Walter Investment Management Corp. (Incorporated herein by reference to Exhibit 10.5.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.17.5*	Joinder and Amendment No. 4 to Amended and Restated Master Repurchase Agreement, dated as of November 30, 2017, but effective as of the amendment effective date, among Credit Suisse First Boston Mortgage Capital LLC, as administrative agent, Credit Suisse AG, a company incorporated under the laws of Switzerland, acting through its Cayman Islands Branch, Alpine Securitization Ltd, Barclays Bank PLC, Ditech Financial LLC and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.)
10.17.6*	Amendment No. 5 to Amended and Restated Master Repurchase Agreement, dated as of February 9, 2018, and effective as of February 12, 2018, among Credit Suisse First Boston Mortgage Capital LLC, as administrative agent, Credit Suisse AG, a company incorporated under the laws of Switzerland, acting through its Cayman Islands Branch, Alpine Securitization Ltd, Barclays Bank PLC, Ditech Financial LLC and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.)

Exhibit No.	Description
10.17.7*	Guaranty, dated as of February 9, 2018, by Ditech Holding Corporation (formerly known as Walter Investment Management Corp.) in favor of Credit Suisse First Boston Mortgage Capital LLC as administrative agent for the benefit of buyer parties defined therein.
10.17.8*	Amendment No. 6 to Amended and Restated Master Repurchase Agreement, dated as of March 29, 2018, among Credit Suisse First Boston Mortgage Capital LLC, as administrative agent, Credit Suisse AG, a company incorporated under the laws of Switzerland, acting through its Cayman Islands Branch, Alpine Securitization Ltd, Barclays Bank PLC, Ditech Financial LLC and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.)
10.18.1	Restructuring Support Agreement, dated as of July 31, 2017, by and among Walter Investment Management Corp. and the Consenting Term Lenders (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 1, 2017).
10.18.2	First Amendment to Restructuring Support Agreement, dated as of August 2, 2017, by and among Walter Investment Management Corp. and the Consenting Term Lenders (Incorporated herein by reference to Exhibit 10.6.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on August 9, 2017).
10.18.3	Second Amendment to Restructuring Support Agreement, dated as of August 22, 2017, by and among Walter Investment Management Corp. and the Requisite Term Lenders (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 28, 2017).
10.18.4	Third Amendment to Restructuring Support Agreement, dated as of August 31, 2017, by and among Walter Investment Management Corp. and the Requisite Term Lenders (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 5, 2017).
10.18.5	Amended and Restated Restructuring Support Agreement, dated as of October 20, 2017, by and among Walter Investment Management Corp. and the Consenting Term Lenders (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 23, 2017).
10.19	Restructuring Support Agreement, dated as of October 20, 2017, by and among Walter Investment Management Corp. and the Consenting Senior Noteholders (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on October 23, 2017).
10.20	Commitment Letter, dated as of September 13, 2017, by and among Walter Investment Management Corp. and Barclays Bank PLC (Incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on November 9, 2017).
10.21	Commitment Letter, dated as of November 6, 2017, by and among Ditech Financial LLC, Reverse Mortgage Solutions, Inc., Walter Investment Management Corp., Credit Suisse First Boston Mortgage Capital LLC and Barclays Bank PLC (Incorporated by reference to Exhibit E to Exhibit T3E.1 of the Form T-3 filed by Walter Investment Management Corp. with the SEC on November 6, 2017).
10.22.1	Second Amended and Restated Credit Agreement, dated as of February 9, 2018, among Ditech Holding Corporation, the Lenders Party Hereto and Credit Suisse AG, Cayman Islands Branch (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 12, 2018).
10.22.2	Amendment No. 1 to the Second Amended and Restated Credit Agreement, dated as of March 29, 2018, by and among Ditech Holding Corporation and the lenders party thereto (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 29, 2018).
10.23	Registration Rights Agreement, dated as of February 9, 2018, by and among Ditech Holding Corporation and the Holders party hereto (Incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K as filed with the Securities and Exchange Commission on February 9, 2018).
10.24*	Clean-up Call Agreement between Ditech Financial LLC and Capital One, National Association, dated October 10, 2017.

Exhibit No.	Description
10.25.1*	Second Amended and Restated Master Repurchase Agreement, dated as of November 30, 2017, but effective as of the amendment effective date by and among Credit Suisse First Boston Mortgage Capital LLC, as administrative agent on behalf of buyers, including but not limited to Credit Suisse AG, a company incorporated in Switzerland, acting through its Cayman Islands Branch, Alpine Securitization Ltd., Barclays Bank PLC, Reverse Mortgage Solutions, Inc., RMS REO CS, LLC and RMS REO BRC, LLC.
10.25.2*	Amendment No. 1 to Second Amended and Restated Master Repurchase Agreement, dated as of February 9, 2018, and effective as of February 12, 2018, among Credit Suisse First Boston Mortgage Capital LLC, as administrative agent, Credit Suisse AG, a company incorporated in Switzerland, acting through its Cayman Islands Branch, Alpine Securitization LTD, Barclays Bank PLC, Reverse Mortgage Solutions, Inc., RMS REO CS, LLC, RMS REO BRC, LLC and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.)
10.25.3*	Guaranty, dated as of February 9, 2018, by Ditech Holding Corporation (formerly known as Walter Investment Management Corp.) in favor of Credit Suisse First Boston Mortgage Capital LLC as administrative agent for the benefit of buyer parties defined therein.
10.25.4*	Amendment No. 2 to Second Amended and Restated Master Repurchase Agreement, dated as of March 29, 2018, among Credit Suisse First Boston Mortgage Capital LLC, as administrative agent, Credit Suisse AG, a company incorporated in Switzerland, acting through its Cayman Islands Branch, Alpine Securitization LTD, Barclays Bank PLC, Reverse Mortgage Solutions, Inc., RMS REO CS, LLC, RMS REO BRC, LLC and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.)
10.26.1*	Receivables Sale Agreement dated as of February 9, 2018, and effective as of February 12, 2018, by and between Ditech Financial LLC, as receivables seller and servicer, Ditech Agency Advance Depositor LLC, as depositor, and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.), as limited guarantor.
10.26.2*	Receivables Pooling Agreement dated as of February 9, 2018, and effective as of February 12, 2018, by and between Ditech Agency Advance Depositor LLC, as depositor, and Ditech Agency Advance Trust, as issuer.
10.26.3*	Acknowledgment Agreement With Respect to Servicing Advance Receivables, dated as of February 9, 2018, and effective as of February 12, 2018, by and among Ditech Financial LLC, as servicer, Ditech Agency Advance Depositor LLC, as depositor, Ditech Agency Advance Trust, as issuer, Wells Fargo Bank, N.A., as indenture trustee, Credit Suisse First Boston Mortgage Capital LLC, as administrative agent and Fannie Mae.
10.26.4*	Indenture dated as of February 9, 2018, and effective as of February 12, 2018, by and among Ditech Agency Advance Trust, as issuer, Wells Fargo Bank, N.A. as indenture trustee, and as calculation agent, paying agent and securities intermediary, Ditech Financial LLC (formerly known as Green Tree Servicing LLC), as servicer and as owner of the servicing rights under the designated servicing agreements and as administrator, and Credit Suisse First Boston Mortgage Capital LLC, as administrative agent.
10.26.5*	Series 2018-VF1 Indenture Supplement, dated as of February 9, 2018, and effective as of February 12, 2018, by and among Ditech Agency Advance Trust, as issuer, Wells Fargo Bank, N.A., as indenture trustee, as calculation agent, as paying agent and as securities intermediary, Ditech Financial LLC (formerly known as Green Tree Servicing LLC), as administrator on behalf of the issuer and as servicer under the designated servicing agreements and Credit Suisse First Boston Mortgage Capital LLC, as administrative agent.
10.27.1*	Receivables Sale Agreement dated as of February 9, 2018, and effective as of February 12, 2018, by and between Ditech Financial LLC, as receivables seller and servicer, Ditech PLS Advance Depositor LLC, as depositor, and Ditech Holding Corporation (formerly known as Walter Investment Management Corp.), as limited guarantor.
10.27.2*	Receivables Pooling Agreement dated as of February 9, 2018, and effective as of February 12, 2018, by and between Ditech PLS Advance Depositor LLC, as depositor, and Ditech PLS Advance Trust II, as issuer.
10.27.3*	Indenture dated as of February 9, 2018, and effective as of February 12, 2018, by and among Ditech PLS Advance Trust II, as issuer, Wells Fargo Bank, N.A. as indenture trustee, and as calculation agent, paying agent and securities intermediary, Ditech Financial LLC (formerly known as Green Tree Servicing LLC), as servicer and as owner of the servicing rights under the designated servicing agreements and as administrator, and Credit Suisse First Boston Mortgage Capital LLC, as administrative agent.
10.27.4*	Series 2018-VF1 Indenture Supplement, dated as of February 9, 2018, and effective as of February 12, 2018, by and among Ditech PLS Advance Trust II, as issuer, Wells Fargo Bank, N.A., as indenture trustee, as calculation agent, as paying agent and as securities intermediary, Ditech Financial LLC (formerly known as Green Tree Servicing LLC), as administrator on behalf of the issuer and as servicer under the designated servicing agreements and Credit Suisse First Boston Mortgage Capital LLC, as administrative agent.

Exhibit No.	Description
21*	Subsidiaries of the Registrant.
31.1*	Certification by Jeffrey P. Baker pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Gerald A. Lombardo pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification by Jeffrey P. Baker and Gerald A. Lombardo pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Disclosure Statement relating to the Prepackaged Chapter 11 Plan of Reorganization of Walter Investment Management Corp. and the Affiliate Co-Plan Proponents, dated November 6, 2017 (Incorporated by reference to Exhibit T3E.1 of the Form T-3 filed by Walter Investment Management Corp. with the SEC on November 6, 2017).
101**	XBRL (Extensible Business Reporting Language) - The following materials from Ditech Holding Corporation's Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Balance Sheets as of December 31, 2017 and 2016, (ii) Consolidated Statements of Comprehensive Loss for the years ended December 31, 2017 and 2016, (iii) Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2017 and 2016; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016; and (v) Notes to Consolidated Financial Statements.

* Filed or furnished herewith.

** Filed electronically with this report.

+ Certain information has been omitted from this exhibit and filed separately with the Securities and Exchange Commission. Confidential treatment has been granted with respect to the omitted portions pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Omitted portions are indicated in this exhibit with [***].

† Constitutes a management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DITECH HOLDING CORPORATION

Dated: April 16, 2018

By: /s/ Jeffrey P. Baker

Jeffrey P. Baker

Interim Chief Executive Officer and President
(Principal Executive Officer)

Pursuant to requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas F. Marano Thomas F. Marano	Chairman	April 16, 2018
/s/ David S. Ascher David S. Ascher	Director	April 16, 2018
/s/ George M. Awad George M. Awad	Director	April 16, 2018
/s/ Seth L. Bartlett Seth L. Bartlett	Director	April 16, 2018
/s/ Daniel G. Beltzman Daniel G. Beltzman	Director	April 16, 2018
/s/ John R. Brecker John R. Brecker	Director	April 16, 2018
/s/ Neal P. Goldman Neal P. Goldman	Director	April 16, 2018
/s/ Thomas G. Miglis Thomas G. Miglis	Director	April 16, 2018
/s/ Samuel T. Ramsey Samuel T. Ramsey	Director	April 16, 2018
/s/ Jeffrey P. Baker Jeffrey P. Baker	Interim Chief Executive Officer and President (Principal Executive Officer)	April 16, 2018
/s/ Gerald A. Lombardo Gerald A. Lombardo	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 16, 2018

DITECH HOLDING CORPORATION AND SUBSIDIARIES
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Report of Independent Registered Certified Public Accounting Firm

The Board of Directors and Stockholders of
Ditech Holding Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ditech Holding Corporation (formerly Walter Investment Management Corp.) and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, shareholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2006.

Tampa, Florida
April 16, 2018

DITECH HOLDING CORPORATION (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 31,	
	2017	**2016**
ASSETS		
Cash and cash equivalents	$ 285,969	$ 224,598
Restricted cash and cash equivalents	112,826	204,463
Residential loans at amortized cost, net (includes $6,347 and $5,167 in allowance for loan losses at December 31, 2017 and 2016, respectively)	985,454	665,209
Residential loans at fair value	10,725,232	12,416,542
Receivables, net (includes $5,608 and $15,033 at fair value at December 31, 2017 and 2016, respectively)	124,344	267,962
Servicer and protective advances, net (includes $164,225 and $146,781 in allowance for uncollectible advances at December 31, 2017 and 2016, respectively)	813,433	1,195,380
Servicing rights, net (includes $714,774 and $949,593 at fair value at December 31, 2017 and 2016, respectively)	773,251	1,029,719
Goodwill	47,747	47,747
Intangible assets, net	8,733	11,347
Premises and equipment, net	50,213	82,628
Deferred tax assets, net	1,400	—
Assets held for sale	—	71,085
Other assets (includes $29,394 and $87,937 at fair value at December 31, 2017 and 2016, respectively)	235,595	242,290
Total assets	$ 14,164,197	$ 16,458,970
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Payables and accrued liabilities (includes $1,250 and $11,804 at fair value at December 31, 2017 and 2016, respectively)	$ 994,461	$ 759,011
Servicer payables	116,779	146,332
Servicing advance liabilities	483,462	783,229
Warehouse borrowings	1,085,198	1,203,355
Servicing rights related liabilities at fair value	32	1,902
Corporate debt	1,214,663	2,129,000
Mortgage-backed debt (includes $348,682 and $514,025 at fair value at December 31, 2017 and 2016, respectively)	735,882	943,956
HMBS related obligations at fair value	9,175,128	10,509,449
Deferred tax liabilities, net	848	4,774
Liabilities held for sale	—	2,402
Total liabilities not subject to compromise	13,806,453	16,483,410
Liabilities subject to compromise	806,937	—
Total liabilities	14,613,390	16,483,410
Commitments and contingencies (Note 30)		
Stockholders' deficit:		
Preferred stock, $0.01 par value per share:		
Authorized - 10,000,000 shares		
Issued and outstanding - 0 shares at December 31, 2017 and 2016	—	—
Common stock, $0.01 par value per share:		
Authorized - 90,000,000 shares		
Issued and outstanding - 37,373,616 and 36,391,129 shares at December 31, 2017 and 2016, respectively	374	364
Additional paid-in capital	598,193	596,067
Accumulated deficit	(1,048,817)	(621,804)
Accumulated other comprehensive income	1,057	933
Total stockholders' deficit	(449,193)	(24,440)
Total liabilities and stockholders' deficit	$ 14,164,197	$ 16,458,970

The following table presents the assets and liabilities of the Company's consolidated variable interest entities, which are included on the consolidated balance sheets above. The assets in the table below include those assets that can only be used to settle obligations of the consolidated variable interest entities.

	December 31,	
	2017	2016
ASSETS OF CONSOLIDATED VARIABLE INTEREST ENTITIES THAT CAN ONLY BE USED TO SETTLE THE OBLIGATIONS OF CONSOLIDATED VARIABLE INTEREST ENTITIES:		
Restricted cash and cash equivalents	$ 44,376	$ 45,843
Residential loans at amortized cost, net	424,420	462,877
Residential loans at fair value	301,435	492,499
Receivables, net	5,824	15,798
Servicer and protective advances, net	446,799	734,707
Other assets	39,837	19,831
Total assets	$ 1,262,691	$ 1,771,555
LIABILITIES OF THE CONSOLIDATED VARIABLE INTEREST ENTITIES FOR WHICH CREDITORS OR BENEFICIAL INTEREST HOLDERS DO NOT HAVE RECOURSE TO THE COMPANY:		
Payables and accrued liabilities	$ 3,086	$ 2,985
Servicing advance liabilities	444,563	650,565
Mortgage-backed debt (includes $348,682 and $514,025 at fair value at December 31, 2017 and 2016, respectively)	735,882	943,956
Total liabilities	$ 1,183,531	$ 1,597,506

The accompanying notes are an integral part of the consolidated financial statements.

DITECH HOLDING CORPORATION (DEBTOR-IN-POSSESSION)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands, except per share data)

	For the Years Ended December 31,	
	2017	**2016**
REVENUES		
Net servicing revenue and fees	$ 346,682	$ 340,991
Net gains on sales of loans	284,391	409,448
Net fair value gains on reverse loans and related HMBS obligations	42,419	59,022
Interest income on loans	41,195	45,700
Insurance revenue	3,963	41,968
Other revenues	112,610	98,588
Total revenues	831,260	995,717
EXPENSES		
General and administrative	596,838	619,772
Salaries and benefits	384,814	520,357
Interest expense	261,244	255,781
Depreciation and amortization	40,764	59,426
Reorganization items	37,645	—
Goodwill and intangible assets impairment	—	326,286
Other expenses, net	11,061	10,530
Total expenses	1,332,366	1,792,152
OTHER GAINS (LOSSES)		
Gain on sale of business	67,734	—
Net gains (losses) on extinguishment of debt	(6,111)	14,662
Other net fair value gains (losses)	2,008	(4,234)
Other	7,219	(3,811)
Total other gains	70,850	6,617
Loss before income taxes	(430,256)	(789,818)
Income tax expense (benefit)	(3,357)	44,040
Net loss	$ (426,899)	$ (833,858)
OTHER COMPREHENSIVE INCOME (LOSS) BEFORE TAXES		
Change in postretirement benefits liability	$ (89)	$ 100
Unrealized gain on available-for-sale security in other assets	104	75
Other comprehensive income before taxes	15	175
Income tax expense for other comprehensive income items	5	55
Other comprehensive income	10	120
Total comprehensive loss	$ (426,889)	$ (833,738)
Net loss	$ (426,899)	$ (833,858)
Basic and diluted loss per common and common equivalent share	$ (11.61)	$ (23.18)
Weighted-average common and common equivalent shares outstanding — basic and diluted	36,761	35,973

The accompanying notes are an integral part of the consolidated financial statements.

DITECH HOLDING CORPORATION (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at January 1, 2016	35,573,405	$ 355	$ 591,454	$ 212,054	$ 813	$ 804,676
Net loss	—	—	—	(833,858)	—	(833,858)
Other comprehensive income, net of tax	—	—	—	—	120	120
Share-based compensation	—	—	6,568	—	—	6,568
Tax shortfall on share-based compensation	—	—	(1,393)	—	—	(1,393)
Share-based compensation issuances, net	817,724	9	(562)	—	—	(553)
Balance at December 31, 2016	36,391,129	364	596,067	(621,804)	933	(24,440)
Net loss	—	—	—	(426,899)	—	(426,899)
Other comprehensive income, net of tax	—	—	—	—	10	10
Reclassification adjustment related to adoption of accounting guidance	—	—	—	(114)	114	—
Share-based compensation	—	—	2,212	—	—	2,212
Share-based compensation issuances, net	982,487	10	(86)	—	—	(76)
Balance at December 31, 2017	37,373,616	$ 374	$ 598,193	$ (1,048,817)	$ 1,057	$ (449,193)

The accompanying notes are an integral part of the consolidated financial statements.

DITECH HOLDING CORPORATION (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Years Ended December 31,	
	2017	2016
Operating activities		
Net loss	$ (426,899)	$ (833,858)
Adjustments to reconcile net loss to net cash provided by operating activities		
Net fair value gains on reverse loans and related HMBS obligations	(42,419)	(59,022)
Amortization of servicing rights	21,954	21,801
Change in fair value of servicing rights	266,246	480,476
Change in fair value of servicing rights related liabilities	—	(13,518)
Change in fair value of charged-off loans	(15,834)	(20,716)
Other net fair value losses	3,453	11,087
Accretion of discounts on residential loans and advances	(3,415)	(3,652)
Accretion of discounts on debt and amortization of deferred debt issuance costs	51,779	33,413
Provision for uncollectible advances	51,612	64,729
Depreciation and amortization of premises and equipment and intangible assets	40,764	59,426
Provision (benefit) for deferred income taxes	(3,799)	111,374
Share-based compensation	2,212	6,568
Purchases and originations of residential loans held for sale	(16,128,212)	(21,054,053)
Proceeds from sales of and payments on residential loans held for sale	16,948,619	21,410,118
Net gains on sales of loans	(284,391)	(409,448)
Gain on sale of business	(67,734)	—
Non-cash reorganization items	34,406	—
Goodwill and intangible assets impairment	—	326,286
Other	10,166	4,999
Changes in assets and liabilities		
Decrease (increase) in receivables	80,779	(81,695)
Decrease in servicer and protective advances	328,658	380,298
Decrease (increase) in other assets	(38,905)	16,434
Decrease in payables and accrued liabilities	(88,638)	(24,429)
Increase in servicer payables, net of change in restricted cash	38,670	25,332
Cash flows provided by operating activities	779,072	451,950

DITECH HOLDING CORPORATION (DEBTOR-IN-POSSESSION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(in thousands)

	For the Years Ended December 31,	
	2017	2016
Investing activities		
Purchases and originations of reverse loans held for investment	(382,769)	(896,879)
Principal payments received on reverse loans held for investment	1,431,049	1,122,267
Principal payments received on mortgage loans held for investment	161,419	92,619
Payments received on charged-off loans held for investment	16,997	23,060
Payments received on receivables related to Non-Residual Trusts	14,869	8,110
Proceeds from sales of real estate owned, net	144,212	111,091
Purchases of premises and equipment	(6,141)	(32,866)
Decrease in restricted cash and cash equivalents	3,489	8,946
Payments for acquisitions of businesses, net of cash acquired	(1,004)	(3,066)
Acquisitions of servicing rights, net	(228)	(9,794)
Proceeds from sales of servicing rights, net	137,301	280,970
Proceeds from sale of business	131,074	—
Cash outflow from deconsolidation of variable interest entities	(100,951)	—
Other	6,404	(4,649)
Cash flows provided by investing activities	1,555,721	699,809
Financing activities		
Payments and extinguishments of corporate debt	(186,910)	(31,517)
Proceeds from securitizations of reverse loans	464,192	960,157
Payments on HMBS related obligations	(1,992,729)	(1,371,375)
Issuances of servicing advance liabilities	1,482,960	2,179,488
Payments on servicing advance liabilities	(1,785,129)	(2,625,476)
Net change in warehouse borrowings related to mortgage loans	(546,556)	(151,172)
Net change in warehouse borrowings related to reverse loans	428,399	14,139
Proceeds from sales of excess servicing spreads and servicing rights	—	34,307
Payments on servicing rights related liabilities	(1,415)	(22,092)
Payments on mortgage-backed debt	(108,018)	(107,598)
Other debt issuance costs paid	(49,305)	(11,039)
Other	21,089	2,189
Cash flows used in financing activities	(2,273,422)	(1,129,989)
Net increase in cash and cash equivalents	61,371	21,770
Cash and cash equivalents at the beginning of the year	224,598	202,828
Cash and cash equivalents at the end of the year	$ 285,969	$ 224,598

The accompanying notes are an integral part of the consolidated financial statements.

1. Business and Basis of Presentation

As a result of Walter Investment Management Corp.'s emergence from bankruptcy under Chapter 11 of the Bankruptcy Code as discussed further below, on February 9, 2018 the Company changed its name to Ditech Holding Corporation. The terms "Ditech Holding" and the "Company," as used throughout this report refer to Ditech Holding Corporation (successor) and/or Walter Investment Management Corp. (predecessor) and its consolidated subsidiaries. Ditech Holding and its subsidiaries is an independent servicer and originator of mortgage loans and servicer of reverse mortgage loans. Through the consumer, correspondent and wholesale lending channels, the Company originates and purchases residential mortgage loans that are predominantly sold to GSEs and government agencies. The Company services a wide array of loans across the credit spectrum for its own portfolio and for GSEs, government agencies, third-party securitization trusts and other credit owners. The Company also operates two complementary businesses: asset receivables management and real estate owned property management and disposition.

The Company operates throughout the U.S. through three reportable segments, Servicing, Originations, and Reverse Mortgage. Refer to Note 28 for additional information related to segment reporting.

Certain acronyms and terms used throughout these notes are defined in the Glossary of Terms in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Restatement of Previously Issued Consolidated Financial Statements

On August 9, 2017, the Company amended its Annual Report on Form 10-K for the year ended December 31, 2016 and separately amended its Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2016, September 30, 2016, and March 31, 2017, in each case, to reflect a correction to the net deferred tax assets balance. The restatement of the Company's previously issued consolidated financial statements resulted from an error in the calculation of the valuation allowance on the net deferred tax assets balance. In determining the amount of the valuation allowance in the prior periods, an error was made that resulted in the double-counting of expected future taxable income associated with the projected reversals of taxable temporary differences (i.e., deferred tax liabilities). Accordingly, the Company revised its calculation to reflect the removal of the duplicative amounts, and reevaluated all sources of estimated future taxable income on the recoverability of deferred tax assets under GAAP after taking into account both positive and negative evidence through the issuance date of the restated financial statements to consider the effect of the error. The restated balances are reflected in these Consolidated Financial Statements.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with GAAP. The consolidated financial statements include the accounts of Ditech Holding Corporation, its wholly-owned subsidiaries, and VIEs, of which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated. The results of operations for business combinations are included from their respective dates of acquisition.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management is not currently aware of any factors that would significantly change its estimates and assumptions, actual results may differ from these estimates.

Changes in Presentation

Certain prior year amounts have been reclassified to conform to current year presentation.

Recent Accounting Guidance

In May 2014, the FASB issued new revenue recognition guidance that supersedes most industry-specific guidance but does exclude insurance contracts and financial instruments. Under the new revenue recognition guidance, entities are required to identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when the entity satisfies a performance obligation. This guidance was effective for the Company beginning January 1, 2018. The Company adopted using the modified retrospective method. The Company has reviewed the scope of the guidance and monitored the determinations of the FASB Transition Resource Group and concluded that the Company's most significant revenue streams are not within the scope of the standard because the standard does not apply to revenue on contracts accounted for under the transfers and servicing of financial assets or financial instruments standards. Therefore, revenue recognition for these contracts will remain unchanged. The Company has determined that certain revenue streams are within the scope of the guidance; however, the Company does not expect the guidance to impact current revenue recognition patterns for these in scope revenue streams and contracts. Accordingly, the adoption of this guidance is not expected to have a significant impact on the consolidated financial statements.

In January 2016, the FASB issued an accounting standards update that amends the guidance on the classification and measurement of financial instruments. The new standard revises an entity's accounting related to (i) the classification and measurement of investments in equity securities and (ii) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance was effective for the Company beginning January 1, 2018. At December 31, 2017, the Company did not hold any equity securities measured at fair value, but did have certain financial liabilities measured at fair value. Accordingly, the adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued an accounting standards update that requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset to not recognize lease assets and lease liabilities. In transition, lessees are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. This guidance is effective for fiscal years beginning after December 15, 2018, with early application permitted. While the Company continues to evaluate the full effect that this guidance will have on its consolidated financial statements, it will result in the recognition of certain operating leases as right-of-use assets and lease liabilities on the consolidated balance sheets.

In March 2016, the FASB issued an accounting standards update revising certain aspects of share-based accounting guidance, which includes income tax and forfeiture consequences. This guidance was effective for the Company beginning January 1, 2017. Adoption of this update did not have a material impact on the Company's income tax expense. The Company elected to continue with its current methodology of estimating expected forfeitures at the date of grant and adjust throughout the vesting term as needed.

In June 2016, the FASB issued an accounting standards update that amends the guidance for recognizing credit losses on financial instruments measured at amortized cost. This update replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2019. Based on the Company's current methodologies for accounting for financial instruments, the adoption of this guidance is not expected to have a material impact on its consolidated financial statements. The significance of the adoption of this guidance may change at the time of adoption based on the nature and composition of the Company's financial instruments at that time and the corresponding conclusions reached.

In August 2016, the FASB issued an accounting standards update that amends the guidance on the classification of certain cash receipts and cash payments presented within the statement of cash flows to reduce the existing diversity in practice. This guidance was effective for the Company beginning January 1, 2018. The adoption may impact the presentation of cash flows, but will not otherwise have a material impact on the consolidated results of operations or financial condition.

In October 2016, the FASB issued an accounting standards update that amends the guidance on the classification of income taxes related to the intra-entity transfer of assets other than inventory. This guidance was effective for the Company beginning January 1, 2018. The adoption of this guidance is not expected to have a significant impact on the consolidated financial statements.

In November 2016, the FASB issued an accounting standards update that amends the guidance on restricted cash within the statement of cash flows. The update amends the classification of restricted cash and cash equivalents to be included within cash and cash equivalents when reconciling the beginning and ending cash amounts. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows. This guidance was effective for the Company beginning January 1, 2018. The adoption will impact the presentation of the cash flows, but will not otherwise have a material impact on the consolidated results of operations or financial condition.

In January 2017, the FASB issued an accounting standards update that amends the guidance on business combinations. The update clarifies the definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction should be accounted for as an acquisition of assets or a business. This guidance was effective for the Company beginning January 1, 2018. The Company will apply this guidance to its assessment of applicable transactions, such as acquisitions and disposals of assets or businesses, consummated after the adoption date. As such, the adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In January 2017, the FASB issued an accounting standards update that amends the guidance on goodwill. Under the update, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, while not exceeding the carrying value of goodwill. The update eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. This guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently considering the timing of adoption and will apply this guidance to applicable impairment tests after the adoption date.

In February 2017, the FASB issued an accounting standards update that amends the guidance on derecognition of nonfinancial assets. This guidance clarifies the scope and accounting of a financial asset that meets the definition of an in substance nonfinancial asset and defines the term in substance nonfinancial asset. It also adds guidance for partial sales of nonfinancial assets. This guidance was effective for the Company beginning January 1, 2018. The Company adopted using the modified retrospective method. The adoption of this guidance resulted in changes to the statement of financial position, including (i) a reduction of approximately $115.0 million in residential loans at amortized cost, net, (ii) an increase of approximately $125.0 million in other assets, (iii) an increase of approximately $40.0 million in accumulated deficit and (iv) an increase of approximately $50.0 million in accrued liabilities. Additionally, the pattern of recognition of certain interest payments will change for properties where the Company finances sales of real estate owned and the Company has determined that collection of substantially all consideration is not yet probable.

In May 2017, the FASB issued an accounting standards update that amends the guidance on share-based compensation. The update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. This guidance was effective for the Company beginning January 1, 2018. The new guidance will be applied prospectively to awards modified on or after the adoption date. As such, the adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2018, the FASB issued an accounting standards update that amends the guidance on reporting comprehensive income. The guidance allows for a reclassification from accumulated other comprehensive income to retained earnings or accumulated deficit for stranded tax effects resulting from the Tax Act. The Company elected to early adopt this guidance, effective for the Company as of December 31, 2017. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements or disclosures. Refer to Note 25 for additional information.

In March 2018, the FASB issued an accounting standards update that provides guidance related to accounting for the income tax effects of the Tax Act. This guidance provides clarification to address situations where a registrant does not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting under GAAP for certain income tax effects of the Tax Act. To the extent that a registrant's accounting for certain income tax effects of the Tax Act is incomplete, a reasonable estimate may be determined for those effects in the first reporting period in which the registrant was able to determine such reasonable estimate. A measurement period of one year from the enactment date of the Tax Act is provided whereby a registrant may adjust such provisional amounts. If a provisional amount cannot be determined in the initial period of enactment, the registrant may continue to account for taxes in accordance with tax laws that were in effect immediately prior to the Tax Act enactment date until such point in time that a reasonable estimate can be made. The Company's preliminary estimate of the Tax Act and the remeasurement of deferred tax assets and liabilities is subject to the finalization of management's analysis related to certain matters, such as developing interpretations of the provisions of the Tax Act, changes to certain estimates and the filing of its tax returns. U.S. Treasury regulations, administrative interpretations or court decisions interpreting the Tax Act may require further adjustments and changes in the Company's estimates. The final determination of the Tax Act and the remeasurement of the Company's deferred assets and liabilities will be completed as additional information becomes available, but no later than one year from the enactment of the Tax Act.

2. Liquidity

In the normal course of business, the Company utilizes mortgage loan servicing advance facilities and master repurchase agreements with various counterparties to finance, on a short-term basis, mortgage loan related servicing advances and the repurchase of HECMs out of Ginnie Mae securitization pools, as well as to support the Company's origination business. Each of these facilities is typically subject to annual renewal and contain provisions, that in certain circumstances, could prevent the Company from utilizing any unused capacity under such facility and/or that could accelerate the repayment of amounts under such facility.

The Company's ability to fund its operating businesses is a significant factor that affects its liquidity and its ability to operate and grow its businesses. The Company's subsidiaries are dependent on the ability to secure these types of arrangements on acceptable terms and to renew, replace or resize existing financing facilities as they expire. Anticipated growth in Ginnie Mae buyout loan activity will require the Company to seek additional Ginnie Mae buyout financing or to otherwise sell Ginnie Mae buyout assets.

Certain of these and other financing arrangements contain restrictions, covenants, and representations and warranties that, among other conditions, require the Company to satisfy specified financial and asset quality tests and may restrict the Company's ability to engage in mergers or consolidations. In the past, the Company has obtained waivers or amendments from certain lenders in order to maintain compliance with certain covenants and other terms of the financing facilities.

If the Company fails to renew or to comply with the terms of a facility that results in an event of default or breach of covenant without obtaining a waiver or amendment, the Company may be subject to termination of future funding, enforcement of liens against assets securing the respective facility, repurchase of assets pledged in a repurchase agreement, acceleration of outstanding obligations, or other adverse actions.

The Company intends to renew, replace, or extend its facilities and may seek waivers or amendments in the future, if necessary. The Company has historical experience in renewing, replacing and extending these facilities and obtaining waivers or amendments as needed. There can be no assurance that these or other actions will be successful.

Recent Actions

The following actions relating to the Company's liquidity have been completed or are currently in process:

- as discussed in Note 3, the Company emerged from the Chapter 11 Case on February 9, 2018, which resulted in approximately $807 million of corporate debt and accrued interest being extinguished. Contemporaneously, the Company issued $250 million aggregate principal amount of Second Lien Notes;
- on March 29, 2018, the Company entered into an agreement with the Term Lenders to waive certain covenants through 2019 in exchange for an additional incremental minimum paydown of no less than $30 million by December 31, 2018; and
- the Company is currently working with an advisor to help market and sell a pool of defaulted reverse Ginnie Mae buyout loans that are owned by the Company and financed under its existing financing facilities and with its existing as well as new lenders to increase financing capacity for reverse Ginnie Mae buyout loans. These actions are expected to provide adequate liquidity to satisfy the Company's Ginnie May buyout obligations.

Strategic plans designed to improve the Company's liquidity include the following:

- the Company's leadership team continues the transformation of the operating businesses by contemplating further cost reductions, operational enhancements and streamlining of the businesses and reduction of leverage;
- for the Servicing business, the Company continues the transition to a fee-for-service model with a focus on selling servicing rights to third parties on a more selective basis while continuing to grow the subservicing business with third-party servicing rights owners; and
- dispose of assets that are not necessary to support the Company's business strategies including the sale or securitization of reverse Ginnie Mae buyout loans. Refer to Note 30 for additional information.

3. Emergence from Reorganization Proceedings

On November 30, 2017, Walter Investment Management Corp. filed a Bankruptcy Petition under the Bankruptcy Code to pursue the Prepackaged Plan announced on November 6, 2017. On January 17, 2018, the Bankruptcy Court approved the amended Prepackaged Plan and on January 18, 2018, entered a confirmation order approving the Prepackaged Plan. On February 9, 2018, the Prepackaged Plan became effective pursuant to its terms and Walter Investment Management Corp. emerged from the Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. From and after effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business. The Company's emergence from the Chapter 11 Case has resolved the significant risks and uncertainties that previously raised substantial doubt about the Company's ability to continue as a going concern.

The impact of the emergence from reorganization proceedings on the Company's debt and equity is discussed in further detail in Notes 19, 20, 21, 24 and 26.

Reorganization Items

The Company's reorganization items consist of the following (in thousands):

	For the Year Ended December 31, 2017
Write off of deferred debt issuance costs	$ 34,406
Legal and professional fees [1]	3,098
Other expenses [2]	141
Total reorganization items	$ 37,645

(1) Professional fees are directly related to the reorganization.
(2) Other expenses consist of the U.S. Trustee fees and costs related to licensing matters.

During the year ended December 31, 2017, no cash payments were made for the reorganization items.

Liabilities Subject to Compromise

Liabilities subject to compromise included unsecured or under-secured liabilities incurred prior to the Effective Date. These liabilities represented the amounts expected to be allowed on known or potential claims to be resolved through the Chapter 11 Case and subject to future adjustments based on negotiated settlements with claimants, actions of the Bankruptcy Court, rejection of executory contracts, proofs of claims or other events. Additionally, liabilities subject to compromise also include certain items that may be assumed under a plan of reorganization, and as such, may be subsequently reclassified to liabilities not subject to compromise. Generally, actions to enforce or otherwise effect payment of pre-petition liabilities are subject to the automatic stay or an approved motion of the Bankruptcy Court.

Liabilities subject to compromise consist of the following (in thousands):

	December 31, 2017
Senior Notes	$ 538,662
Convertible Notes	242,468
Accrued interest[1]	25,807
Total liabilities subject to compromise	$ 806,937

(1) Represents accrued interest on the Senior Notes and Convertible Notes as of November 30, 2017, the date the Company filed the Bankruptcy Petition. As interest on the Senior Notes and Convertible Notes subsequent to November 30, 2017 was not expected to be an allowed claim, this amount, as well as interest expense reported on the consolidated statement of comprehensive loss for the year ended December 31, 2017 excludes $4.4 million of interest on the Senior Notes and Convertible that otherwise would have been accrued for the month of December 2017.

On the Effective Date, all of the Company's obligations under the previously outstanding Convertible Notes and Senior Notes listed above were extinguished. Previously outstanding debt interests were exchanged for Second Lien Notes, preferred stock, Series A Warrants and Series B Warrants.

Debtor-in-Possession Financial Information

The aggregated financial information of the Debtor is presented in Schedule I attached to these Consolidated Financial Statements.

Fresh Start Accounting

The Company believes that the conditions will be met to qualify under GAAP for fresh start accounting, and accordingly expects to adopt fresh start accounting effective February 10, 2018. The actual impact at emergence on February 9, 2018 will be reported in the Company's Form 10-Q for the first quarter of 2018. The financial statements as of February 10, 2018 and for subsequent periods are expected to report the results of the successor with no beginning retained earnings. Any presentation of the successor represents the financial position and results of operations of the successor and will not be comparable to prior periods.

4. Significant Accounting Policies

Principles of Consolidation

The Company's Consolidated Financial Statements include the accounts and transactions of Ditech Holding and other entities in which the Company has a controlling financial interest. A controlling financial interest may exist in the form of an ownership of a majority of an entity's voting interests or through other arrangements with entities, such as with a VIE.

The Company evaluates each securitization trust associated with its residential loan servicing portfolio to determine if the Company has a variable interest in the trust, if the trust meets the definition of a VIE and whether the Company has a controlling financial interest as the primary beneficiary of the VIE. If the Company determines that it does have a variable interest in the trust, that the trust is a VIE, and that it is the primary beneficiary of the VIE, it consolidates the VIE. The evaluation considers all of the Company's involvement with the VIE, identifying both the implicit and explicit variable interests that either individually or in the aggregate could be significant enough to warrant its designation as the primary beneficiary. This designation is evidenced by both the power to direct the activities of the VIE that most significantly impact its economic performance and the obligation to absorb the losses of, or the right to receive the benefits from, the VIE that could potentially be significant to the VIE.

When the Company's only involvement with a securitization trust is that of servicer, the Company evaluates whether its servicing fee is deemed a variable interest. When the Company's servicing fee meets all of the criteria in the accounting guidance for VIEs regarding fees paid to service providers, the Company concludes that it is acting in the capacity of a fiduciary and that it does not have a variable interest in the securitization trust. Accordingly, the Company does not consolidate the trust. However, in the event the servicing fee is deemed a variable interest, the Company evaluates whether it has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and whether its obligation to absorb the VIE's expected losses or its right to receive the VIE's residual returns could be significant to the VIE. If the Company concludes that it has such power, the Company consolidates the trust. The Company performs a similar evaluation when it is involved with other entities that are not securitization trusts.

The Company re-evaluates whether an entity in which it has a variable interest is a VIE when certain significant events occur. Throughout the duration of its involvement with an entity that is deemed a VIE, the Company reassesses whether it is the primary beneficiary and, accordingly, whether it must consolidate the VIE. Certain events may change the primary beneficiary of a VIE determination including, but not limited to, a change in the Company's ownership of the residual interests, a change in the Company's role as servicer, or a change in the Company's contractual obligations to a VIE.

Sale of Insurance Business

On December 30, 2016, the Company executed a stock purchase agreement pursuant to which the Company agreed to sell 100% of the stock of its indirect, wholly-owned subsidiary, GTI Holdings Corp., which was the holding company of the Company's primary licensed insurance agency, Green Tree Insurance Agency, Inc., to a wholly-owned subsidiary of Assurant, for a purchase price of $125.0 million in cash, subject to adjustment as specified in the agreement. Under the agreement, an affiliate of Assurant has also agreed to make potential earnout payments to the Company in an aggregate amount of up to $25.0 million in cash, with the amount of such payments to be based upon the gross written premium of certain voluntary homeowners' insurance written by certain affiliates of Assurant over a specified timeframe. As a result of this transaction, the assets and liabilities related to the insurance business, which were included in the Servicing segment, were reclassified to operations held for sale line items on the consolidated balance sheets at December 31, 2016. This transaction closed on February 1, 2017, at which time the Company received $131.1 million in cash, which included a working capital payment.

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and highly-liquid investments that have original maturities of three months or less when purchased and are stated at cost, which approximates fair value. The Company maintains cash and cash equivalents with federally-insured financial institutions and these balances typically exceed insurable amounts. Cash equivalents also include amounts due from third-party financial institutions in process of settlement. These transactions typically settle in three days or less and were $85.7 million and $110.6 million at December 31, 2017 and 2016, respectively.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include cash and cash equivalents that are legally restricted as to use or withdrawal. Restricted cash primarily includes (i) principal and interest payments collected by the Company as servicer on behalf of third-party credit owners and unconsolidated securitization trusts that have not yet been remitted to the credit owners or trusts; (ii) principal and interest payments collected by consolidated securitization trusts that have not yet been remitted to the bondholders; and (iii) amounts pledged as collateral for servicing advance facilities. Restricted cash equivalents include investments in money market mutual funds.

Residential Loans at Amortized Cost, Net

Residential loans carried at amortized cost include mortgage loans associated with the Residual Trusts and unencumbered mortgage loans. A majority of these loans were originated by the Company, acquired from other originators, principally an affiliate of Walter Energy, or acquired as part of a pool. Originated loans were initially recorded at the discounted value of the future payments using an imputed interest rate net of cost-basis adjustments such as deferred loan origination fees and associated direct costs, premiums and discounts. The imputed interest rate used represented the estimated prevailing market rate of interest for loans of similar terms issued to borrowers with similar credit risk. New originations of mortgage loans held for investment subsequent to May 1, 2008 relate primarily to the financing of sales of real estate owned. The imputed interest rate on these financings is based on observable market mortgage rates, adjusted for variations in expected credit losses where market data is unavailable.

Ginnie Mae Securitizations

Residential loans at amortized cost also include loans subject to repurchase from Ginnie Mae. For certain mortgage loans that the Company pooled and securitized with Ginnie Mae, the Company 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. As a result of this unilateral right, the Company must recognize the delinquent loan on its consolidated balance sheets when the loan becomes 90 days delinquent and establish a corresponding liability regardless of the Company's intention to repurchase the loan. The corresponding liability is recorded in payables and accrued liabilities on the consolidated balance sheets.

Interest Income and Amortization

Interest income on the Company's residential loans carried at amortized cost consists of the interest earned on the outstanding principal balance of the underlying loan based on the contractual terms of the residential loan and retail installment agreement and the amortization of cost-basis adjustments, principally premiums and discounts. The retail installment agreements state the maximum amount to be charged to borrowers and ultimately recognized as interest income, based on the contractual number of payments and dollar amount of monthly payments. Cost-basis adjustments are deferred and recognized over the contractual life of the loan as an adjustment to yield using the level yield method. Residential loan pay-offs received in advance of scheduled maturity (voluntary prepayments) affect the amount of interest income due to the recognition at that time of any remaining unamortized premiums, discounts, or other cost-basis adjustments arising from the loan's inception.

Non-accrual Loans

Residential loans at amortized cost that are not insured are placed on non-accrual status when any portion of the principal or interest is 90 days past due. When placed on non-accrual status, the related interest receivable is reversed against interest income of the current period. Interest income on non-accrual loans, if received, is recorded using the cash basis method of accounting. Residential loans are removed from non-accrual status when there is no longer significant uncertainty regarding collection of the principal and the associated interest. If a non-accrual loan is returned to accruing status, the accrued interest, at the date the residential loan is placed on non-accrual status and interest during the non-accrual period are recorded as interest income as of the date the loan no longer meets the non-accrual criteria. The past due or delinquency status of residential loans is generally determined based on the contractual payment terms. In the case of loans with an approved repayment plan, including plans approved by the bankruptcy court, delinquency is based on the modified due date of the loan. Loan balances are charged off when it becomes evident that balances are not collectible.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable incurred credit losses inherent in the residential loan portfolio carried at amortized cost as of the balance sheet date. This portfolio is made up of one segment and class that consists primarily of less-than prime, credit-challenged residential loans, whose primary risk to the Company is credit exposure. The method for monitoring and assessing credit risk is the same throughout the portfolio.

Residential loans carried at amortized cost are homogeneous and evaluated collectively for impairment. The determination of the level of the allowance for loan losses and, correspondingly, the provision for loan losses is based on, but not limited to, delinquency levels, default frequency experience, prior loan loss severity experience, and management's judgment and assumptions regarding various matters, including the composition of the residential loan portfolio, known and inherent risks in the portfolio, the estimated value of the underlying real estate collateral, the level of the allowance in relation to total loans and to historical loss levels, current economic and market conditions within the applicable geographic areas of the underlying real estate, changes in unemployment levels, and the impact that changes in interest rates have on a borrower's ability to refinance its loan and to meet its repayment obligations. Management evaluates these assumptions and various other relevant factors impacting credit quality and inherent losses when quantifying the Company's exposure to credit losses and assessing the adequacy of its allowance for loan losses as of each reporting date. The level of the allowance is adjusted based on the results of management's analysis. Generally, as residential loans age, the credit exposure is reduced, resulting in decreasing provisions.

While the Company considers the allowance for loan losses to be adequate based on information currently available, future adjustments to the allowance may be necessary if circumstances differ from the assumptions used by management in determining the allowance for loan losses.

Loan Modifications

The Company will occasionally modify a loan agreement at the request of the borrower. The Company's current modification program offered to borrowers is limited and is used to assist borrowers experiencing temporary hardships and is intended to minimize the economic loss to the Company and to avoid foreclosure. Generally, the Company's modifications are short-term interest rate reductions and/or payment deferrals with forgiveness of principal rarely granted. A modification of a loan constitutes a troubled debt restructuring when a borrower is experiencing financial difficulty and the modification constitutes a concession. Loans modified in a troubled debt restructuring are typically already on non-accrual status and have an allowance recorded. At times, loans reflected on the Company's balance sheet are modified in a troubled debt restructuring and may have the financial effect of increasing the allowance associated with the loan. The allowance for an impaired loan that has been modified in a troubled debt restructuring is measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate or the estimated fair value of the collateral less any selling costs. Troubled debt restructurings for these loans have historically been, and continue to be, insignificant to the Company.

Residential Loans at Fair Value

Residential Loans Held for Investment

Residential loans held for investment and carried at fair value consist of reverse loans, mortgage loans related to the Non-Residual Trusts, and charged-off loans. The Company has elected to carry these loans at fair value.

Reverse loans consist of HECMs that were either originated or acquired by the Company. The loans are pooled and securitized into HMBS that are sold into the secondary market with servicing rights retained. Based upon the structure of the Ginnie Mae securitization program, the Company has determined that it has not met all of the requirements for sale accounting and accounts for these transfers as secured borrowings. Under this accounting treatment, the reverse loans remain on the consolidated balance sheets as residential loans. The proceeds from the transfers of reverse loans are recorded as HMBS related obligations with no gain or loss recognized on the transfers.

Reverse loans also include loans that have not yet been transferred to Ginnie Mae securitization pools and loans that have been repurchased from Ginnie Mae securitization pools. The Company, as an issuer of HMBS, is required to repurchase reverse loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount, which is defined as the lesser of a home's appraised value at the point in time that the Conditional Commitment is issued or the maximum loan limit that can be insured by the FHA. Performing repurchased loans are conveyed to HUD and nonperforming repurchased loans are generally liquidated through foreclosure and subsequent sale of the real estate owned. Loans are considered nonperforming upon events such as, but not limited to, the death of the mortgagor, the mortgagor no longer occupying the property as their principal residence, or the property taxes or insurance not being paid. In addition to having to fund these repurchases, the Company also typically earns a lower interest rate and incurs certain non-reimbursable costs during the process of liquidating nonperforming loans.

The yield on reverse loans and any change in fair value are recorded in net fair value gains on reverse loans and related HMBS obligations on the consolidated statements of comprehensive loss. Similarly, the yield on and change in fair value of mortgage loans related to the Non-Residual Trusts are recorded in other net fair value gains (losses) on the consolidated statements of comprehensive loss. The yield on reverse loans and mortgage loans related to the Non-Residual Trusts includes recognition of contractual interest income that is expected to be collected based on the stated interest rates of the loans, as well as the accretion of fair value.

Charged-off loans represent a portfolio of defaulted consumer and residential loans that were acquired at substantial discounts to face value. Charged-off loans are consumers' unpaid financial commitments and include residential mortgage loans, auto loans and other unsecured consumer loans. The accretion of fair value associated with charged-off loans and any change in fair value are recorded in other revenues on the consolidated statements of comprehensive loss. There is no contractual interest income recognized in relation to charged-off loans.

Purchases and originations of and payments received on residential loans held for investment are included in investing activities on the consolidated statements of cash flows.

Residential Loans Held for Sale

Residential loans held for sale represent mortgage loans originated or acquired by the Company with the intent to sell. These loans are originated or acquired primarily for purposes of selling into the secondary market or to private investors as whole loans with servicing rights either retained or sold. The Company has elected to carry mortgage loans held for sale at fair value. The yield on the loans, any change in fair value, and gains or losses recognized upon sale of the loans are recorded in net gains on sales of loans on the consolidated statements of comprehensive loss. The yield on the loans includes recognition of interest income that is expected to be collected based on the stated interest rates of the loans, as well as the accretion of fair value. Loan origination fees are recorded in other revenues within the consolidated statements of comprehensive loss when earned and related costs are recognized in general and administrative expenses when incurred. All activity related to residential loans held for sale are included in operating activities on the consolidated statements of cash flows.

The Company's agreements with GSEs and other third parties include standard representations and warranties related to the loans the Company sells. The representations and warranties require adherence to origination and underwriting guidelines, including but not limited to the validity of the lien securing the loan, property eligibility, borrower credit, income and asset requirements, and compliance with applicable federal, state and local laws. Breaches of representations and warranties, with the exception of certain loans originated under HARP, are generally enforceable at any time over the life of the loan. If the Company is unable to cure such breach, the purchaser of the loan may require the Company to repurchase such loan for the unpaid principle balance, accrued interest, and related advances, and in any event, the Company must indemnify such purchaser for certain losses and expenses incurred by such purchaser in connection with such breach. In the case the Company repurchases the loan, the Company bears any subsequent credit loss on the loan. The Company's credit loss may be reduced by any recourse it has to correspondent lenders that, in turn, have sold such residential loans to the Company and breached similar or other representations and warranties. In such event, the Company has the right to seek a recovery of related repurchase losses from that correspondent lender. The Company actively contests claims to the extent that the Company does not consider the claims to be valid. The Company seeks to manage the risk of repurchase and associated credit exposure through the Company's underwriting and quality assurance practices.

The Company records a provision for losses relating to such representations and warranties as part of its loan sale transactions at the time the loan is sold in accordance with the accounting guidance for guarantees. The provision is a reduction in the net gains on sales of loans on the consolidated statements of comprehensive loss. The method used to estimate the liability for representations and warranties is a function of the representations and warranties given and considers a combination of factors, including, but not limited to, historical defect rates, projected repurchase rates, projected resale values, and the probability of reimbursement by the correspondent loan seller. The liability, which is recorded in payables and accrued liabilities on the consolidated balance sheets, is updated based on changes in estimates, with those changes recorded as a component of general and administrative expenses on the consolidated statements of comprehensive loss. The level of the liability for representations and warranties requires considerable management judgment. The level of residential loan repurchase losses is dependent on economic factors and external conditions that may change over the lives of the underlying loans.

Receivables Related to Non-Residual Trusts

Receivables related to Non-Residual Trusts, which are recorded in receivables, net on the consolidated balance sheets, consist of the estimated fair value of expected future draws on LOCs from a third party. The LOCs are credit enhancements to the Non-Residual Trusts. The cash flows received from the LOC draws are paid directly to the underlying securitization trusts and are used to pay bondholders of these securitizations for shortfalls in principal and interest collections on the loans in the securitizations. The Company has elected to carry these receivables at fair value. Changes in fair value are recorded in other net fair value gains (losses) on the consolidated statements of comprehensive loss.

Servicing Operations

Servicing Rights, Net

Capitalized servicing rights include rights associated with servicing and subservicing contracts acquired in connection with business combinations and servicing rights acquired through the purchase of such rights from third parties or through the sale of loans with servicing rights retained. At initial recognition, the fair value of the servicing right is established using assumptions consistent with those used to establish the fair value of existing servicing rights.

A servicing or subservicing asset (or liability) is recognized on the consolidated balance sheets when the benefits of servicing are deemed to be greater (or lower) than adequate compensation for the servicing activities performed by the Company. No servicing or subservicing asset or liability is recorded if the amounts earned represent adequate compensation. Generally, no servicing asset or liability is recognized when the Company enters into new subservicing contracts; however, previously existing contracts acquired in a business combination may be deemed to provide greater (or lower) than adequate compensation.

Subsequent to acquisition, servicing rights (or liabilities) are accounted for using the amortization method or the fair value measurement method, based on the Company's strategy for managing the risks of the underlying portfolios. Risks inherent in servicing rights include prepayment and interest rate risks.

The Company identifies classes of servicing rights based upon the availability of market inputs used in determining fair value and its available risk management strategies associated with the servicing rights. Based upon these criteria, the Company has identified three classes of servicing rights: a risk-managed loan class, a mortgage loan class, and a reverse loan class. The risk-managed loan class includes loan portfolios for which the Company may apply a hedging strategy in the future. For servicing assets associated with the risk-managed loan class, which are accounted for at fair value, the Company measures the fair value at each reporting date and records changes in fair value in net servicing revenue and fees on the consolidated statements of comprehensive loss.

Servicing rights associated with the mortgage loan class and the reverse loan class are amortized based on expected cash flows in proportion to and over the life of servicing revenue. Amortization is recorded as an adjustment to net servicing revenue and fees on the consolidated statements of comprehensive loss. Servicing assets (or liabilities) are stratified by product type and compared to the estimated fair value on a quarterly basis. Impairment (or an increased obligation) is recognized through a valuation allowance for each stratum. The valuation allowance is adjusted to reflect the amount, if any, by which the carrying value of the servicing rights for a given stratum exceeds (or in the case of servicing liabilities, is lower than) its fair value. Any fair value in excess of (or in the case of servicing liabilities, lower than) the carrying value for a given stratum is not recognized. The Company recognizes a direct impairment to the servicing asset or liability when the valuation allowance is determined to be unrecoverable.

Net Servicing Revenue and Fees

Servicing revenue and fees consist of income from the Company's third-party servicing portfolio, which includes loans associated with arrangements in which the Company owns the servicing rights or acts as subservicer. Servicing revenue and fees include contractual servicing fees, incentive and performance fees, and ancillary income. Contractual servicing fees related to arrangements in which the Company owns the servicing rights are generally based on a percentage of the unpaid principal balance of the related collateral and are recorded when earned, which is generally upon collection of payments from borrowers. Contractual servicing fees related to arrangements in which the Company acts as subservicer are generally based on a fixed dollar amount per loan and are accrued in the period the services are performed. Incentive and performance fees include fees based on the performance of specific portfolios or loans, asset recovery income, and modification fees. Fees based on the performance of specific portfolios or loans are recognized when earned based on the terms of the various servicing and incentive agreements. Asset recovery income is generally recognized upon collection. Ancillary income includes late fees, prepayment fees, and collection fees and is generally recognized upon collection. Servicing revenue and fees are adjusted for the amortization of servicing rights carried at amortized cost, the change in fair value of servicing rights carried at fair value and the change in fair value of servicing rights related liabilities.

Servicer and Protective Advances, Net

In the ordinary course of servicing residential loans and pursuant to certain servicing agreements, the Company may advance the principal and interest portion of delinquent mortgage payments to credit owners prior to the collection of such amounts from borrowers, provided that the Company determines these advances are recoverable from either the borrower or the liquidation of collateral. In addition, the Company is required under certain servicing contracts to ensure that property taxes, insurance premiums, foreclosure costs and various other items are paid in order to preserve the collateral underlying the assets being serviced. Generally, the Company recovers such advances from borrowers for reinstated or performing loans, from proceeds of liquidation of collateral or ultimate disposition of the loan, from credit owners or from loan insurers. Certain of the Company's servicing agreements provide that repayment of servicing advances made under the respective agreements have a priority over all other cash payments to be made from the proceeds of the residential loan, and in certain cases the proceeds of the pool of residential loans, which are the subject of that servicing agreement. As a result, the Company is entitled to repayment from loan proceeds before any interest or principal is paid to the bondholders, and in certain cases, advances in excess of loan proceeds may be recovered from pool-level proceeds. Servicer and protective advances are carried at cost, net of estimated losses. Losses can occur in the normal course of servicing loans when the Company fails to make advances in accordance with investor guidelines including filing claims timely, requesting approvals, or advancing outside of guidelines. The Company establishes an allowance for uncollectible advances based on an analysis of the underlying loans, their historical loss experience, and recoverability pursuant to the terms of underlying servicing agreements. Historical advance loss experience includes investor curtailment and servicer analytics experience, and also incorporates qualitative management collectability and risk assessments of company operations and investor or counterparty behaviors. Generally, estimated losses related to advances are recorded in general and administrative expenses on the consolidated statements of comprehensive loss.

Custodial Accounts

In connection with its servicing activities, the Company has a fiduciary responsibility for amounts primarily related to borrower escrow funds and other custodial funds due to credit owners aggregating $3.4 billion and $4.4 billion at December 31, 2017 and 2016, respectively. These funds, which do not represent assets or liabilities of the Company, are maintained in segregated bank accounts, and accordingly, are not reflected on the consolidated balance sheets.

Goodwill

Goodwill represents the excess of the consideration paid in a business combination over the fair value of the identifiable net assets acquired. The Company tests goodwill for impairment at the reporting unit level at least annually or whenever events or circumstances indicate that the carrying value of goodwill may not be recoverable from future cash flows. A reporting unit is a business segment or one level below. The Company has identified four reporting units, which constitute businesses: (i) Servicing; (ii) ARM; (iii) Originations; and (iv) Reverse Mortgage. Segment management regularly reviews discrete financial information for these reporting units. The Company has the option of performing a qualitative assessment of impairment to determine whether any further quantitative testing for impairment is necessary. If the Company elects to bypass the qualitative assessment or if it determines, based on qualitative factors, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a two-step quantitative test is required. In Step 1, the Company compares the fair value of the reporting unit with its net carrying value, including goodwill. If the net carrying value of the reporting unit exceeds its fair value, the Company then performs Step 2 of the impairment test to measure the amount of impairment loss, if any. In Step 2, the Company allocates the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value allocated to goodwill (implied fair value of goodwill). If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of such goodwill, the Company recognizes an impairment loss in an amount equal to that excess up to the carrying value of goodwill. In performing the two-step quantitative assessment, fair value of the reporting unit is based on discounted cash flows, market multiples, and/or appraised values, as appropriate.

The Company completed its annual goodwill impairment test effective October 1, 2017, which is discussed in more detail in Note 15.

Intangible Assets, Net

Intangible assets primarily consist of customer relationships and other intangible assets, primarily trademarks and trade names. Intangible assets are amortized using either an economic consumption method or a straight-line method over their related expected useful lives. Intangible assets subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its fair value.

Premises and Equipment, Net

Premises and equipment, net are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements and assets under capital leases are amortized over the lesser of the remaining term of the lease or the useful life of the leased asset. Costs to internally develop computer software are capitalized during the application development stage and include external direct costs of materials and services as well as employee costs directly associated with the project during the capitalization period. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its fair value.

Derivatives

The Company enters into commitments to originate and purchase mortgage loans at interest rates that are determined prior to the funding or purchase of the loan. These commitments are referred to as IRLCs. IRLCs are considered freestanding derivatives and are recorded at fair value at inception. Changes in fair value subsequent to inception are based on changes in the fair value of the underlying loan, and changes in the probability that the loan will fund within the terms of the commitment.

The Company uses derivative financial instruments, primarily forward sales commitments, to manage exposure to interest rate risk and changes in the fair value of IRLCs and mortgage loans held for sale. The Company may also enter into commitments to purchase MBS as part of its overall hedging strategy. The Company has elected not to designate these freestanding derivatives as hedging instruments under GAAP.

The fair value of freestanding derivatives is recorded in other assets or payables and accrued liabilities on the consolidated balance sheets with changes in the fair values included in net gains on sales of loans on the consolidated statements of comprehensive loss. Cash flows related to freestanding derivatives are included in operating activities on the consolidated statements of cash flows.

In connection with forward sales commitments and MBS purchase commitments, the Company has margin agreements with its counterparties whereby both parties are required to post cash margin in the event the fair values of the derivative financial instruments meet or exceed established thresholds and minimum transfer amounts. This process substantially mitigates counterparty credit risk. The right to receive cash margin placed by the Company with its counterparties is included in other assets, and the obligation to return cash margin received by the Company from its counterparties is included in payables and accrued liabilities on the consolidated balance sheets. The Company has elected to record derivative assets and liabilities and related cash margin on a gross basis, even when a legally enforceable master netting arrangement exists between the Company and the derivative counterparty.

The derivative transactions described above are measured in terms of the notional amount. With the exception of IRLCs, the notional amount is generally not exchanged and is used only as a basis on which interest and other payments are determined.

Real Estate Owned, Net

Real estate owned, net is included in other assets on the consolidated balance sheets, and represents properties acquired in satisfaction of residential loans. Upon foreclosure, or when the Company otherwise takes possession of the property, real estate owned is recorded at the lower of cost or estimated fair value less estimated costs to sell. The excess of cost over the fair value of the property acquired less estimated costs to sell, or net realizable value, is charged to the allowance for loan losses for residential loans carried at amortized cost, to other net fair value gains (losses) for mortgage loans carried at fair value, and to net fair value gains on reverse loans and related HMBS obligations for reverse loans. The fair value of the property is generally based upon historical resale recovery rates and current market conditions or appraisals. Subsequent declines in the value of real estate owned are recorded as adjustments to the carrying amount through a valuation allowance and are recorded in other expenses, net on the consolidated statements of comprehensive loss. Losses from the sale of real estate owned associated with reverse loans are typically covered by FHA insurance, the benefit of which is considered in the net realizable value estimate. To the extent these losses are not covered by the FHA insurance, they are recognized in other expenses, net on the consolidated statements of comprehensive loss when incurred. Costs relating to the improvement of the property are capitalized to the extent the balance does not exceed its fair value, whereas those costs relating to maintaining the property are recorded when incurred to other expenses, net on the consolidated statements of comprehensive loss.

The Company may finance the sale of its real estate owned for the portfolio associated with the Residual Trusts. Revenue from the sale of real estate owned is recognized by the full accrual method when the specific criteria for use of this method are met. However, frequently, the requirement for a minimum 5% initial cash investment for primary residences is not met. When this is the case, losses are recognized immediately while gains are deferred and recognized by the installment method until the borrower's initial investment reaches the minimum 5% requirement. Once the borrower's initial investment reaches the minimum required amount, revenue is recognized by the full accrual method. Gains and losses on the sale of real estate owned are charged to other expenses, net on the consolidated statements of comprehensive loss when incurred.

Insurance Operations

Prior to the sale of the Company's insurance business on February 1, 2017, the Company earned commission revenue on voluntary insurance provided for residential loan borrowers and lender-placed hazard insurance for borrowers and credit owners, if permitted under applicable laws and regulations. Commission revenue was recognized when the earnings process had been completed, which was the effective date of the insurance policy, and collectability was reasonably assured. At the time commission revenue was recognized, the Company could reliably estimate expected policy cancellations and records a reserve for cancellations, which was estimated based on historical experience adjusted for known events or circumstances. The reserve for policy cancellations was evaluated on a quarterly basis and adjusted to reflect current estimates.

As a result of the sale of the Company's insurance business on February 1, 2017, the Company no longer receives insurance commissions on lender-placed insurance policies. Commencing February 1, 2017, another insurance agency owned by the Company began to provide insurance marketing services to a third party with respect to voluntary insurance policies, including hazard insurance. This insurance agency receives premium-based commissions for its insurance marketing services, which are recognized in other revenues on the consolidated statements of comprehensive loss.

Servicer Payables

Servicer payables represent amounts collected that are required to be remitted to third-party trusts, credit owners, or others. These collections are primarily from borrowers or investors whose loans the Company services.

Servicing Rights Related Liabilities

The Company records a liability for certain servicing rights that will be transferred to NRM under a recapture agreement. The Company elected to record MSR liabilities related to NRM sales at fair value consistent with the related servicing rights.

The Company has a recapture agreement relating to certain subservicing performed on behalf of NRM, including subservicing relating to the servicing rights sold to NRM as discussed further in Note 5. NRM is entitled to the servicing right resulting from the refinancing by the Company of a loan in the servicing portfolio previously transferred to NRM. As transfer of the servicing rights on the refinanced loans has not yet occurred, the Company records a MSR liability relating to the MSR that will ultimately be transferred to NRM. The Company will transfer the MSR upon investor approval.

Debt and Other Obligations

Servicing advance liabilities, warehouse borrowings and corporate debt are carried at amortized cost. Servicing advance liabilities relating to term notes and corporate debt are also presented net of related discounts and deferred debt issuance costs. Deferred debt issuance costs associated with servicing advance liabilities with line-of-credit arrangements, warehouse borrowings and the 2013 Revolver are recorded in other assets on the consolidated balance sheets. Deferred debt issuance costs and original issue discounts, if any, are amortized to interest expense over the term of the debt or obligation using either the effective interest method or the straight-line method.

Mortgage-Backed Debt

The Company's mortgage-backed debt associated with the Residual Trusts is carried at amortized cost, net of discounts and deferred debt issuance costs. These costs and original issue discounts, if any, are amortized to interest expense over the term of the debt using the effective interest method. The Company elected to carry mortgage-backed debt related to the Non-Residual Trusts at fair value. The yield on mortgage-backed debt and any change in fair value are recorded in other net fair value gains (losses) on the consolidated statements of comprehensive loss. The yield on mortgage-backed debt includes recognition of interest expense based on the stated interest rates of the debt, as well as the accretion of fair value.

HMBS Related Obligations

The Company recognizes the proceeds from the transfer of HMBS as a secured borrowing. The Company elected to record the secured borrowing, or the HMBS related obligations, at fair value. The yield on HMBS related obligations and any change in fair value are recorded in net fair value gains on reverse loans and related HMBS obligations on the consolidated statements of comprehensive loss. The yield on HMBS related obligations includes recognition of contractual interest expense based on the stated interest rates of the obligations, as well as the accretion of fair value. Proceeds from securitizations of reverse loans and payments on HMBS related obligations are included in financing activities on the consolidated statements of cash flows.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates for the periods in which the differences are expected to reverse. The change in deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period of the change.

Periodic reviews of the carrying amount of deferred tax assets are made to determine if the establishment of a valuation allowance is necessary. A valuation allowance is required when it is more likely than not that all or a portion of a deferred tax asset will not be realized. All evidence, both positive and negative, is evaluated when making this determination. Items considered in this analysis include the ability to carry back losses to recoup taxes previously paid, the reversal of temporary differences, tax planning strategies, historical financial performance, expectations of future earnings, and the length of statutory carryforward periods. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences.

The Company assesses its tax positions for all open tax years and determines whether it has any material unrecognized liabilities in accordance with the guidance on accounting for uncertain tax positions. The Company records interest and penalties on uncertain tax positions in income tax expense and general and administrative expenses, respectively, on the consolidated statements of comprehensive loss.

Share-Based Compensation

The Company had in effect, as of December 31, 2017, stock incentive plans under which RSUs, performance shares and non-qualified stock options were granted to employees and non-employee members of the Board of Directors. The Company estimated the fair value of share-based awards on the date of grant. The value of the award was generally recognized as an expense using the graded method over the requisite service period. The fair value of the Company's RSUs was generally based on the average of the high and low market prices of its common stock on the date of grant. The Company estimated the fair value of performance shares and non-qualified stock options as of the date of grant using the Monte-Carlo simulation model and Black-Scholes option pricing model, respectively. These models considered, among other factors, the performance period or expected life of the award, the expected volatility of the Company's stock price, and expected dividends. The Company records share-based compensation expense in salaries and benefits expense on the consolidated statements of comprehensive loss.

Advertising Costs

Advertising costs are expensed as incurred and are included in general and administrative expenses on the consolidated statements of comprehensive loss. The Company recorded advertising expense of $16.0 million and $25.0 million for the years ended December 31, 2017 and 2016, respectively.

Basic and Diluted Earnings (Loss) Per Share

The Company uses the two-class method to determine earnings per share. Outstanding share-based payment awards that include non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and are included in the calculation of basic earnings per common share pursuant to the two-class method. The Company's participating securities were comprised of RSUs. Under the two-class method, net income is reduced by the amount of dividends declared in the period for common stock and participating securities. The remaining undistributed earnings are then allocated to common stock and participating securities as if all of the net income for the period had been distributed. Basic earnings per share excludes dilution and is calculated by dividing net income allocable to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income allocable to common shares by the weighted-average number of common shares for the period, as adjusted for the potential dilutive effect of non-participating share-based awards and convertible debt, based on the treasury method. During periods of net loss, diluted loss per share is equal to basic loss per share as the antidilutive effect of non-participating share-based awards and convertible debt is disregarded. No effect is given to participating securities in the computation of basic and diluted loss per share as these securities do not share in the losses of the Company.

Contingencies

The Company evaluates contingencies based on information currently available and establishes accruals for those matters when a loss contingency is considered probable and the related amount is reasonably estimable. For matters where a loss is believed to be reasonably possible but not probable, no accrual is established but the nature of the loss contingency and an estimate of the reasonably possible range of loss in excess of amounts accrued, when such estimate can be made, is disclosed. In deriving an estimate, the Company is required to make assumptions about matters that are, by their nature, highly uncertain. The assessment of loss contingencies, including legal contingencies and curtailment obligations, involves the use of critical estimates, assumptions and judgments. Whenever practicable, the Company consults with outside experts, including legal counsel and consultants, to assist with the gathering and evaluation of information related to contingent liabilities. It is not possible to predict or determine the outcome of all loss contingencies. Accruals are periodically reviewed and may be adjusted as circumstances change.

5. Transactions with NRM

NRM Flow and Bulk Agreement

On August 8, 2016, Ditech Financial and NRM executed the NRM Flow and Bulk Agreement whereby Ditech Financial agreed to sell to NRM all of Ditech Financial's right, title and interest in mortgage servicing rights with respect to a pool of mortgage loans, with subservicing retained. The NRM Flow and Bulk Agreement provides that, from time to time, Ditech Financial may sell additional MSR to NRM in bulk or as originated or acquired on a flow basis, subject in each case to the parties agreeing on price and certain other terms.

On January 17, 2018, the Company agreed to sell to NRM MSR relating to mortgage loans having an aggregate unpaid principal balance of approximately $11.3 billion as of such sale date, with subservicing retained, and received approximately $90.4 million in cash proceeds from NRM as partial consideration for this MSR sale. The Company used 80% of such cash proceeds to repay borrowings under the 2013 Credit Agreement and used the remaining cash proceeds for general corporate purposes. Since entering into the NRM Flow and Bulk Agreement and through January 17, 2018, in various bulk transactions under the NRM Flow and Bulk Agreement, the Company has sold MSR to NRM relating to mortgage loans having an aggregate unpaid principal balance of $71.1 billion as of the applicable closing dates of such transactions, in each case with subservicing retained. As of January 17, 2018, the Company had received $340.4 million in cash proceeds relating to such sales, which proceeds do not include certain holdback amounts relating to such sales that it expects to be paid to the Company over time. For the year ended December 31, 2017, the Company received $39.9 million in cash proceeds relating to these holdback amounts and at December 31, 2017 and 2016 had a servicing rights holdback receivable from NRM of $31.3 million and $71.3 million, respectively, which is recorded in receivables, net on the consolidated balance sheets.

In addition, during the fourth quarter of 2016, the Company began to sell to NRM, on a flow basis and with subservicing retained, MSR relating to certain mortgage loans that it originates. During 2017 and 2016, the Company sold MSR relating to mortgage loans with an aggregate unpaid principal balance of $7.6 billion and $1.4 billion, respectively, to NRM, which included co-issue loans sold with an aggregate unpaid principal balance of $6.4 billion and $0.2 billion, respectively. These transfers generated revenues of $61.8 million and $12.9 million for the years ended December 31, 2017 and 2016, respectively, which are recorded in net gains on sales of loans on the consolidated statements of comprehensive loss.

NRM also acquired substantially all of WCO's MSR portfolio in the fourth quarter of 2016, which consisted of MSR relating to mortgage loans having an aggregate unpaid principal balance of $9.8 billion as of the applicable closing dates, which was serviced by the Company and included $4.8 billion related to MSR that the Company previously accounted for as secured borrowings. Ditech Financial subservices these MSR under the NRM Subservicing Agreement.

The initial term of the NRM Flow and Bulk Agreement will expire on August 8, 2019 and shall be renewed for successive one-year terms thereafter unless either party provides written notice to the other party of its election not to renew. Each party to the NRM Flow and Bulk Agreement also has termination rights upon the occurrence of certain events and NRM can terminate this agreement at any time with a notice of 30 days. In connection with Ditech Financial's entry into the NRM Flow and Bulk Agreement, the Company entered into a performance and payment guaranty whereby the Company guarantees performance of all obligations and all payments required by Ditech Financial under the NRM Flow and Bulk Agreement.

NRM Subservicing Agreement

On August 8, 2016, Ditech Financial and NRM entered into the NRM Subservicing Agreement whereby Ditech Financial acts as subservicer for the mortgage loans whose MSR are sold by Ditech Financial to NRM under the NRM Flow and Bulk Agreement and for other mortgage loans as may be agreed upon by Ditech Financial and NRM from time to time, in exchange for a subservicing fee. Under the NRM Subservicing Agreement and a related agreement, Ditech Financial performs all daily servicing obligations on behalf of NRM with respect to the MSR that are serviced by Ditech Financial pursuant to the terms of the NRM Subservicing Agreement, including collecting payments from borrowers and offering refinancing options to borrowers for purposes of minimizing portfolio runoff. On January 17, 2018 Ditech Financial and NRM executed a Side Letter Agreement pursuant to which, among other things, certain provisions of the NRM Subservicing Agreement were amended and/or waived.

With respect to Ditech Financial, for mortgage loans that were being subserviced by Ditech Financial under the NRM Subservicing Agreement prior to January 17, 2018, and for any additional mortgage loans that Ditech Financial may subservice under the NRM Subservicing Agreement that are added to such agreement after such date (other than (i) mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and (ii) mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date), the initial term of the NRM Subservicing Agreement expired on August 8, 2017 and was automatically renewed for a successive one year term, and will further be automatically renewed for successive one-year terms thereafter, unless Ditech Financial elects to terminate the NRM Subservicing Agreement without cause at the end of any subsequent one-year renewal term by providing notice to NRM at least 120 days prior to the end of the applicable term. With respect to Ditech Financial, for mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk MSR sale agreed to by the parties on January 17, 2018 and mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date, the initial term of the NRM Subservicing Agreement shall expire on January 17, 2019 (with respect to the aforementioned bulk MSR sale) or, with respect to each flow MSR assignment agreement executed by the parties after such date in connection with any flow MSR sales by Ditech Financial to NRM after such date, if any, the first anniversary of the first day of the calendar quarter following the calendar quarter during which such flow MSR assignment agreement was executed, and in each case will automatically renew for successive one-year terms thereafter, unless the Company elects to terminate the NRM Subservicing Agreement without cause at the end of any such one-year term by providing notice to NRM at least 120 days prior to the end of the applicable term. If Ditech Financial elects to terminate the NRM Subservicing Agreement without cause, Ditech Financial will not be entitled to receive any deconversion fee, will be responsible for certain servicing transfer costs and will owe NRM a transfer fee if such termination occurs within five years from the effective date of the agreement. Ditech Financial may also terminate the NRM Subservicing Agreement immediately for cause upon the occurrence of certain events, including, without limitation, any failure by NRM to remit payments (subject to a cure period), certain bankruptcy or insolvency events of NRM, NRM ceasing to be an approved servicer in good standing with Fannie Mae or Freddie Mac (unless caused by Ditech Financial) and any failure by NRM to perform, in any material respect, its obligations under the agreement (subject to a cure period). Upon any termination of the NRM Subservicing Agreement by Ditech Financial for cause, NRM will owe Ditech Financial a deconversion fee and be responsible for certain servicing transfer costs.

With respect to NRM, for mortgage loans that were being subserviced by Ditech Financial under the NRM Subservicing Agreement prior to January 17, 2018, and for any additional mortgage loans that Ditech Financial may subservice under the NRM Subservicing Agreement that are added to such agreement after such date (other than (i) mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and (ii) mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date), the initial term of the NRM Subservicing Agreement expired on August 8, 2017 and thereafter the agreement automatically terminates with respect to such mortgage loans, unless renewed by NRM on a monthly basis. Since the expiration of the initial term, NRM has renewed the NRM Subservicing Agreement each month thereafter. In the case of mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk MSR sale agreed to by the parties on January 17, 2018 and mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date, the initial term of the NRM Subservicing Agreement shall expire on January 17, 2019 (with respect to the aforementioned bulk MSR sale) or, with respect to each flow MSR assignment agreement executed by the parties after such date in connection with any flow MSR sales by Ditech Financial to NRM after such date, if any, the first anniversary of the first day of the calendar quarter following the calendar quarter during which such flow MSR assignment agreement was executed, and following the applicable initial term the agreement automatically terminates with respect to the applicable mortgage loans unless renewed by NRM on a quarterly basis. If NRM fails to renew the agreement, it will owe the Company a deconversion fee. In addition, if NRM elects to terminate the NRM Subservicing Agreement without cause, it will owe the Company a deconversion fee and be responsible for certain servicing transfer costs. NRM may also terminate the NRM Subservicing Agreement immediately for cause upon the occurrence of certain events, including, without limitation, the Company's failure to remit payments (subject to a cure period), its failure to provide reports to NRM (subject to a cure period), a change of control of Ditech Financial or Ditech Holding, its failure to satisfy certain portfolio performance measures relating to delinquency rates or advances, the Company ceasing to be an approved servicer in good standing with Fannie Mae or Freddie Mac, any failure by Ditech Financial or Ditech Holding to satisfy certain financial metrics, certain bankruptcy or insolvency events of Ditech Financial or Ditech Holding and any failure by the Company to perform, in any material respect, its obligations under the agreement (subject to a cure period). Because certain of these events have already occurred, NRM has the ability to terminate the NRM Subservicing Agreement immediately for cause with respect to mortgage loans that were being subserviced by Ditech Financial under the NRM Subservicing Agreement prior to January 17, 2018, and for any additional mortgage loans that Ditech Financial may subservice under the NRM Subservicing Agreement that are added to such agreement after such date (other than (i) mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and (ii) mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date), but has not terminated such agreement with respect to any such mortgage loans. Pursuant to the January 17, 2018 Side Letter Agreement Ditech Financial entered into with NRM, NRM agreed to, among other things, waive its right to terminate the Subservicing Agreement for cause due to the occurrence of certain of these events with respect to mortgage loans relating to MSR sold to NRM by Ditech Financial in a bulk sale agreed to by the parties on January 17, 2018 and mortgage loans relating to MSR sold to NRM by Ditech Financial on a flow basis under the NRM Flow and Bulk Agreement after such date. Upon any termination of the NRM Subservicing Agreement by NRM for cause, the Company will not be entitled to receive any deconversion fee, will be responsible for certain servicing transfer costs and will owe NRM a transfer fee if such termination occurs within five years from the effective date of the agreement.

6. Variable Interest Entities

Consolidated Variable Interest Entities

Residual Trusts

The Company evaluates each securitization trust that funded its residential loan portfolio to determine if it meets the definition of a VIE, and whether the Company is required to consolidate the trust. The Company determined that it is the primary beneficiary of five securitization trusts in which it owns residual interests, and as a result, has consolidated these trusts. As a holder of the residual securities issued by the trusts, the Company has both the obligation to absorb losses to the extent of its investment and the right to receive benefits from the trusts, both of which could potentially be significant to the trusts. In addition, as the servicer for these trusts, the Company concluded it has the power to direct the activities that most significantly impact the economic performance of the trusts through its ability to manage the delinquent assets of the trusts. Specifically, the Company has discretion, subject to applicable contractual provisions and consistent with prudent mortgage-servicing practices, to decide whether to sell or work out any loans that become troubled.

The Company is not contractually required to provide any financial support to the Residual Trusts. The Company may, from time to time at its sole discretion, purchase certain assets or cover certain expenses for the trusts to cure delinquency or loss triggers for the sole purpose of releasing excess overcollateralization to the Company. Other than potentially acquiring assets for such purpose, based on current performance trends, the Company does not expect to provide financial support to the Residual Trusts.

Non-Residual Trusts

The Company determined that it is the primary beneficiary of seven securitization trusts for which it does not own any residual interests. The Company does not receive economic benefit from the residential loans while the loans are held by the Non-Residual Trusts other than the servicing fees paid to the Company to service the loans. There were previously ten securitization trusts included in the Non-Residual Trusts; however, as discussed further below, three of the trusts were deconsolidated during 2017.

As part of a prior agreement to acquire the rights to service the loans in these securitization trusts, the Company had certain obligations to exercise mandatory clean-up calls for each of these trusts at their earliest exercisable date, which is the date the principal amount of each loan pool falls to 10% of the original principal amount. The Company would take control of the remaining collateral in the trusts when these calls are exercised. The Company fulfilled its obligation for its mandatory clean-up call obligations for two of the trusts in the second and third quarters of 2017 by making payments totaling $28.4 million. The Company took control of the remaining collateral, including residential loans and REO with a carrying value of $25.1 million and $0.1 million, respectively. Upon exercising these call obligations, the two trusts were deconsolidated and the underlying collateral was recorded on the Company's consolidated balance sheets.

On October 10, 2017, the Company entered into a Clean-up Call Agreement with a counterparty. The Company paid an inducement fee in the amount of $36.5 million to the counterparty, which was recorded within other assets on the consolidated balance sheets. With the execution of the Clean-Up Call Agreement, the counterparty assumed the Company’s mandatory obligation to exercise the clean-up calls for the eight remaining securitization trusts. In connection with the exercise of each clean-up call, the counterparty agreed to reimburse the Company for certain outstanding advances previously made by the Company with respect to the related trusts, up to an aggregate amount of approximately $6.4 million for the eight remaining trusts outstanding at that time. The Company continues to have certain rights and obligations related to the Non-Residual Trusts that are deemed to be variable interests that could potentially be significant to each trust. Additionally, as servicer of these trusts, the Company has concluded that it has the power to direct the activities that most significantly impact the economic performance of the trusts, and as such, the Company continued to consolidate these trusts on its consolidated balance sheet.

During the fourth quarter of 2017, the counterparty fulfilled its obligation for the mandatory clean-up call under the Clean-up Call Agreement on one of the remaining trusts by making a payment to the trust of $71.4 million, at which point the counterparty took control of the remaining collateral in the trust, including loans and REO with a carrying value of $63.8 million and $0.1 million, respectively. The trust was then deconsolidated. As a result of the counterparty exercising its clean-up call obligation and the deconsolidation of the trust, the trust recognized a gain of $7.2 million during the fourth quarter of 2017, which is included in other gains (losses) on the consolidated statements of comprehensive loss. Additionally, during the fourth quarter of 2017, the Company expensed $7.2 million of the inducement fee, which is included in other expenses on the consolidated statements of comprehensive loss. The Clean-up Call Agreement inducement fee had a balance of $29.3 million included in other assets on the consolidated balance sheet at December 31, 2017.

For seven of the original ten Non-Residual Trusts and four securitization trusts that had not been consolidated, the Company, as part of an agreement to service the loans in all eleven trusts, also had an obligation to reimburse a third party for the final $165.0 million in LOCs, if drawn, which were issued to the eleven trusts by a third party as credit enhancements to these trusts. As the LOCs were provided as credit enhancements to these securitizations, the trusts would draw on these LOCs if there were insufficient cash flows from the underlying collateral to pay the bondholders. As a result of the Clean-up Call Agreement detailed above, the Company's obligation to reimburse a third party for the final $165.0 million in LOC's, if drawn, was terminated. Under the Clean-up Call Agreement, the Company is obligated to reimburse the counterparty for amounts drawn on the LOCs in excess of $17.0 million in the aggregate related to certain of the remaining securitization trusts from July 1, 2017 through each individual call date.

For further information on the four securitization trusts that had not been consolidated by the Company, refer to the Unconsolidated Variable Interest Entities section of this Note.

Servicer and Protective Advance Financing Facilities

The Company has interests in financing entities that acquire servicer and protective advances from certain wholly-owned subsidiaries. The financing subsidiaries are deemed to be VIEs due to the design of the entities, including restrictions on its operating activities. The Company is the primary beneficiary of these financing subsidiaries and, accordingly, consolidates the financing subsidiaries. The subsidiaries issue or enter into notes supported by collections on the transferred advances.

As discussed further in Note 19, during the fourth quarter of 2017, the notes issued under these financing facilities were purchased by a subsidiary with funds from a Securities Master Repurchase Agreement. The outstanding notes are pledged as collateral under the Securities Master Repurchase Agreement at December 31, 2017.

Revolving Credit Facilities-Related VIEs

Certain revolving credit facilities utilize subsidiaries and/or trusts, collectively referred to as the entities, which are considered VIEs. The Company transfers certain assets into the entities created as a mechanism for holding assets as collateral for the revolving credit facilities in order to facilitate the pledging of assets to the revolving credit facilities. The entities have no equity investment at risk, making them variable interest entities. The Company's continuing involvement with the entities is in the form of servicing the assets and through holding the ownership interests of the entities. Accordingly, the Company concluded that it is the primary beneficiary of the entities and, therefore, the Company consolidated the entities. All of the subsidiaries and/or trusts are separate legal entities and the collateral held by the entities are owned by them and are not available to other creditors.

The Revolving Credit Facilities-Related VIEs are funded with HECMs and real estate owned that were repurchased from Ginnie Mae securitization pools utilizing warehouse facilities. These assets collateralize certain master repurchase agreements, which are not included in the Revolving Credit Facilities-Related VIEs. Refer to Note 20 for additional information.

Included in the tables below are summaries of the carrying amounts of the assets and liabilities of consolidated VIEs (in thousands):

	December 31, 2017				
	Residual Trusts	**Non-Residual Trusts**	**Servicer and Protective Advance Financing Facilities**	**Revolving Credit Facilities-Related VIEs**	**Total**
Assets					
Restricted cash and cash equivalents	$ 12,687	$ 8,020	$ 23,669	$ —	$ 44,376
Residential loans at amortized cost, net	424,420	—	—	—	424,420
Residential loans at fair value	—	301,435	—	—	301,435
Receivables, net	—	5,608	—	216	5,824
Servicer and protective advances, net	—	—	446,799	—	446,799
Other assets	9,924	1,072	1,301	27,540	39,837
Total assets	$ 447,031	$ 316,135	$ 471,769	$ 27,756	$ 1,262,691
Liabilities					
Payables and accrued liabilities	$ 2,178	$ —	$ 908	$ —	$ 3,086
Servicing advance liabilities [(1)]	—	—	444,563	—	444,563
Mortgage-backed debt	387,200	348,682	—	—	735,882
Total liabilities	$ 389,378	$ 348,682	$ 445,471	$ —	$ 1,183,531

(1) The notes outstanding under Servicer and Protective Advance Financing Facilities were acquired by a subsidiary during the fourth quarter of 2017, primarily with proceeds from the Securities Master Repurchase Agreement. These notes are therefore eliminated upon consolidation.

	December 31, 2016				
	Residual Trusts	Non-Residual Trusts	Servicer and Protective Advance Financing Facilities	Revolving Credit Facilities-Related VIEs	Total
Assets					
Restricted cash and cash equivalents	$ 13,321	$ 10,257	$ 22,265	$ —	$ 45,843
Residential loans at amortized cost, net	462,877	—	—	—	462,877
Residential loans at fair value	—	450,377	—	42,122	492,499
Receivables, net	—	15,033	—	765	15,798
Servicer and protective advances, net	—	—	734,707	—	734,707
Other assets	10,028	1,028	1,440	7,335	19,831
Total assets	$ 486,226	$ 476,695	$ 758,412	$ 50,222	$ 1,771,555
Liabilities					
Payables and accrued liabilities	$ 2,140	$ —	$ 845	$ —	$ 2,985
Servicing advance liabilities	—	—	650,565	—	650,565
Mortgage-backed debt	429,931	514,025	—	—	943,956
Total liabilities	$ 432,071	$ 514,025	$ 651,410	$ —	$ 1,597,506

The assets of the consolidated VIEs are pledged as collateral to the servicing advance liabilities, mortgage-backed debt and revolving credit facilities and are not available to satisfy claims of general creditors of the Company. The mortgage-backed debt issued by each consolidated securitization trust is to be satisfied solely from the proceeds of the residential loans and other collateral held in the trusts while the servicing advance liabilities related to the trusts are to be satisfied from the recoveries or repayments from the underlying advances. The consolidated VIEs are not cross-collateralized and the holders of the mortgage-backed debt issued by the trusts and lenders under the servicer and protective financing facilities do not have recourse to the Company. Refer to Note 22 for additional information regarding the mortgage-backed debt and Note 19 for additional information regarding servicing advance liabilities.

For the Residual Trusts, interest income earned on the residential loans and interest expense incurred on the mortgage-backed debt, both of which are carried at amortized cost, are recorded on the consolidated statements of comprehensive loss in interest income on loans and interest expense, respectively. Additionally, the Company records a provision for its estimate of probable incurred credit losses associated with the residential loans as provision for loan losses, which is included in other expenses, net on the consolidated statements of comprehensive loss. Interest receipts on residential loans and interest payments on mortgage-backed debt are included in operating activities, while principal payments on residential loans are included in investing activities and payments on mortgage-backed debt are included in financing activities on the consolidated statements of cash flows.

The change in fair value of the assets and liabilities of the Non-Residual Trusts are included in other net fair value gains on the consolidated statements of comprehensive loss. Included in other net fair value gains is the interest income that is expected to be collected on the residential loans, the interest expense that is expected to be paid on the mortgage-backed debt, as well as the accretion of fair value. The non-cash component of other net fair value gains is recognized as an adjustment in reconciling net income or loss to net cash provided by or used in operating activities on the consolidated statements of cash flows. Principal payments on residential loans, draws on receivables, proceeds received from the exercise of mandatory call obligations and the cash out-flow from the deconsolidation of the trusts subsequent to the exercise of mandatory call obligations are included in investing activities while payments on mortgage-backed debt are included in financing activities on the consolidated statements of cash flows.

Interest expense associated with the servicer and protective advance financing facilities is included in interest expense on the consolidated statements of comprehensive loss. Changes in servicer and protective advances are included in operating activities while the issuances of and payments on servicing advance liabilities are included in financing activities on the consolidated statements of cash flows.

The change in fair value of the residential loans of the Revolving Credit Facilities-Related VIEs are included in net fair value gains on reverse loans and related HMBS obligations on the consolidated statements of comprehensive loss. Declines in the value of real estate owned are recorded as adjustments to the carrying amount through a valuation allowance and are recorded in other expenses, net on the consolidated statements of comprehensive loss.

Unconsolidated Variable Interest Entities

The Company has variable interests in VIEs that it does not consolidate as it has determined that it is not the primary beneficiary of the VIEs.

Servicing Arrangements with Letter of Credit Reimbursement Obligation

As part of an agreement to service the loans in eleven securitization trusts, the Company historically had an obligation to reimburse a third party for the final $165.0 million in LOCs if drawn. The LOCs were issued by a third party as credit enhancements to these eleven securitizations and, accordingly, the securitization trusts will draw on these LOCs if there are insufficient cash flows from the underlying collateral to pay the bondholders.

As noted above, the Company determined that for seven of these securitization trusts, the Company is the primary beneficiary and, accordingly, the Company consolidates the seven trusts on the consolidated balance sheets. However, for the four remaining securitization trusts, the Company determined that it is not the primary beneficiary of theses trusts, and accordingly, theses trusts are not consolidated on the Company's consolidated balance sheets. As a result of the Clean-up Call Agreement with the counterparty detailed above, the Company is no longer obligated to reimburse a third party for any LOC draws related to the four trusts that had not been consolidated. The Company's only continuing involvement with these four securitization trusts is as a servicer and the Company continues to conclude it is not the primary beneficiary.

Other Servicing Arrangements

The Company is involved with other securitization trusts as servicer of the financial assets of the trusts. The Company’s servicing fees are anticipated to absorb more than an insignificant portion of the returns of the trusts and the Company has considered its contract to service the financial assets of the trusts as a variable interest. Typically, the Company’s involvement as servicer allows it to control the activities of the trusts that most significantly impact the economic performance of the trusts; however, based on the nature of the trusts, the obligations to its beneficial interest holders are guaranteed. Further, the Company’s involvement as servicer is subject to substantive kick-out rights held by a single party, and there are no significant barriers to the exercise of those kick-out rights. As a result, the Company has determined that it is not the primary beneficiary of those trusts and those trusts are not consolidated on the Company’s balance sheets. The termination of the Company as servicer to the financial assets of the trusts would eliminate any future servicing revenues and related cash flows associated with the underlying financial assets held by the trusts.

Type of Involvement in Unconsolidated Variable Interest Entities

The following table presents the carrying amounts of the Company’s assets and liabilities that relate to its variable interests in the VIEs that are not consolidated, as well as its maximum exposure to loss and the size of the unconsolidated VIEs (in thousands):

	Carrying Value of Assets Recorded on the Consolidated Balance Sheets					
Type of Involvement	**Servicing Rights, Net**	**Servicer and Protective Advances, Net**	**Receivables, Net**	**Net Assets**	**Maximum Exposure to Loss [(1)]**	**Size of VIEs [(2)]**
VIEs associated with servicing arrangements						
Servicing arrangements with a LOC reimbursement obligation[(3)]						
December 31, 2016	$ 900	$ 2,910	$ 108	$ 3,918	$ 168,918	$ 134,616
Other servicing arrangements						
December 31, 2017	—	—	154	154	154	428,979
December 31, 2016	—	—	183	183	183	437,595

(1) The Company's maximum exposure to loss for VIEs equals the carrying value of assets recognized on the consolidated balance sheets, and in the case of arrangements with a LOC reimbursement obligation, also included the obligation to reimburse a third party for the final $165.0 million drawn on LOCs discussed above.

(2) The size of unconsolidated VIEs is represented by the unpaid principal balance of loans serviced for VIEs associated with servicing arrangements.

(3) As detailed above, as a result of the Clean-up Call Agreement entered into in Q4 2017, the Company has determined that it no longer has a variable interest in these trusts.

7. Transfers of Residential Loans

Sales of Mortgage Loans

As part of its originations activities, the Company sells substantially all of its originated or purchased mortgage loans into the secondary market for securitization or to private investors as whole loans. The Company sells conventional-conforming and government-backed mortgage loans through GSE and agency-sponsored securitizations in which mortgage-backed securities are created and sold to third-party investors. The Company also sells non-conforming mortgage loans to private investors. The Company accounts for these transfers as sales. If the servicing rights are retained upon sale, the Company receives a fee for servicing the sold loans, which represents continuing involvement. During the years ended December 31, 2017 and 2016, 50% and 47%, respectively, of all mortgage loans sold by the Company were purchased by Fannie Mae, 41% and 39%, respectively, were pooled into mortgage-backed securities guaranteed by Ginnie Mae, and the remaining 9% and 14%, respectively, were primarily sold to Freddie Mac.

Certain guarantees arise from agreements associated with the sale of the Company's residential loans. Under these agreements, the Company may be obligated to repurchase loans, or otherwise indemnify or reimburse the credit owner or insurer for losses incurred, due to material breach of contractual representations and warranties. Refer to Note 30 for further information.

The following table presents the carrying amounts of the Company’s assets that relate to its continued involvement with mortgage loans that have been sold with servicing rights retained and the unpaid principal balance of these sold loans (in thousands):

	Carrying Value of Net Assets Recorded on the Consolidated Balance Sheets				Unpaid Principal Balance of Sold Loans
	Servicing Rights, Net	Servicer and Protective Advances, Net	Payables and Accrued Liabilities	Total	
December 31, 2017	$ 385,744	$ 30,762	$ (32)	$ 416,474	$ 36,274,449
December 31, 2016	439,062	21,825	(1,983)	458,904	36,116,570

At December 31, 2017 and 2016, 2.9% and 1.3%, respectively, of mortgage loans sold and serviced by the Company were 60 days or more past due.

The following table presents a summary of cash flows related to sales of mortgage loans (in thousands):

	For the Years Ended December 31,	
	2017	2016
Cash proceeds received from sales, net of fees	$ 16,863,357	$ 21,386,821
Servicing fees collected [(1)]	121,064	144,085
Repurchases of previously sold loans [(2)]	95,950	33,045

(1) Represents servicing fees collected on all loans sold whereby the Company has continued involvement with mortgage loans that have been sold with servicing rights retained.

(2) Includes Ginnie Mae buyout loans of $84.2 million and $21.2 million for the years ended December 31, 2017 and 2016, respectively.

In connection with these sales, the Company recorded servicing rights using a fair value model that utilizes Level 3 unobservable inputs or using an agreed upon sales price considered to be Level 2 within the fair value hierarchy. Refer to Note 14 for information relating to servicing of residential loans.

Transfers of Reverse Loans

The Company, through RMS, is an approved issuer of Ginnie Mae HMBS. The HMBS are guaranteed by Ginnie Mae and collateralized by participation interests in HECMs insured by the FHA. The Company both originated and purchased HECMs that were pooled and securitized into HMBS that the Company sold into the secondary market with servicing rights retained. Effective January 2017, the Company exited the reverse mortgage business. As of December 31, 2017, the Company did not have any reverse loans remaining in the originations pipeline and had finalized the shutdown of the reverse mortgage originations business. The Company will continue to fund undrawn tails available to borrowers.

Based upon the structure of the Ginnie Mae securitization program, the Company determined that it has not met all of the requirements for sale accounting and accounts for these transfers as secured borrowings. Under this accounting treatment, the reverse loans remain on the consolidated balance sheets as residential loans. The proceeds from the transfer of reverse loans are recorded as HMBS related obligations with no gain or loss recognized on the transfer. Ginnie Mae, as guarantor of the HMBS, is obligated to the holders of the HMBS in an instance of RMS default on its servicing obligations, or when the proceeds realized on HECMs are insufficient to repay all outstanding HMBS related obligations. Ginnie Mae has recourse to RMS to the extent of the participation interests in HECMs serving as collateral to the HMBS, but does not have recourse to the general assets of the Company, except that Ginnie Mae has recourse to RMS in connection with certain claims relating to the performance and obligations of RMS as both an issuer of HMBS and a servicer of HECMs underlying HMBS.

At December 31, 2017, the unpaid principal balance and the carrying value associated with both the reverse loans and the real estate owned pledged as collateral to the securitization pools were $8.6 billion and $9.0 billion, respectively.

8. Fair Value

Basis for Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1 — Valuation is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 — Valuation is based on quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 — Valuation is based on inputs that are both significant to the fair value measurement and unobservable.

The accounting guidance concerning fair value allows the Company to elect to measure financial instruments at fair value and report the changes in fair value through net income or loss. This election can only be made at certain specified dates and is irrevocable once made. Other than mortgage loans held for sale, which the Company has elected to measure at fair value, the Company does not have a fair value election policy, but rather makes the election on an instrument-by-instrument basis as assets and liabilities are acquired or incurred, other than for those assets and liabilities that are required to be recorded and subsequently measured at fair value.

Transfers into and out of the fair value hierarchy levels are assumed to be as of the end of the quarter in which the transfer occurred. The Company transferred $34.8 million and $212.6 million in servicing rights carried at fair value from Level 3 to Level 2 during the years ended December 31, 2017 and 2016, respectively, as there was direct observable input in a non-active market available to measure these assets.

Items Measured at Fair Value on a Recurring Basis

The following table summarizes the assets and liabilities in each level of the fair value hierarchy (in thousands). There were an insignificant amount of assets or liabilities measured at fair value on a recurring basis utilizing Level 1 assumptions.

	December 31,	
	2017	2016
Level 2		
Assets		
Mortgage loans held for sale	$ 588,485	$ 1,176,280
Servicing rights carried at fair value	—	13,170
Freestanding derivative instruments	2,757	34,543
Level 2 assets	$ 591,242	$ 1,223,993
Liabilities		
Freestanding derivative instruments	$ 981	$ 7,611
Servicing rights related liabilities	32	1,902
Level 2 liabilities	$ 1,013	$ 9,513
Level 3		
Assets		
Reverse loans	$ 9,789,444	$ 10,742,922
Mortgage loans related to Non-Residual Trusts	301,435	450,377
Mortgage loans held for sale	68	—
Charged-off loans	45,800	46,963
Receivables related to Non-Residual Trusts	5,608	15,033
Servicing rights carried at fair value	714,774	936,423
Freestanding derivative instruments (IRLCs)	26,637	53,394
Level 3 assets	$ 10,883,766	$ 12,245,112
Liabilities		
Freestanding derivative instruments (IRLCs)	$ 269	$ 4,193
Mortgage-backed debt related to Non-Residual Trusts	348,682	514,025
HMBS related obligations	9,175,128	10,509,449
Level 3 liabilities	$ 9,524,079	$ 11,027,667

The following assets and liabilities are measured on the consolidated balance sheets at fair value on a recurring basis utilizing significant unobservable inputs or Level 3 assumptions in their valuation. The following tables provide a reconciliation of the beginning and ending balances of these assets and liabilities (in thousands):

	For the Year Ended December 31, 2017							
	Fair Value January 1, 2017	Total Gains (Losses) Included in Comprehensive Loss	Purchases	Sales and Other	Originations / Issuances	Settlements	Transfers Out of Level 3	Fair Value December 31, 2017
Assets								
Reverse loans	$ 10,742,922	$ 242,288	$ 44,769	$ —	$ 337,378	$(1,577,913)	$ —	$ 9,789,444
Mortgage loans related to Non-Residual Trusts [1]	450,377	25,214	—	(88,842)	—	(85,314)	—	301,435
Mortgage loans held for sale [1]	—	(131)	—	1,671	—	(1,472)	—	68
Charged-off loans [2]	46,963	39,072	—	—	—	(40,235)	—	45,800
Receivables related to Non-Residual Trusts	15,033	5,224	—	—	—	(14,649)	—	5,608
Servicing rights carried at fair value [3]	936,423	(263,629)	670	5,356	70,801	—	(34,847)	714,774
Freestanding derivative instruments (IRLCs)	53,394	(26,556)	—	—	—	(201)	—	26,637
Total assets	$ 12,245,112	$ 21,482	$ 45,439	$ (81,815)	$ 408,179	$(1,719,784)	$ (34,847)	$ 10,883,766
Liabilities								
Freestanding derivative instruments (IRLCs)	$ (4,193)	$ 3,924	$ —	$ —	$ —	$ —	$ —	$ (269)
Mortgage-backed debt related to Non-Residual Trusts	(514,025)	(26,519)	—	—	—	191,862	—	(348,682)
HMBS related obligations	(10,509,449)	(199,869)	—	—	(464,192)	1,998,382	—	(9,175,128)
Total liabilities	$(11,027,667)	$ (222,464)	$ —	$ —	$ (464,192)	$ 2,190,244	$ —	$ (9,524,079)

(1) During the year ended December 31, 2017, $25.1 million of loans transferred from mortgage loans related to Non-Residual Trusts to mortgage loans held for sale upon exercising mandatory call obligations reflected within "Sales and Other" in the above table. See Note 30 for additional information on the mandatory call obligations. In December 2017, a majority of these loans were sold to NRM for $23.4 million.

(2) Included in gains on charged-off loans are gains from instrument-specific credit risk, which primarily result from changes in assumptions related to collection rates and discount rates, of $15.8 million during the year ended December 31, 2017.

(3) Amounts transferred out of Level 3 consisted of servicing rights that were transferred to Level 2 during the third quarter of 2017. These transfers resulted from an agreement with a third-party to sell such servicing rights, which were subsequently sold during the fourth quarter of 2017. In total, the Company sold $117.5 million of servicing rights during the year ended December 31, 2017. See Note 14 for additional information on total servicing rights sold during the year.

	For the Year Ended December 31, 2016							
	Fair Value January 1, 2016	Total Gains (Losses) Included in Comprehensive Loss	Purchases and Other	Sales	Originations / Issuances	Settlements	Transfers Out of Level 3	Fair Value December 31, 2016
Assets								
Reverse loans	$ 10,763,816	$ 338,321	$ 437,540	$ —	$ 459,280	$(1,256,035)	$ —	$ 10,742,922
Mortgage loans related to Non-Residual Trusts	526,016	19,464	—	—	—	(95,103)	—	450,377
Charged-off loans [1]	49,307	41,391	—	—	—	(43,735)	—	46,963
Receivables related to Non-Residual Trusts	16,542	6,601	—	—	—	(8,110)	—	15,033
Servicing rights carried at fair value [2]	1,682,016	(478,558)	7,729	(247,829)	185,695	—	(212,630)	936,423
Freestanding derivative instruments (IRLCs)	51,519	2,549	—	—	—	(674)	—	53,394
Total assets	$ 13,089,216	$ (70,232)	$ 445,269	$(247,829)	$ 644,975	$(1,403,657)	$(212,630)	$ 12,245,112
Liabilities								
Freestanding derivative instruments (IRLCs)	$ (1,070)	$ (3,123)	$ —	$ —	$ —	$ —	$ —	$ (4,193)
Servicing rights related liabilities [3][4]	(117,000)	(3,921)	—	108,887	(27,886)	39,920	—	—
Mortgage-backed debt related to Non-Residual Trusts	(582,340)	(29,355)	—	—	—	97,670	—	(514,025)
HMBS related obligations	(10,647,382)	(279,299)	—	—	(960,156)	1,377,388	—	(10,509,449)
Total liabilities	$(11,347,792)	$ (315,698)	$ —	$ 108,887	$ (988,042)	$ 1,514,978	$ —	$(11,027,667)

(1) Included in gains on charged-off loans are gains from instrument-specific credit risk of $20.7 million, which primarily result from changes in assumptions related to collection rates and discount rates during the year ended December 31, 2016.
(2) Amounts transferred out of Level 3 consisted of servicing rights that were transferred to Level 2 during the third quarter of 2016. These transfers resulted from an agreement with NRM to sell such servicing rights, which were subsequently sold during the fourth quarter of 2016. In total, the Company sold $458.5 million of servicing rights during the year ended December 31, 2016.
(3) Included in losses on servicing rights related liabilities are losses from instrument-specific credit risk, which primarily result from changes in assumptions related to discount rates, conditional prepayment rates and conditional default rates, of $15.8 million during the year ended December 31, 2016.
(4) Sales of servicing rights related liabilities represents the derecognition of excess servicing spread liabilities and servicing rights financing in connection with the sale of related servicing rights and excess spread by the Company and WCO to NRM. Refer to Note 5 for additional information regarding transactions with NRM.

Refer to Note 4 for the location within the consolidated statements of comprehensive loss of the gains and losses resulting from changes in fair value of assets and liabilities disclosed above. Total gains and losses included above include interest income and interest expense at the stated rate for interest-bearing assets and liabilities, respectively, accretion and amortization, and the impact of the changes in valuation inputs and assumptions.

The Company's Valuation Committee determines and approves valuation policies and unobservable inputs used to estimate the fair value of items measured at fair value on a recurring basis. The Valuation Committee, consisting of certain members of the senior executive management team, meets on a quarterly basis to review the assets and liabilities that require fair value measurement, including how each asset and liability has actually performed in comparison to the unobservable inputs and the projected performance. The Valuation Committee also reviews related available market data.

The following is a description of the methods used to estimate the fair values of the Company's assets and liabilities measured at fair value on a recurring basis, as well as the basis for classifying these assets and liabilities as Level 2 or 3 within the fair value hierarchy. The Company's valuations consider assumptions that it believes a market participant would consider in valuing the assets and liabilities, the most significant of which are disclosed below. The Company reassesses and periodically adjusts the underlying inputs and assumptions used in the valuations for recent historical experience, as well as for current and expected relevant market conditions.

Residential loans

- *Reverse loans, mortgage loans related to Non-Residual Trusts and charged-off loans* — These loans are not traded in an active, open market with readily observable prices. Accordingly, the Company estimates fair value using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the loans. The discount rate assumption for these assets considers, as applicable, collateral and credit risk characteristics of the loans, collection rates, current market interest rates, expected duration, and current market yields.
- *Mortgage loans held for sale* — These loans are primarily valued using a market approach by utilizing observable quoted market prices, where available, or prices for other whole loans with similar characteristics. The Company classifies these loans as Level 2 within the fair value hierarchy. Loans held for sale also includes loans that are not traded in an active, open market with readily observable prices. Accordingly, the Company estimates fair value using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the loans. The discount rate assumption for these assets considers, as applicable, collateral and credit risk characteristics of the loans, collection rates, current market interest rates, expected duration, and current market yields.

Receivables related to Non-Residual Trusts — The Company estimates the fair value of these receivables using the net present value of expected cash flows from the LOCs to be used to pay bondholders over the remaining life of the securitization trusts and applies Level 3 unobservable market inputs in its valuation. Receivables related to Non-Residual Trusts are recorded in receivables, net on the consolidated balance sheets.

Servicing rights carried at fair value — The Company accounts for servicing rights associated with the risk-managed loan class at fair value. The Company primarily uses a discounted cash flow model to estimate the fair value of these assets, unless there is an agreed upon sales price for a specific portfolio on or prior to the applicable reporting date relating to such reporting period, in which case the assets are valued at the price that the trade will be executed. The assumptions used in the discounted cash flow model vary based on collateral stratifications including product type, remittance type, geography, delinquency, and coupon dispersion of the underlying loan portfolio. The Company classifies servicing rights that are valued at the agreed upon sales price within Level 2 of the fair value hierarchy, and the servicing rights that are valued using a discounted cash flow model are classified within Level 3 of the fair value hierarchy. The Company obtains third-party valuations on a quarterly basis to assess the reasonableness of the fair values calculated by the cash flow model.

Freestanding derivative instruments — Fair values of IRLCs are derived using valuation models incorporating market pricing for instruments with similar characteristics and by estimating the fair value of the servicing rights expected to be recorded at sale of the loan. The fair values are then adjusted for anticipated loan funding probability. Both the fair value of servicing rights expected to be recorded at the date of sale of the loan and anticipated loan funding probability are significant unobservable inputs and, as a result, IRLCs are classified as Level 3 within the fair value hierarchy. The loan funding probability ratio represents the aggregate likelihood that loans currently in a lock position will ultimately close, which is largely dependent on the loan processing stage that a loan is currently in and changes in interest rates from the time of the rate lock through the time a loan is closed. IRLCs have positive fair value at inception and change in value as interest rates and loan funding probability change. Rising interest rates have a positive effect on the fair value of the servicing rights component of the IRLC fair value and increase the loan funding probability. An increase in loan funding probability (i.e., higher aggregate likelihood of loans estimated to close) will result in the fair value of the IRLC increasing if in a gain position, or decreasing, to a lower loss, if in a loss position. A significant increase (decrease) to the fair value of servicing rights component in isolation could result in a significantly higher (lower) fair value measurement.

The fair value of forward sales commitments and MBS purchase commitments is determined based on observed market pricing for similar instruments; therefore, these contracts are classified as Level 2 within the fair value hierarchy. Counterparty credit risk is taken into account when determining fair value, although the impact is diminished by daily margin posting on all forward sales and purchase commitments. Refer to Note 9 for additional information on freestanding derivative financial instruments.

Servicing rights related liabilities — The fair value of the MSR liabilities related to NRM sales is consistent with the fair value methodology of the related servicing rights.

Mortgage-backed debt related to Non-Residual Trusts — This debt is not traded in an active, open market with readily observable prices. Accordingly, the Company estimates fair value using Level 3 unobservable market inputs. The estimated fair value of the debt is based on the net present value of the projected principal and interest payments owed for the estimated remaining life of the securitization trusts. An analysis of the credit assumptions for the underlying collateral in each of the securitization trusts is performed to determine the required payments to bondholders.

HMBS related obligations — These obligations are not traded in an active, open market with readily observable prices. Accordingly, the Company estimates fair value using Level 3 unobservable market inputs. The estimated fair value is based on the net present value of projected cash flows over the estimated life of the liabilities. The discount rate assumption for these liabilities is based on an assessment of current market yields for HMBS, expected duration, and current market interest rates. The yield on seasoned HMBS is adjusted based on the duration of each HMBS.

The following tables present the significant unobservable inputs used in the fair value measurement of the assets and liabilities described above. The Company utilizes a discounted cash flow model to estimate the fair value of all Level 3 assets and liabilities included on the Consolidated Financial Statements at fair value on a recurring basis, with the exception of IRLCs for which the Company utilizes a market approach. Significant increases or decreases in any of the inputs disclosed below could result in a significantly lower or higher fair value measurement.

		December 31, 2017		December 31, 2016	
	Significant Unobservable Input [1] [2]	**Range of Input [3]**	**Weighted Average of Input [3]**	**Range of Input [3]**	**Weighted Average of Input [3]**
Assets					
Reverse loans	Weighted-average remaining life in years [4]	0.3 - 10.2	3.8	0.6 - 10.2	3.8
	Conditional repayment rate	12.61% - 71.68%	30.23%	13.23% - 55.32%	28.48%
	Discount rate	3.05% - 4.17%	3.60%	1.93% - 3.69%	2.93%
Mortgage loans related to Non-Residual Trusts	Conditional prepayment rate	2.08% - 2.53%	2.34%	1.98% - 2.67%	2.27%
	Conditional default rate	1.01% - 4.97%	2.61%	1.02% - 4.25%	2.61%
	Loss severity	90.60% - 100.00%	99.46%	79.98% - 100.00%	96.61%
	Discount rate	8.32%	8.32%	8.00%	8.00%
Mortgage loans held for sale	Conditional prepayment rate	4.81%	4.81%	—	—
	Conditional default rate	2.46%	2.46%	—	—
	Loss severity	99.40%	99.40%	—	—
	Discount rate	9.80%	9.80%	—	—
Charged-off loans	Collection rate	2.84% - 4.47%	2.92%	2.69% - 3.55%	2.74%
	Discount rate	28.00%	28.00%	28.00%	28.00%
Receivables related to Non-Residual Trusts	Conditional prepayment rate	2.49% - 3.01%	2.79%	2.22% - 3.17%	2.65%
	Conditional default rate	1.72% - 6.02%	3.61%	2.32% - 4.66%	3.34%
	Loss severity	88.88% - 100.00%	97.71%	77.88% - 100.00%	94.51%
	Discount rate	0.50%	0.50%	0.50%	0.50%
Servicing rights carried at fair value	Weighted-average remaining life in years [4]	2.4 - 7.1	5.6	2.6 - 7.4	6.0
	Discount rate	9.91% - 14.97%	11.92%	10.68% - 14.61%	11.56%
	Conditional prepayment rate	6.80% - 25.85%	11.10%	5.76% - 21.67%	9.09%
	Conditional default rate	0.06% - 3.20%	0.91%	0.04% - 2.97%	0.88%
	Cost to service	$62 - $1,260	$136	$62 - $1,260	$128
Interest rate lock commitments	Loan funding probability	1.00% - 100.00%	62.97%	16.00% - 100.00%	75.86%
	Fair value of initial servicing rights multiple [5]	0.01 - 5.24	2.74	0.01 - 5.98	3.06

	Significant Unobservable Input [1] [2]	December 31, 2017 Range of Input [3]	Weighted Average of Input [3]	December 31, 2016 Range of Input [3]	Weighted Average of Input [3]
Liabilities					
Interest rate lock commitments	Loan funding probability	33.64% - 100.00%	84.76%	34.40% - 100.00%	83.36%
	Fair value of initial servicing rights multiple [5]	0.24 - 4.92	3.32	0.04 - 6.04	3.69
Mortgage-backed debt related to Non-Residual Trusts	Conditional prepayment rate	2.49% - 3.01%	2.79%	2.22% - 3.17%	2.65%
	Conditional default rate	1.72% - 6.02%	3.61%	2.32% - 4.66%	3.34%
	Loss severity	88.88% - 100.00%	97.71%	77.88% - 100.00%	94.51%
	Discount rate	6.00%	6.00%	6.00%	6.00%
HMBS related obligations	Weighted-average remaining life in years [4]	0.4 - 7.8	3.7	0.4 - 7.2	3.2
	Conditional repayment rate	12.90% - 86.87%	32.07%	11.49% - 57.76%	27.74%
	Discount rate	3.02% - 3.98%	3.45%	1.50% - 3.17%	2.56%

(1) Conditional repayment rate includes assumptions for both voluntary and involuntary rates as well as assumptions for the assignment of HECMs to HUD, in accordance with obligations as servicer.
(2) Voluntary and involuntary prepayment rates have been presented as conditional prepayment rate and conditional default rate, respectively.
(3) With the exception of loss severity, fair value of initial servicing rights embedded in IRLCs and discount rate on charged-off loans, all significant unobservable inputs above are based on the related unpaid principal balance of the underlying collateral, or in the case of HMBS related obligations, the balance outstanding. Loss severity is based on projected liquidations. Fair value of servicing rights embedded in IRLCs represents a multiple of the annual servicing fee. The discount rate on charged-off loans is based on the loan balance at fair value.
(4) Represents the remaining weighted-average life of the related unpaid principal balance or balance outstanding of the underlying collateral adjusted for assumptions for conditional repayment rate, conditional prepayment rate and conditional default rate, as applicable.
(5) Fair value of servicing rights embedded in IRLCs, which represents a multiple of the annual servicing fee, excludes the impact of certain IRLCs identified as servicing released for which the Company does not ultimately realize the benefits.

Fair Value Option

With the exception of freestanding derivative instruments, the Company has elected the fair value option for the assets and liabilities described above as measured at fair value on a recurring basis. The fair value option was elected for these assets and liabilities as the Company believes fair value best reflects their expected future economic performance.

Presented in the table below is the estimated fair value and unpaid principal balance of loans and debt instruments that have contractual principal amounts and for which the Company has elected the fair value option (in thousands):

	December 31, 2017 Estimated Fair Value	December 31, 2017 Unpaid Principal Balance	December 31, 2016 Estimated Fair Value	December 31, 2016 Unpaid Principal Balance
Loans at fair value under the fair value option				
Reverse loans [1]	$ 9,789,444	$ 9,460,616	$ 10,742,922	$ 10,218,007
Mortgage loans held for sale [1]	588,553	567,492	1,176,280	1,148,897
Mortgage loans related to Non-Residual Trusts	301,435	344,421	450,377	513,545
Charged-off loans	45,800	2,333,820	46,963	2,439,318
Total	$ 10,725,232	$ 12,706,349	$ 12,416,542	$ 14,319,767
Debt instruments at fair value under the fair value option				
Mortgage-backed debt related to Non-Residual Trusts	$ 348,682	$ 353,262	$ 514,025	$ 518,317
HMBS related obligations [2]	9,175,128	8,743,700	10,509,449	9,916,383
Total	$ 9,523,810	$ 9,096,962	$ 11,023,474	$ 10,434,700

(1) Includes loans that collateralize master repurchase agreements. Refer to Note 20 for additional information.
(2) For HMBS related obligations, the unpaid principal balance represents the balance outstanding.

Included in mortgage loans related to Non-Residual Trusts are loans that are 90 days or more past due that have been deemed to have no fair value at December 31, 2017 as a result of severity rates being greater than 100%. The fair value of these loans was $1.6 million at December 31, 2016. These loans have an unpaid principal balance of $22.2 million and $29.5 million at December 31, 2017 and 2016, respectively. Mortgage loans held for sale that are 90 days or more past due had an unpaid principal balance of $10.1 million at December 31, 2017 and were insignificant at December 31, 2016. Charged-off loans are predominantly 90 days or more past due.

Items Measured at Fair Value on a Non-Recurring Basis

The Company held real estate owned, net of $116.6 million and $104.6 million at December 31, 2017 and 2016, respectively. In addition, the Company had loans that were in the process of foreclosure of $489.0 million and $418.4 million at December 31, 2017 and 2016, respectively, which are included in residential loans at amortized cost, net and residential loans at fair value on the consolidated balance sheet. Real estate owned, net is included on the consolidated balance sheets within other assets and is measured at net realizable value on a non-recurring basis utilizing significant unobservable inputs or Level 3 assumptions in their valuation.

The following table presents the significant unobservable input used in the fair value measurement of real estate owned, net:

		December 31, 2017		December 31, 2016	
	Significant Unobservable Input	Range of Input	Weighted Average of Input	Range of Input	Weighted Average of Input
Real estate owned, net	Loss severity [1]	0.00% - 78.76%	6.16%	0.00% - 61.61%	7.30%

(1) Loss severity is based on the unpaid principal balance of the related loan at the time of foreclosure.

The Company held real estate owned, net in the Reverse Mortgage and Servicing segments and Other non-reportable segment of $101.8 million, $13.7 million and $1.1 million, respectively, at December 31, 2017 and $90.7 million, $12.9 million and $1.0 million, respectively, at December 31, 2016. At December 31, 2017, concentrations of properties (represented by 5% or more of real estate owned) were located in Illinois, Maryland, Texas, New Jersey, and Pennsylvania. In determining fair value, the Company either obtains appraisals or performs a review of historical severity rates of real estate owned previously sold by the Company. When utilizing historical severity rates, the properties are stratified by collateral type and/or geographical concentration and length of time held by the Company. The severity rates are reviewed for reasonableness by comparison to third-party market trends and fair value is determined by applying severity rates to the stratified population. In the determination of fair value of real estate owned associated with reverse mortgages, the Company considers amounts typically covered by FHA insurance. Management approves valuations that have been determined using the historical severity rate method.

Real estate owned expenses, net, which are recorded in other expenses, net on the consolidated statements of comprehensive loss were $7.4 million and $6.9 million for the years ended December 31, 2017 and 2016, respectively. Included in real estate owned expenses, net are lower of cost or fair value adjustments of $5.3 million and $5.1 million for the years ended December 31, 2017 and 2016, respectively.

Fair Value of Other Financial Instruments

The following table presents the carrying amounts and estimated fair values of financial assets and liabilities that are not recorded at fair value on a recurring or non-recurring basis and their respective levels within the fair value hierarchy (in thousands). This table excludes cash and cash equivalents, restricted cash and cash equivalents, servicer payables and warehouse borrowings as these financial instruments are highly liquid or short-term in nature and as a result, their carrying amounts approximate fair value.

		December 31, 2017		December 31, 2016	
	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets					
Residential loans at amortized cost, net [1]	Level 3	$ 443,056	$ 432,518	$ 480,920	$ 490,562
Servicer and protective advances, net	Level 3	813,433	778,007	1,195,380	1,147,155
Financial liabilities [1]					
Servicing advance liabilities [2]	Level 3	478,838	483,462	781,734	782,570
Corporate debt [3][4]	Level 2	1,994,411	1,553,076	2,126,176	1,967,518
Mortgage-backed debt carried at amortized cost	Level 3	387,200	391,539	429,931	435,679

(1) Excludes loans subject to repurchase from Ginnie Mae and the related liability. The December 31, 2016 amounts disclosed above have been revised to reflect this exclusion.
(2) The carrying amounts of servicing advance liabilities are net of deferred issuance costs, including those relating to line-of-credit arrangements, which are recorded in other assets.
(3) The carrying amounts of corporate debt are net of the 2013 Revolver deferred issuance costs, which are recorded in other assets on the consolidated balance sheets.
(4) Includes liabilities subject to compromise with a carrying value of $781.1 million and an estimated fair value of $358.8 million at December 31, 2017.

The following is a description of the methods and significant assumptions used in estimating the fair value of the Company's financial instruments that are not measured at fair value on a recurring or non-recurring basis.

Residential loans at amortized cost, net — The methods and assumptions used to estimate the fair value of residential loans carried at amortized cost are the same as those described above for mortgage loans related to Non-Residual Trusts.

Servicer and protective advances, net — The estimated fair value of these advances is based on the net present value of expected cash flows. The determination of expected cash flows includes consideration of recoverability clauses in the Company's servicing agreements, as well as assumptions related to the underlying collateral and when proceeds may be used to recover these receivables.

Servicing advance liabilities — The estimated fair value of the majority of these liabilities approximates carrying value as these liabilities bear interest at a rate that is adjusted regularly based on a market index.

Corporate debt — The Company's 2013 Term Loan, Convertible Notes, and Senior Notes are not traded in an active, open market with readily observable prices. The estimated fair value of corporate debt is primarily based on an average of broker quotes.

Mortgage-backed debt carried at amortized cost — The methods and assumptions used to estimate the fair value of mortgage-backed debt carried at amortized cost are the same as those described above for mortgage-backed debt related to Non-Residual Trusts.

Net Gains on Sales of Loans

Provided in the table below is a summary of the components of net gains on sales of loans (in thousands):

	For the Years Ended December 31,	
	2017	2016
Realized gains on sales of loans	$ 171,537	$ 233,447
Change in unrealized gains on loans held for sale	10,309	(14,803)
Losses on interest rate lock commitments	(22,632)	(574)
Losses on forward sales commitments	(31,662)	(12,335)
Losses on MBS purchase commitments	(2,749)	(20,317)
Capitalized servicing rights	132,581	196,963
Provision for repurchases	(6,991)	(15,331)
Interest income	34,126	41,824
Other	(128)	574
Net gains on sales of loans	$ 284,391	$ 409,448

Net Fair Value Gains on Reverse Loans and Related HMBS Obligations

Provided in the table below is a summary of the components of net fair value gains on reverse loans and related HMBS obligations (in thousands):

	For the Years Ended December 31,	
	2017	2016
Interest income on reverse loans	$ 450,628	$ 450,008
Change in fair value of reverse loans	(208,340)	(111,687)
Net fair value gains on reverse loans	242,288	338,321
Interest expense on HMBS related obligations [(1)]	(398,241)	(412,090)
Change in fair value of HMBS related obligations	198,372	132,791
Net fair value losses on HMBS related obligations	(199,869)	(279,299)
Net fair value gains on reverse loans and related HMBS obligations	$ 42,419	$ 59,022

(1) Excludes interest expense related to the warehouse facilities used to fund Ginnie Mae buyouts.

9. Freestanding Derivative Financial Instruments

The following table provides the total notional or contractual amounts and related fair values of derivative assets and liabilities as well as cash margin (in thousands):

	December 31, 2017			December 31, 2016		
		Fair Value			Fair Value	
	Notional/ Contractual Amount	Derivative Assets	Derivative Liabilities	Notional/ Contractual Amount	Derivative Assets	Derivative Liabilities
Interest rate lock commitments	$ 1,509,712	$ 26,637	$ 269	$ 3,046,549	$ 53,394	$ 4,193
Forward sales commitments	1,724,500	2,224	903	3,978,000	29,471	7,609
MBS purchase commitments	298,000	533	78	623,500	5,072	2
Total derivative instruments		$ 29,394	$ 1,250		$ 87,937	$ 11,804
Cash margin		$ —	$ 1,533		$ —	$ 30,941

Derivative positions subject to netting arrangements include all forward sale commitments, MBS purchase commitments, and cash margin, as reflected in the table above, and allow the Company to net settle asset and liability positions, as well as associated cash margin, with the same counterparty. After consideration of these netting arrangements and offsetting positions by counterparties, the total net settlement amount as it relates to these positions were asset positions of $0.9 million and $5.5 million, and liability positions of $0.6 million and $9.0 million, at December 31, 2017 and 2016, respectively.

During the fourth quarter of 2017, the Company terminated the previously disclosed master netting arrangements with two counterparties and entered into a new master netting arrangement associated with the DIP Warehouse Facilities. This new master netting arrangement allows for periodic offsetting of derivative positions and margins of two of the Company's counterparties against amounts associated with the DIP Warehouse Facilities. At December 31, 2017, the Company's aggregate net derivative asset position with the two counterparties was $0.4 million. Refer to Note 20 for additional information regarding the DIP Warehouse Facilities.

Refer to Note 8 for a summary of the gains and losses on freestanding derivatives.

10. Residential Loans at Amortized Cost, Net

Residential loans at amortized cost, net consist of mortgage loans held for investment. The majority of these residential loans consist of loans subject to repurchase from Ginnie Mae and loans held in securitization trusts that have been consolidated. Refer to Note 6 for further information regarding VIEs.

Residential loans at amortized cost, net are comprised of the following components (in thousands):

	December 31, 2017	December 31, 2016
Unpaid principal balance [1]	$ 1,021,172	$ 701,944
Unamortized discounts and other cost basis adjustments, net [2]	(29,371)	(31,568)
Allowance for loan losses	(6,347)	(5,167)
Residential loans at amortized cost, net [3]	$ 985,454	$ 665,209

(1) Includes loans subject to repurchase from Ginnie Mae of $542.4 million and $184.3 million at December 31, 2017 and 2016, respectively.
(2) Includes $4.5 million of accrued interest receivable at December 31, 2017 and 2016.
(3) Includes $561.0 million and $202.3 million of mortgage loans that are not related to consolidated VIEs at December 31, 2017 and 2016, respectively.

Allowance for Loan Losses

The allowance for loan losses relates only to the unpaid principal balance of loans not including loans subject to repurchase from Ginnie Mae. The following table summarizes the activity in the allowance for loan losses on residential loans at amortized cost, net (in thousands):

	For the Years Ended December 31, 2017	For the Years Ended December 31, 2016
Balance at beginning of the year	$ 5,167	$ 4,457
Provision for loan losses [1]	3,643	2,701
Charge-offs, net of recoveries [2]	(2,463)	(1,991)
Balance at end of the year	$ 6,347	$ 5,167

(1) Provision for loan losses is included in other expenses, net on the consolidated statements of comprehensive loss.
(2) Includes charge-offs recognized upon foreclosure of real estate in satisfaction of residential loans of $1.0 million and $1.4 million for the years ended December 31, 2017 and 2016, respectively.

Aging of Past Due Residential Loans and Credit Risk Profile Based on Delinquencies

Residential loans at amortized cost that are not insured are placed on non-accrual status when any portion of the principal or interest is 90 days past due. When placed on non-accrual status, the related interest receivable is reversed against interest income of the current period. Interest income on non-accrual loans, if received, is recorded using the cash-basis method of accounting. Residential loans are removed from non-accrual status when there is no longer significant uncertainty regarding collection of the principal and the associated interest. If a non-accrual loan is returned to accruing status, the accrued interest existing at the date the residential loan is placed on non-accrual status and interest during the non-accrual period are recorded as interest income as of the date the loan no longer meets the non-accrual criteria. The past due or delinquency status of residential loans is generally determined based on the contractual payment terms. In the case of loans with an approved repayment plan, including plans approved by the bankruptcy court, delinquency is based on the modified due date of the loan. Loan balances are charged off when it becomes evident that balances are not collectible.

Factors that are important to managing overall credit quality and minimizing loan losses include sound loan underwriting, monitoring of existing loans, early identification of problem loans and timely resolution of problems. The Company primarily utilizes delinquency status to monitor the credit quality of the portfolio. The Company considers all loans 30 days or more past due to be non-performing and all loans that are current to be performing with regard to its credit quality profile. The Company had a recorded investment in loans that were 30 days or more past due of $74.4 million and $68.3 million at December 31, 2017 and 2016, respectively.

Concentrations of Credit Risk

Concentrations of credit risk associated with the residential loan portfolio carried at amortized cost are limited due to the large number of customers and their dispersion across many geographic areas. At December 31, 2017, the concentrations of homes securing these loans (represented by 5% or more of unpaid principal balance) were located in Texas, Florida, and Mississippi.

11. Residential Loans at Fair Value

Residential Loans Held for Investment

Residential loans held for investment and carried at fair value include reverse loans, mortgage loans related to Non-Residual Trusts and charged-off loans.

Credit Risk

Concentrations of credit risk associated with the residential loan portfolio carried at fair value and held for investment are limited due to the large number of customers and their dispersion across many geographic areas. At December 31, 2017, the concentrations of homes securing reverse loans and mortgage loans related to Non-Residual Trusts (represented by 5% or more of unpaid principal balance) were located in California, Texas, Florida and New York.

The Company does not currently own residual interests in or provide credit support to the Non-Residual Trusts. This credit risk is considered in the fair value of the related mortgage loans.

HECMs are insured by the FHA. Although performing and nonperforming reverse loans are covered by FHA insurance, the Company may incur expenses and losses in the process of foreclosing on and liquidating these loans that are not reimbursable by FHA in accordance with program guidelines, such as a portion of foreclosure related legal fees and closing costs incurred on the sale of REO.

The charged-off loan portfolio was acquired for a substantial discount to face value and as a result, exposes the Company to minimal credit risk.

Residential Loans Held for Sale

The Company sells substantially all of its originated or purchased mortgage loans into the secondary market for securitization or to private investors as whole loans. The Company may retain the right to service these loans upon sale either through ownership of servicing rights or through subservicing arrangements. Refer to Note 7 for additional information regarding these sales of residential loans that are held for sale.

A reconciliation of the changes in residential loans held for sale to the amounts presented on the consolidated statements of cash flows is presented in the following table (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at beginning of the year	$ 1,176,280	$ 1,334,300
Purchases and originations of loans held for sale	16,128,212	21,054,053
Proceeds from sales of and payments on loans held for sale [1]	(16,957,389)	(21,467,419)
Realized gains on sales of loans [2]	171,537	233,447
Change in unrealized gains on loans held for sale [2]	10,309	(14,803)
Interest income [2]	34,126	41,824
Loans acquired from Non-Residual Trusts [3]	25,062	—
Other	416	(5,122)
Balance at end of the year	$ 588,553	$ 1,176,280

(1) Excludes realized gains and losses on freestanding derivatives.
(2) Amount is a component of net gains on sales of loans on the consolidated statements of comprehensive loss. Refer to Note 8 for additional information related to the components of net gains on sales of loans.
(3) Loans acquired from Non-Residual Trusts upon exercise of mandatory call obligation.

Credit Risk

The Company is subject to credit risk associated with mortgage loans that it purchases and originates during the period of time prior to the sale of these loans. The Company considers credit risk associated with these loans to be insignificant as it holds the loans for a short period of time, which is, on average, approximately 20 days from the date of borrowing, and the market for these loans continues to be highly liquid. The Company is also subject to credit risk associated with mortgage loans it has repurchased as a result of breaches of representations and warranties during the period of time between repurchase and resale. At December 31, 2017, the Company held $4.9 million in repurchased loans.

12. Receivables, Net

Receivables, net consist of the following (in thousands):

	December 31,	
	2017	2016
Servicing rights holdback receivable [1]	$ 31,336	$ 73,365
Servicing fee receivables	24,838	35,698
Income tax receivables	17,477	95,874
Receivables related to Non-Residual Trusts	5,608	15,033
Other receivables	49,829	49,725
Total receivables	129,088	269,695
Less: Allowance for uncollectible receivables	(4,744)	(1,733)
Receivables, net	$ 124,344	$ 267,962

(1) Servicing rights holdback receivable relates primarily to sales of MSR to NRM. Refer to Note 5 for further information regarding transactions with NRM.

13. Servicer and Protective Advances, Net

Servicer advances consist of principal and interest advances to certain unconsolidated securitization trusts to meet contractual payment requirements to credit owners. Protective advances consist of advances to protect the collateral being serviced by the Company and primarily include payments made for property taxes, insurance and foreclosure costs. Servicer and protective advances, net consist of the following (in thousands):

	December 31, 2017	December 31, 2016
Servicer advances	$ 49,106	$ 87,818
Protective advances	928,552	1,254,343
Total servicer and protective advances	977,658	1,342,161
Less: Allowance for uncollectible advances	(164,225)	(146,781)
Servicer and protective advances, net	$ 813,433	$ 1,195,380

The following table shows the activity in the allowance for uncollectible advances (in thousands):

	For the Years Ended December 31, 2017	For the Years Ended December 31, 2016
Balance at beginning of the year	$ 146,781	$ 120,338
Provision for uncollectible advances	51,612	64,729
Charge-offs, net of recoveries and other [(1)]	(34,168)	(38,286)
Balance at end of the year	$ 164,225	$ 146,781

(1) Includes $11.3 million of transfers to payables and accrued liabilities on the consolidated balance sheets resulting from the sale of Fannie Mae MSR during the year ended December 31, 2016.

14. Servicing of Residential Loans

The Company services residential loans and real estate owned for itself and on behalf of third-party credit owners. The Company's total servicing portfolio consists of accounts serviced for others for which servicing rights have been capitalized, accounts subserviced for others, and residential loans and real estate owned carried on the consolidated balance sheets, but excludes charged-off loans managed by the Servicing segment.

Provided below is a summary of the Company's total servicing portfolio (dollars in thousands):

	December 31, 2017		December 31, 2016	
	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance
Third-party credit owners				
Capitalized servicing rights	854,292	$ 93,599,077	1,032,676	$ 112,936,287
Capitalized subservicing [(1)]	29,681	3,242,241	130,018	7,426,803
Subservicing	712,040	99,500,678	804,461	113,392,035
Total third-party servicing portfolio	1,596,013	196,341,996	1,967,155	233,755,125
On-balance sheet residential loans and real estate owned	82,480	11,522,817	97,388	12,690,018
Total servicing portfolio	1,678,493	$ 207,864,813	2,064,543	$ 246,445,143

(1) Consists of subservicing contracts acquired through business combinations whereby the benefits from the contract are greater than adequate compensation for performing the servicing.

The Company's two largest subservicing customers represented approximately 69% and 21% of the Company's total subservicing portfolio based on unpaid principal balance at December 31, 2017 and approximately 56% and 23% of the Company's total subservicing portfolio based on unpaid principal balance at December 31, 2016.

The Company's geographic diversification of its third-party servicing portfolio, based on the outstanding unpaid principal balance, is as follows (dollars in thousands):

	December 31, 2017			December 31, 2016		
	Number of Accounts	Unpaid Principal Balance	Percentage of Total	Number of Accounts	Unpaid Principal Balance	Percentage of Total
California	181,126	$ 35,774,862	18.2%	224,408	$ 42,939,204	18.4%
Florida	134,124	16,247,905	8.3%	163,186	19,530,088	8.4%
Texas	127,442	11,378,660	5.8%	152,485	12,935,308	5.5%
Other <5%	1,153,321	132,940,572	67.7%	1,427,076	158,350,525	67.7%
Total	1,596,013	$ 196,341,999	100.0%	1,967,155	$ 233,755,125	100.0%

Net Servicing Revenue and Fees

The Company earns servicing income from its third-party servicing portfolio. The following table presents the components of net servicing revenue and fees, which includes revenues earned by the Servicing and Reverse Mortgage segments (in thousands):

	For the Years Ended December 31,	
	2017	2016
Servicing fees [(1)(2)]	$ 491,531	$ 680,002
Incentive and performance fees [(1)]	59,660	70,197
Ancillary and other fees [(1)(3)]	83,753	98,055
Servicing revenue and fees	634,944	848,254
Change in fair value of servicing rights	(266,246)	(480,476)
Amortization of servicing rights [(4)(5)]	(21,954)	(21,801)
Change in fair value of servicing rights related liabilities [(2)(6)]	(62)	(4,986)
Net servicing revenue and fees	$ 346,682	$ 340,991

(1) Includes subservicing fees, incentive and performance fees, and ancillary and other fees related to servicing assets held by WCO of $5.1 million for the year ended December 31, 2016.
(2) Includes a pass-through of $9.8 million relating to servicing rights sold to WCO for the year ended December 31, 2016.
(3) Includes late fees of $56.8 million and $63.3 million for the years ended December 31, 2017 and 2016, respectively.
(4) Includes amortization of a servicing liability of $4.1 million and $7.1 million for the years ended December 31, 2017 and 2016, respectively.
(5) Includes impairment of servicing rights and a servicing liability of $16.1 million and $6.9 million for the years ended December 31, 2017 and 2016, respectively.
(6) Includes interest expense on servicing rights related liabilities, which represents the accretion of fair value, of $16.3 million for the year ended December 31, 2016.

Servicing revenue and fees for the years ended December 31, 2017 and 2016 included $306.9 million and $458.9 million, respectively, from servicing Fannie Mae residential loans, $96.9 million and $85.2 million, respectively, from servicing Ginnie Mae loans and $67.5 million and $92.8 million, respectively, from servicing Freddie Mac loans.

Servicing Rights

Servicing Rights Carried at Amortized Cost

The following table summarizes the activity in the carrying value of servicing rights carried at amortized cost by class (in thousands):

	Mortgage Loan	Reverse Loan
Balance at January 1, 2016	$ 99,302	$ 7,258
Sales	(318)	—
Amortization	(20,332)	(1,753)
Impairment	(4,031)	—
Balance at December 31, 2016	74,621	5,505
Amortization	(8,423)	(1,494)
Impairment	(11,732)	—
Balance at December 31, 2017	$ 54,466	$ 4,011

Servicing rights accounted for at amortized cost are evaluated for impairment by strata based on their estimated fair values. The risk characteristics used to stratify servicing rights for purposes of measuring impairment are the type of loan products, which consist of manufactured housing loans, first lien residential mortgages and second lien residential mortgages for the mortgage loan class, and reverse mortgages for the reverse loan class. The fair value of servicing rights for the mortgage loan class and the reverse loan class was $59.7 million and $4.8 million, respectively, at December 31, 2017 and $79.9 million and $7.3 million, respectively, at December 31, 2016. Fair value was estimated using the present value of projected cash flows over the estimated period of net servicing income.

The estimation of fair value requires significant judgment and uses key economic inputs and assumptions, which are provided in the table below:

	December 31, 2017		December 31, 2016	
	Mortgage Loan	Reverse Loan	Mortgage Loan	Reverse Loan
Weighted-average remaining life in years [(1)]	4.5	2.8	5.1	2.6
Weighted-average discount rate	13.00%	15.00%	13.00%	15.00%
Conditional prepayment rate [(2)]	5.91%	N/A	6.51%	N/A
Conditional default rate [(2)]	2.45%	N/A	2.33%	N/A
Conditional repayment rate [(3)]	N/A	36.01%	N/A	32.28%

(1) Represents the remaining weighted-average life of the related unpaid principal balance of the underlying collateral adjusted for assumptions for conditional repayment rate, conditional prepayment rate and conditional default rate, as applicable.
(2) Voluntary and involuntary prepayment rates have been presented as conditional prepayment rate and conditional default rate, respectively.
(3) Conditional repayment rate includes assumptions for both voluntary and involuntary rates as well as assumptions for the assignment of HECMs to HUD, in accordance with obligations as servicer.

The valuation of servicing rights is affected by the underlying assumptions above. Should the actual performance and timing differ materially from the Company's projected assumptions, the estimate of fair value of the servicing rights could be materially different.

Servicing Rights Carried at Fair Value

The following table summarizes the activity in servicing rights carried at fair value (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at beginning of the year [(1)]	$ 949,593	$ 1,682,016
Purchases	670	24,380
Servicing rights capitalized upon sales of loans	148,227	198,865
Sales	(117,470)	(458,541)
Other	—	(16,651)
Change in fair value due to:		
Changes in valuation inputs or other assumptions [(2)]	(134,573)	(243,645)
Other changes in fair value [(3)]	(131,673)	(236,831)
Total change in fair value	(266,246)	(480,476)
Balance at end of the year	$ 714,774	$ 949,593

(1) Includes servicing rights that were sold to WCO and accounted for as a financing of $16.9 million at January 1, 2016. These servicing rights qualified for sale accounting treatment during the year ended December 31, 2016.
(2) Represents the change in fair value typically resulting from market-driven changes in interest rates and prepayment speeds.
(3) Represents the realization of expected cash flows over time.

The fair value of servicing rights accounted for at fair value was estimated using the present value of projected cash flows over the estimated period of net servicing income. The estimation of fair value requires significant judgment and uses key economic inputs and assumptions, which are described in Note 8. Should the actual performance and timing differ materially from the Company's projected assumptions, the estimate of fair value of the servicing rights could be materially different.

The following table summarizes the hypothetical effect on the fair value of servicing rights carried at fair value using adverse changes of 10% and 20% to the weighted average of the significant assumptions used in valuing these assets (dollars in thousands):

	December 31, 2017			December 31, 2016		
		Decline in fair value due to			Decline in fair value due to	
	Assumption	10% adverse change	20% adverse change	Assumption	10% adverse change	20% adverse change
Weighted-average discount rate	11.92%	$ (29,892)	$ (57,517)	11.56%	$ (41,926)	$ (80,512)
Weighted-average conditional prepayment rate	11.10%	(27,261)	(52,551)	9.09%	(30,513)	(59,083)
Weighted-average conditional default rate	0.91%	(31,610)	(63,832)	0.88%	(28,370)	(57,854)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. Changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of an adverse variation in a particular assumption on the fair value of the servicing rights is calculated without changing any other assumption, while in reality changes in one factor may result in changes in another, which may either magnify or counteract the effect of the change.

Fair Value of Originated Servicing Rights

For mortgage loans sold with servicing retained, the Company used the following inputs and assumptions to determine the fair value of servicing rights at the dates of sale. These servicing rights are included in servicing rights capitalized upon sales of loans in the table presented above that summarizes the activity in servicing rights accounted for at fair value.

	For the Years Ended December 31,	
	2017 [(1)]	2016
Weighted-average life in years	6.4	6.2
Weighted-average discount rate	14.27%	12.47%
Weighted-average conditional prepayment rate	9.14%	9.15%
Weighted-average conditional default rate	0.53%	0.34%

(1) Excludes inputs and assumptions related to servicing rights capitalized under the Company's co-issue program with NRM, which are classified as Level 2 within the fair value hierarchy.

15. Goodwill and Intangible Assets, Net

Goodwill and intangible assets were recorded in connection with various business combinations.

Goodwill

The table below sets forth the activity in goodwill by reportable segment (in thousands):

	Reportable Segment		
	Servicing [(1)]	Originations	Total
Balance at January 1, 2016	$ 320,164	$ 47,747	$ 367,911
Acquisition of RCS net assets	3,784	—	3,784
Impairment [(2)]	(319,551)	—	(319,551)
Reclassification to assets held for sale [(3)]	(4,397)	—	(4,397)
Balance at December 31, 2016 [(4)]	$ —	$ 47,747	$ 47,747
Balance at December 31, 2017 [(4)]	$ —	$ 47,747	$ 47,747

(1) The Servicing, Insurance and ARM reporting units are components of the Servicing segment.
(2) As discussed in further detail below, the Company recorded goodwill impairment charges in its Servicing segment of $215.4 million, $91.0 million and $13.2 million during the second, third and fourth quarters of 2016, respectively.
(3) Represents the goodwill balance associated with the Insurance business.
(4) There were accumulated impairment losses relating to the Servicing segment of $470.6 million at December 31, 2017 and 2016. There were accumulated impairment losses relating to the Reverse segment of $138.8 million at December 31, 2017 and 2016.

The Company completed its annual goodwill impairment test effective October 1, 2017. The Company determined that there was no impairment to the goodwill remaining in the Originations segment at this date. Similar to recent years, the Company has been impacted by continued challenges in the mortgage industry, including market conditions such as interest rate volatility and other developments, as well as the impact these factors have had on certain Company specific matters. Declines in expected future cash flows, reductions in expected future growth rates, increases in interest rates, or an increase in the risk-adjusted discount rate used to estimate fair value may result in a determination that an impairment adjustment is required, resulting in a change to earnings in a future period. The Company is likely to continue to be impacted in the near term by overall market performance within the sector, a continued level of regulatory scrutiny and other Company specific matters. As a result, the Company will continue to regularly monitor, among other things, its market capitalization, the overall economic and sector conditions and other events or circumstances that may result in an impairment of goodwill in the future.

During the second quarter of 2016, the Company recorded goodwill impairment of $215.4 million, comprised of $194.1 million relating to the Servicing reporting unit and $21.3 million relating to the ARM reporting unit. The Servicing reporting unit impairment was driven by a decline in cash flows from lower than expected operating results due to continued challenges associated with certain company-specific matters, primarily due to delays in transitioning the Servicing business model to a more fee-for-service and capital-light business model, as well as external pressures that the sector continued to experience, including regulatory scrutiny and market volatility due to the declining interest rate environment. The ARM reporting unit impairment was primarily driven by lower cash flows due to the unsuccessful development of new business opportunities in this reporting unit. Additionally, as a result of the downward pressures on the Company's share price during the first half of 2016, the Company's market capitalization was reassessed, including the potential impact that the decline in market capitalization could have on the carrying value of goodwill. Management concluded that the aforementioned circumstances indicated that it was more likely than not that the fair value of the Servicing and ARM reporting units were below their respective carrying amounts, and accordingly, performed the Step 1 and Step 2 testing for these reporting units. The Step 1 testing indicated that both the Servicing and ARM reporting units had carrying values that exceeded the respective estimated fair values, and the Step 2 testing resulted in the conclusion that the carrying amount of the Servicing and ARM reporting units' goodwill exceeded the implied fair value. This impairment was primarily the result of an increased company-specific risk premium added to the discount rate that was applied to lower re-forecasted cash flows driven by the aforementioned circumstances.

During the third quarter of 2016, the Company recorded a goodwill impairment charge of $91.0 million relating to the Servicing reporting unit. The impairment indicator was continued elevated levels of expenses during the third quarter. The Company performed a Step 1 testing using a discounted cash flows model, which resulted in the carrying value exceeding the implied fair value, driven by a continuation of higher expense levels in the near term due to anticipated infrastructure investments and lower cash flows. Accordingly, the Step 2 testing was performed, which determined that the remaining Servicing reporting unit goodwill was impaired as of September 30, 2016.

During the fourth quarter of 2016, the Company recorded a goodwill impairment charge of $13.2 million relating to the ARM reporting unit. The impairment indicators included continued lack of new business. The Company performed the Step 1 testing using a discounted cash flows model, which resulted in the carrying value exceeding the implied fair value, driven by challenges in obtaining new business resulting in lower projected revenue in future periods and declining margins due to runoff of the purchased loan portfolio. Accordingly, the Step 2 testing was performed, which determined that the entire ARM reporting unit goodwill was impaired as of December 31, 2016.

Intangible Assets, Net

Amortization expense associated with intangible assets was $3.2 million and $12.0 million for the years ended December 31, 2017 and 2016, respectively.

Intangible assets, net consist of the following (in thousands):

	December 31, 2017				December 31, 2016			
	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
Customer relationships [1]	$ 29,141	$ (25,233)	$ —	$ 3,908	$ 29,141	$ (23,769)	$ —	$ 5,372
Institutional relationships	11,900	(5,560)	(6,340)	—	11,900	(5,222)	(6,340)	338
Other	10,000	(4,780)	(395)	4,825	10,000	(3,968)	(395)	5,637
Total intangible assets	$ 51,041	$ (35,573)	$ (6,735)	$ 8,733	$ 51,041	$ (32,959)	$ (6,735)	$ 11,347

(1) The balance as of December 31, 2016 excludes customer relationships related to the Insurance business with a net carrying amount of $54.0 million that were reclassified to assets held for sale.

During the third quarter of 2016, the Company recorded impairment charges of $6.7 million related to intangible assets in the Reverse Mortgage reporting unit. The Company tested these intangible assets for recoverability due to changes in facts and circumstances associated with the shift in strategic direction and reduced profitability expectations for this business. Based on the testing results, it was determined that the carrying value of the intangible assets was not recoverable, and an impairment charge was recorded to the extent that carrying value exceeded estimated fair value. The Company primarily used the income approach to determine the fair value of the intangible assets and calculate the amount of impairment.

Based on the balance of intangible assets, net at December 31, 2017, the following is an estimate of amortization expense for each of the next five years and thereafter (in thousands):

	Amortization Expense
2018	$ 1,680
2019	1,336
2020	1,075
2021	871
2022	707
Thereafter	3,064
Total	$ 8,733

16. Premises and Equipment, Net

Premises and equipment, net consist of the following (dollars in thousands):

	December 31,		Useful Life (in years)
	2017	2016	
Computer software	$ 246,271	$ 239,868	3 - 7
Computer hardware	33,154	36,515	3
Leasehold improvements and office equipment	12,699	13,347	2 - 9
Furniture and fixtures	7,812	10,543	3
Assets in development	2,008	4,741	
Total premises and equipment	301,944	305,014	
Less: accumulated depreciation and amortization	(251,731)	(222,386)	
Premises and equipment, net	$ 50,213	$ 82,628	

The Company recorded depreciation and amortization expense for premises and equipment of $37.6 million and $47.5 million, which includes amortization expense for computer software of $31.0 million and $37.4 million, for the years ended December 31, 2017 and 2016, respectively. Unamortized computer software costs were $38.7 million and $62.7 million at December 31, 2017 and 2016, respectively.

17. Other Assets

Other assets consist of the following (in thousands):

	December 31,	
	2017	2016
Real estate owned, net	$ 116,553	$ 104,554
Derivative instruments	29,394	87,937
Clean-up Call Agreement inducement fee	29,256	—
Prepaid expenses	26,834	18,086
Deferred debt issuance costs	21,341	6,879
Investment in WCO	7,816	19,403
Other	4,401	5,431
Total other assets	$ 235,595	$ 242,290

18. Payables and Accrued Liabilities

Payables and accrued liabilities consist of the following (in thousands):

	December 31,	
	2017	2016
Loans subject to repurchase from Ginnie Mae	$ 542,398	$ 184,289
Curtailment liability	140,905	121,305
Accounts payable and accrued liabilities	129,731	155,556
Employee-related liabilities	52,097	91,063
Accrued interest payable	33,322	9,414
Loan repurchase obligation	31,704	12,030
Originations liability	25,613	62,969
Servicing rights and related advance purchases payable	14,923	18,187
Uncertain tax positions (1)	5,601	9,414
Margin payable on derivative instruments	1,533	30,941
Derivative instruments	1,250	11,804
Other	41,191	52,039
Subtotal	1,020,268	759,011
Less: Liabilities subject to compromise (2)	25,807	—
Total payables and accrued liabilities	$ 994,461	$ 759,011

(1) Included in the uncertain tax position at December 31, 2016 is $2.5 million related to the sale of the insurance business as described in Note 4. In connection with the closing of the sale on February 1, 2017, the uncertain tax position related to the insurance business was reversed.

(2) Liabilities subject to compromise consist of accrued interest related to the Senior Notes and Convertibles Notes. Refer to Note 3 for additional information.

Costs Associated with Exit Activities

During 2015, the Company took distinct actions to improve efficiencies within the organization, which included re-branding its mortgage business by consolidating Ditech Mortgage Corp and Green Tree Servicing into one legal entity with one brand. Additionally, the Company took measures to restructure its mortgage loan servicing operations and improve the profitability of the reverse mortgage business by streamlining its geographic footprint and strengthening its retail originations channel. These actions resulted in costs relating to the closing of offices and the termination of certain employees, as well as other expenses to institute efficiencies. The Company completed these activities in the fourth quarter of 2015. Furthermore, the Company made the decision during the fourth quarter of 2015 to exit the consumer retail channel of the Originations segment. The actions to improve efficiencies, re-brand the mortgage business, restructure the servicing operations and exit from the consumer retail channel are collectively referred to as the 2015 Actions herein.

In addition, during 2016, the Company initiated actions in connection with its continued efforts to enhance efficiencies and streamline processes, which included various organizational changes to the scale and proficiency of the Company's leadership team and support functions. Further, following a decision made in December 2016 and effective January 2017, the Company exited the reverse mortgage originations business, while maintaining its reverse mortgage servicing operations. These actions resulted in costs relating to the termination of certain employees and closing of offices. These actions are collectively referred to as the 2016 Actions herein.

The Company continued with the transformation of the business during 2017 in an effort to optimize the workforce, processes and functional locations of its businesses as it seeks to achieve sustainable growth. Accordingly, the Company incurred costs, including severance and related costs, office closures, and other costs in connection with its transformation efforts during 2017. The actions that have been and will be taken in connection with these efforts are collectively referred to as the 2017 Actions herein.

Over the next few years, the Company intends to consolidate its operations into three “core” Ditech sites in Fort Washington, PA, Jacksonville, FL and Tempe, AZ as well as one “core” RMS site in Houston, TX. The Irving, TX location was closed during 2017 and the remaining sites are undergoing strategic review and plans for them are expected to be finalized during 2018. These strategic reviews could result in additional site closings or other outcomes. The costs associated with such actions will be included in the exit liability as such time that each action is approved by management.

The costs resulting from the 2015 Actions, 2016 Actions and 2017 Actions are recorded in salaries and benefits and general and administrative expenses on the Company's consolidated statements of comprehensive loss.

The following table presents the current period activity in the accrued exit liability resulting from each of the 2015 Actions, 2016 Actions and 2017 Actions described above, which is included in payables and accrued liabilities on the consolidated balance sheets, and the related charges and cash payments and other settlements associated with these actions (in thousands):

	For the Year Ended December 31, 2017			
	2015 Actions	2016 Actions	2017 Actions	Total
Balance at January 1, 2017	$ 988	$ 11,878	$ —	$ 12,866
Charges				
Severance and related costs [1]	(57)	25	9,059	9,027
Office closures and other costs	91	42	13,199	13,332
Total charges	34	67	22,258	22,359
Cash payments or other settlements				
Severance and related costs	(163)	(11,048)	(5,400)	(16,611)
Office closures and other costs	(656)	(560)	(903)	(2,119)
Total cash payments or other settlements	(819)	(11,608)	(6,303)	(18,730)
Balance at December 31, 2017	$ 203	$ 337	$ 15,955	$ 16,495
Cumulative charges incurred				
Severance and related costs	$ 7,181	$ 19,793	$ 9,059	$ 36,033
Office closures and other costs	6,626	3,820	13,199	23,645
Total cumulative charges incurred	$ 13,807	$ 23,613	$ 22,258	$ 59,678
Total expected costs to be incurred	$ 13,807	$ 23,613	$ 22,741	$ 60,161

(1) Includes adjustments to prior year accruals resulting from changes to previous estimates.

The following table presents the current period activity for each of the 2015 Actions, 2016 Actions, and 2017 Actions described above by reportable segment (in thousands):

	For the Year Ended December 31, 2017				
	Servicing	Originations	Reverse Mortgage	Other	Total Consolidated
Balance at January 1, 2017					
2015 Actions	$ 453	$ 260	$ 275	$ —	$ 988
2016 Actions	4,323	1,023	2,222	4,310	11,878
2017 Actions	—	—	—	—	—
Total balance at January 1, 2017	4,776	1,283	2,497	4,310	12,866
Charges					
2015 Actions [1]	(57)	49	42	—	34
2016 Actions [1]	46	(147)	22	146	67
2017 Actions	19,160	1,534	1,564	—	22,258
Total charges	19,149	1,436	1,628	146	22,359
Cash payments or other settlements					
2015 Actions	(270)	(232)	(317)	—	(819)
2016 Actions	(4,146)	(876)	(2,227)	(4,359)	(11,608)
2017 Actions	(4,137)	(1,173)	(993)	—	(6,303)
Total cash payments or other settlements	(8,553)	(2,281)	(3,537)	(4,359)	(18,730)
Balance at December 31, 2017					
2015 Actions	126	77	—	—	203
2016 Actions	223	—	17	97	337
2017 Actions	15,023	361	571	—	15,955
Total balance at December 31, 2017	$ 15,372	$ 438	$ 588	$ 97	$ 16,495
Total cumulative charges incurred					
2015 Actions	$ 6,424	$ 4,639	$ 1,893	$ 851	$ 13,807
2016 Actions	11,648	989	5,248	5,728	23,613
2017 Actions	19,160	1,534	1,564	—	22,258
Total cumulative charges incurred	$ 37,232	$ 7,162	$ 8,705	$ 6,579	$ 59,678
Total expected costs to be incurred					
2015 Actions	$ 6,424	$ 4,639	$ 1,893	$ 851	$ 13,807
2016 Actions	11,648	989	5,248	5,728	23,613
2017 Actions	19,578	1,534	1,564	65	22,741
Total expected costs to be incurred	$ 37,650	$ 7,162	$ 8,705	$ 6,644	$ 60,161

(1) Includes adjustments to prior year accruals resulting from changes to previous estimates.

19. Servicing Advance Liabilities

Servicing advance liabilities, which are carried at amortized cost, consist of the following (in thousands):

	December 31,	
	2017	2016
Servicing advance facilities [(1)]	$ 421,165	$ 708,462
Early Advance Reimbursement Agreement	62,297	74,767
Total servicing advance liabilities	$ 483,462	$ 783,229

(1) Servicing advance facilities are net of $1.5 million in deferred issuance costs relating to term notes at December 31, 2016.

At December 31, 2017, the Company's subsidiaries have a Securities Master Repurchase Agreement under the DIP Warehouse Facilities and an Early Advance Reimbursement Agreement with Fannie Mae, which, in each case, are used to fund servicer and protective advances that are the responsibility of the Company under certain servicing agreements. The Securities Master Repurchase Agreement and the Early Advance Reimbursement Agreement had an aggregate capacity of $650.0 million at December 31, 2017. The interest rates on these facilities are based on 1-month LIBOR plus 2.50% or 3-month LIBOR plus 3.00%, and have various expiration dates through February 2019. The facilities had a weighted-average stated interest rate of 4.61% and 3.32% at December 31, 2017 and 2016, respectively. Payments on the amounts due under these agreements are paid from certain proceeds received by the subsidiaries (i) in connection with the liquidation of mortgaged properties, (ii) from repayments received from mortgagors, or (iii) from reimbursements received from the owners of the mortgage loans, such as Fannie Mae, Freddie Mac and private label securitization trusts, or (iv) issuance of new notes or other refinancing transactions. Accordingly, repayment of the servicing advance liabilities is dependent on the proceeds that are received on the underlying advances associated with the agreements.

Servicing Advance Facilities

Securities Master Repurchase Agreement

Effective December 5, 2017, the Company entered into an agreement with certain existing warehouse lenders to provide a warehouse facility during the Chapter 11 Case and Exit Warehouse Facilities until February 2019. The DIP Warehouse Facilities, which have a total capacity of $1.9 billion, provide up to $550.0 million to finance advances related to mortgage loan servicing activities under a Securities Master Repurchase Agreement. The Securities Master Repurchase Agreement was used to fund the purchase of the existing variable funding notes issued under the GTAAFT facility as well as new variable funding notes issued under the DPAT Facility. The variable funding notes outstanding under these facilities were pledged as collateral under the Securities Master Repurchase Agreement. The Securities Master Repurchase Agreement had $473.0 million of collateral pledged by the Company's subsidiaries under these agreements at December 31, 2017.

The Securities Master Repurchase Agreement and DIP Warehouse facilities contain customary events of default and covenants, including financial covenants. Ditech Financial was in compliance with the financial covenants at December 31, 2017.

Early Advance Reimbursement Agreement

Ditech Financial's Early Advance Reimbursement Agreement with Fannie Mae is used exclusively to fund certain principal and interest, servicer and protective advances that are the responsibility of Ditech Financial under its Fannie Mae servicing agreements. This agreement was renewed in March 2017 and expires in March 2018. In March 2018, the Company executed an amendment effective April 1, 2018, which extends this agreement to December 31, 2018 at which time this facility will terminate. Upon termination, any remaining balance would become due and payable. At December 31, 2017, the Company had borrowings of $62.3 million under the Early Advance Reimbursement Agreement, which had a capacity of $100.0 million.

The Company's subsidiaries are dependent on the ability to secure servicing advance facilities on acceptable terms and to renew, replace or resize existing facilities as they expire. If the Company fails to comply with the terms of an agreement that results in an event of default or breach of covenant without obtaining a waiver or amendment, the Company may be subject to termination of future funding, enforcement of liens against assets securing the respective facility, repurchase of assets pledged in a repurchase agreement, acceleration of outstanding obligations, or other adverse actions.

Post-Bankruptcy Emergence

On February 12, 2018, the Securities Master Repurchase Agreement was repaid with proceeds from the issuance of variable funding notes under two new servicing advance facilities, the DAAT Facility and DPATII Facility. The DAAT Facility and DPATII Facility acquired the outstanding advances from the GTAAFT Facility and DPAT Facility, respectively, and the variable funding notes under the GTAAFT Facility and DPAT Facility, which had been pledged as collateral under the Securities Master Repurchase Agreement, were fully redeemed. The DAAT Facility and DPATII Facility have aggregate capacities of $475.0 million and $75.0 million, respectively. The interest on the variable funding notes issued under the DAAT Facility and DPATII Facility is based on the lender's applicable index, plus a per annum margin of 2.25%, and have an expected repayment date of February 2019. These facilities, together with Ditech Financial's master repurchase agreement used to fund originations and RMS's master repurchase agreement used to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools, are subject, collectively, to a combined maximum outstanding amount of $1.9 billion under the Exit Warehouse Facilities.

In connection with the DAAT Facility and DPATII Facility, Ditech Financial sells and/or contributes the rights to reimbursement for servicer and protective advances to a depositor entity, which then sells and/or contributes such rights to reimbursement to an issuer entity. Each of the issuer and the depositor entities under these facilities is structured as a bankruptcy remote special purpose entity and is the sole owner of its respective assets. Advances made under the DAAT Facility and DPATII Facility are held in two separate trusts: the existing DAAT, used to hold GSE advances, and DPATII, used to hold non-GSE advances. These facilities provide funding for servicer and protective advances made in connection with Ditech Financial's servicing of certain Fannie Mae, Freddie Mac and other mortgage loans, and is non-recourse to us. These facilities contain customary events of default and covenants, including financial covenants. Financial covenants most sensitive to the Company's operating results and financial position are the requirements that Ditech Financial maintain minimum tangible net worth, indebtedness to tangible net worth, minimum liquidity and profitability requirements.

20. Warehouse Borrowings

The Company's subsidiaries enter into master repurchase agreements with lenders providing warehouse facilities. The warehouse facilities are used to fund the origination and purchase of residential loans, as well as the repurchase of certain HECMs and real estate owned from Ginnie Mae securitization pools. Effective December 5, 2017, the Company entered an agreement with certain existing warehouse lenders to provide the DIP Warehouse Facilities during the Chapter 11 Case and Exit Warehouse Facilities until February 2019. At December 31, 2017, the DIP Warehouse Facilities, which have a total capacity of $1.9 billion, include a master repurchase agreement that provides up to $750.0 million to finance Ditech Financial's origination business and a master repurchase agreement that provides up to $800.0 million to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools. The capacity under these master repurchase agreements is provided on a committed basis.

At December 31, 2017, the interest rates on the facilities were based on 3-month LIBOR plus 3.00% or 4.50%. Upon the Effective Date of the Prepackaged Plan, the facilities have an expiration date of February 2019. The facilities had a weighted-average stated interest rate of 5.47% and 3.27% at December 31, 2017 and 2016, respectively. At December 31, 2017, $520.4 million of the outstanding borrowings were secured by $563.5 million in originated and purchased residential loans and $564.8 million of outstanding borrowings were secured by $699.4 million in repurchased HECMs and real estate owned.

Borrowings utilized to fund the origination and purchase of residential loans are due upon the earlier of sale or securitization of the loan or within 90 days of borrowing. On average, the Company sells or securitizes these loans approximately 20 days from the date of borrowing. Borrowings utilized to repurchase HECMs and real estate owned are due upon the earlier of receipt of claim proceeds from HUD or receipt of proceeds from liquidation of the related real estate owned. In any event, borrowings associated with certain repurchased HECMs and real estate owned are due within 180 days. In accordance with the terms of the agreements, the Company may be required to post cash collateral should the fair value of the pledged assets decrease below certain contractual thresholds. The Company is exposed to counterparty credit risk associated with the repurchase agreements in the event of non-performance by the counterparties. The amount at risk during the term of the repurchase agreement is equal to the difference between the amount borrowed by the Company and the fair value of the pledged assets. The Company mitigates this risk through counterparty monitoring procedures, including monitoring of the counterparties' credit ratings and review of their financial statements.

All of the Company’s master repurchase agreements contain customary events of default and financial covenants. Financial covenants that are most sensitive to the operating results of the Company's subsidiaries and resulting financial position are minimum tangible net worth requirements, indebtedness to tangible net worth ratio requirements, and minimum liquidity and profitability requirements. The Company's subsidiaries were in compliance with the terms of these agreements, including financial covenants, at December 31, 2017.

During 2017, Ditech Financial and RMS received waivers and/or amendments on its previous facilities, required as a result of the Restatement and conclusions reached regarding the Company's ability to continue as a going concern, as described in Note 2 to the Consolidated Financial Statements. Two of the Ditech Financial master repurchase agreements that contained profitability covenants were also amended to allow for a net loss under such covenants for the quarter ending September 30, 2017 as applicable to the terms of each respective agreement. These amendments, among other things, reduced the advance rates on certain facilities.

The Company's subsidiaries are dependent on the ability to secure warehouse facilities on acceptable terms and to renew, replace or resize existing facilities as they expire. If the Company fails to comply with the terms of an agreement that results in an event of default or breach of covenant without obtaining a waiver or amendment, the Company may be subject to termination of future funding, enforcement of liens against assets securing the respective facility, repurchase of assets pledged in a repurchase agreement, acceleration of outstanding obligations, or other adverse actions.

Post-Bankruptcy Emergence

On February 9, 2018, upon the Effective Date of the Prepackaged Plan the DIP Warehouse Facilities transitioned into the Exit Warehouse Facilities whereupon the Ditech Financial master repurchase agreement and RMS master repurchase agreement amended under the DIP Warehouse Facilities will continue to provide financing for Ditech Financial's origination business and will continue to finance the repurchases of certain HECMs and real estate owned from Ginnie Mae securitization pools. Upon the Effective Date, the facilities were amended to, among other things, extend the maturity date to February 2019, change the interest rate to the lender's applicable index, plus a per annum margin of 2.25% or 3.25%, increase the amount available to finance Ditech Financial's origination business from $750.0 million to $1.0 billion and increase the maximum repayment term for certain repurchased HECMs from 180 days to 365 days. On March 29, 2018, Ditech Financial and RMS amended their respective master repurchase agreements to provide for a 30 day extension to the deadline to deliver audited annual financial statements in respect to Ditech Financial, RMS and Ditech Holding for the year ended December 31, 2017. As a result of such amendment, Ditech Financial and RMS are permitted to deliver the relevant Ditech Financial and RMS audited annual financial statements for the year ended December 31, 2017 within 120 days (formerly 90 days) before triggering a default or event of default or otherwise constituting a breach of any representation, warranty or covenant under its master repurchase agreement. These facilities, together with the DAAT Facility and DPATII Facility used to fund advances, are subject, collectively, to a combined maximum outstanding amount of $1.9 billion under the Exit Warehouse Facilities. All of the Company's master repurchase agreements under the Exit Warehouse Facilities contain customary events of default and financial covenants. Financial covenants that are most sensitive to the operating results of the Company's subsidiaries and resulting financial position are minimum tangible net worth requirements, indebtedness to tangible net worth ratio requirements, and minimum liquidity and profitability requirements. The Company's subsidiaries were in compliance with the terms of these agreements, including financial covenants, at December 31, 2017.

21. Corporate Debt

Corporate debt consists of the following (dollars in thousands):

	December 31, 2017		December 31, 2016	
	Amortized Cost	Weighted-Average Stated Interest Rate [1]	Amortized Cost	Weighted-Average Stated Interest Rate [1]
2013 Term Loan (unpaid principal balance of $1,229,590 and $1,416,500 at December 31, 2017 and 2016, respectively)	$ 1,214,663	5.31%	$ 1,394,658	4.75%
Senior Notes (unpaid principal balance of $538,662 at December 31, 2017 and 2016)	538,662	7.875%	529,738	7.875%
Convertible Notes (unpaid principal balance of $242,468 at December 31, 2017 and 2016)	242,468	4.50%	204,604	4.50%
Subtotal	1,995,793		2,129,000	
Less: Liabilities subject to compromise [2]	781,130		—	
Total corporate debt	$ 1,214,663		$ 2,129,000	

(1) Represents the weighted-average stated interest rate, which may be different from the effective rate, which considers the amortization of discounts and issuance costs.
(2) Liabilities subject to compromise consists of the Senior Notes and Convertibles Notes. Refer to Note 3 for additional information.

The effective interest rate on corporate debt was 6.43% and 6.64% for the years ended December 31, 2017 and 2016, respectively.

The following table provides the contractual maturities (by unpaid principal balance) of corporate debt at December 31, 2017 (in thousands):

	Corporate Debt
2018 [(1)]	$ 110,590
2019 [(2)]	242,468
2020	1,119,000
2021 [(2)]	538,662
Total	$ 2,010,720

(1) During the first quarter of 2018, the Company made payments totaling $110.6 million due under the 2013 Credit Agreement and related amendments as well as the Term Loan RSA and related amendments in place at December 31, 2017. These payments do not include contractual payments due under the terms of the 2018 Credit Agreement.

(2) The unpaid principal balance on the Convertible Notes of $242.5 million due in 2019 and the unpaid principal balance on the Senior Notes of $538.7 million due in 2021 were included in liabilities subject to compromise on the consolidated balance sheets at December 31, 2017. On February 9, 2018 the outstanding Convertible Notes and Senior Notes were canceled. See below for additional information.

Term Loans and Revolver

The Company had a 2013 Term Loan in the original principal amount of $1.5 billion and a $100.0 million 2013 Revolver. The Company's obligations under the 2013 Secured Credit Facilities were guaranteed by substantially all of the Company's subsidiaries and secured by substantially all of the Company's assets subject to certain exceptions, the most significant of which are the assets of the consolidated Residual and Non-Residual Trusts, the residential loans and real estate owned of the Ginnie Mae securitization pools, and advances of the consolidated financing entities. Refer to the Consolidated Variable Interest Entities section of Note 6 for additional information.

The terms of the 2013 Secured Credit Facilities at December 31, 2017 are summarized in the table below.

Debt Agreement	Interest Rate	Amortization	Maturity/Expiration
2013 Term Loan	1-month LIBOR plus 3.75% 1-month LIBOR floor of 1.00%	1.00% per annum beginning 1st quarter 2014; remainder at final maturity	December 18, 2020
2013 Revolver	1-month LIBOR plus 3.75%	Bullet payment at maturity	December 19, 2018

There had been no borrowings under the 2013 Revolver. Under the 2013 Credit Agreement, in order to borrow in excess of 20% of the committed amount under the 2013 Revolver, the Company must satisfy both a specified interest coverage ratio and specified total leverage ratio, as defined in the 2013 Credit Agreement, on a pro forma basis after giving effect to the borrowing. The Company did not satisfy these ratios during 2017, and as a result the maximum amount the Company would have been able to borrow on the 2013 Revolver was $20.0 million. At December 31, 2017, the Company had outstanding $19.5 million in issued LOCs, which reduce the amount available under the 2013 Revolver to $0.5 million. The commitment fee on the unused portion of the 2013 Revolver is 0.50% per year.

During the year ended December 31, 2016, the Company repurchased $7.2 million in principal balance of the 2013 Term Loan for $6.3 million resulting in a gain on extinguishment of debt of $0.9 million, which is recorded in net gains (losses) on extinguishment of debt on the consolidated statements of comprehensive loss.

During the year ended December 31, 2017, in accordance with 2013 Credit Agreement and related amendments, as well as the Term Loan RSA and related amendments, the Company made principal payments on the 2013 Term Loan totaling $186.9 million, resulting in a loss on extinguishment of debt of $1.8 million, due to the write-off of deferred financing fees and discount.

During the first quarter of 2018, in accordance with 2013 Credit Agreement and related amendments, as well as the Term Loan RSA and related amendments, the Company made principal payments on the 2013 Term Loan totaling $73.1 million and in accordance with the 2018 Credit Agreement, upon the Effective Date, the Company made an additional principal payment totaling $37.5 million.

On February 9, 2018, as a result of the Prepackaged Plan, the Company entered into the 2018 Credit Agreement, which amended the terms of the 2013 Credit Agreement. See the Post-Bankruptcy Emergence section below for additional information.

Senior Notes

In December 2013, the Company completed the sale of $575.0 million Senior Notes. The Senior Notes pay interest semi-annually on June 15 and December 15, commencing on June 15, 2014, at a rate of 7.875% per annum, and were scheduled to mature on December 15, 2021.

At December 31, 2017, the outstanding balance of Senior Notes as well as accrued interest on the Senior Notes of $19.4 million were included in liabilities subject to compromise on the consolidated balance sheets. On February 9, 2018 the Senior Notes were canceled and each holder of a Senior Notes claim received its pro rata share of (a) Second Lien Notes and (b) mandatorily convertible preferred stock. See Post Bankruptcy Emergence section below and Note 26 for additional information.

During the fourth quarter of 2017, the remaining unamortized deferred financing fees on the Senior Notes of $7.5 million were written off and included as an expense within reorganization items on the consolidated statements of comprehensive loss.

Convertible Notes

In October 2012, the Company closed on a registered underwritten public offering of $290 million aggregate principal amount of Convertible Notes. The Convertible Notes pay interest semi-annually on May 1 and November 1, commencing on May 1, 2013, at a rate of 4.50% per annum, and were scheduled to mature on November 1, 2019.

During the year ended December 31, 2016, the Company repurchased Convertible Notes with a carrying value of $39.3 million and unpaid principal balance of $47.5 million for $24.8 million resulting in a gain on extinguishment of debt of $14.5 million, which is recorded in net gains (losses) on extinguishment of debt on the consolidated statements of comprehensive loss.

At December 31, 2017, the outstanding balance of Convertible Notes as well as accrued interest on the Convertible Notes of $6.4 million were included in liabilities subject to compromise on the consolidated balance sheets. On February 9, 2018, the Convertible Notes were canceled and each holder of a Convertible Notes claim received common stock and warrants. See Note 26 for additional information.

During the years ended December 31, 2017 and 2016, the Company recorded $21.0 million and $24.5 million, respectively, in interest expense related to its Convertible Notes, which included $10.1 million and $11.2 million, respectively, in amortization of discount. The effective interest rate of the liability component of the Convertible Notes, which includes the amortization of discount and debt issuance costs, was 10.0% and 11.0% for the years ended December 31, 2017 and 2016, respectively.

During the fourth quarter of 2017, the remaining unamortized discount on the Convertible Notes of $24.6 million and remaining unamortized deferred financing fees on the Convertible Notes of $2.3 million were written off and included as an expense within reorganization items on the consolidated statements of comprehensive loss.

Post-Bankruptcy Emergence

2018 Credit Agreement

On February 9, 2018, the Company entered into the 2018 Credit Agreement, which includes a $1.2 billion 2018 Term Loan. The 2018 Credit Agreement amends and restates the Company’s 2013 Credit Agreement and was subsequently amended as described below. The 2013 Revolver and issued letters of credit were terminated as part of the 2018 Credit Agreement. The Company's obligations under the 2018 Credit Agreement are guaranteed by substantially all of the Company’s subsidiaries and secured by substantially all of the assets of the Company subject to certain exceptions, the most significant of which are the assets of the consolidated Residual and Non-Residual Trusts, the residential loans and real estate owned of the Ginnie Mae securitization pools, and advances of the consolidated financing entities that have been recorded on the Company's consolidated balance sheets. Refer to the Consolidated Variable Interest Entities section of Note 6 for additional information.

The 2018 Term Loan will bear interest at a rate equal to, at the Company's option (i) LIBOR plus 6.00%, subject to a LIBOR floor of 1.00% or (ii) an alternate base rate plus 5.00% (which interest will be payable (a) with respect to any alternate base rate loan, the last business day of each March, June, September and December, and (b) with respect to any LIBOR loan, the last day of the interest period applicable to the borrowing of which such loan is a part). The 2018 Term Loan matures on June 30, 2022. In addition to a payment of $37.5 million made upon the Effective Date, the 2018 Term Loan amortizes in quarterly installments, in the amounts listed below (in thousands):

Repayment Date	Principal Amount[1]
March 2018	$ 7,500
June 2018	7,500
September 2018	7,500
December 2018	7,500
March 2019	10,000
June 2019	26,700
September 2019	36,700
December 2019	36,700
each March, June, September and December thereafter	15,000

(1) As noted below, on March 29, 2018, the 2018 Credit Agreement was amended to, among other things, require the Company to make additional principal payments from March 29, 2018 to December 31, 2018 in an aggregate amount equal to $30.0 million. These additional principal payments are not reflected in this table.

In addition to the quarterly installments detailed above, mandatory repayment obligations under the 2018 Credit Agreement include, subject to exceptions, (i) 100% of the net sale proceeds from the sale or other disposition of certain non-core assets of the Company and of certain of the Company's subsidiaries, (ii) 80% of the net sale proceeds of certain non-ordinary course asset sales and dispositions of certain bulk MSR, (iii) 100% of the net cash proceeds from the issuance of certain indebtedness and (iv) beginning with the fiscal year ending December 31, 2018, 50% of the Company's excess cash flow as defined in the agreement. The 2018 Credit Agreement allows the Company to prepay, in whole or in part, the Company's borrowings outstanding thereunder, together with any accrued and unpaid interest, with prior notice and subject to the prepayment premium described below and breakage or redeployment costs.

The 2018 Credit Agreement contains affirmative and negative covenants and representations and warranties customary for financings of this type, including restrictions on liens, dispositions of assets, fundamental changes, dividends, the ability to incur additional indebtedness, investments, transactions with affiliates, modifications of certain agreements, certain restrictions on subsidiaries, issuance of certain equity interests, changes in lines of business, creation of additional subsidiaries and prepayments of other indebtedness, in each case subject to customary exceptions. The 2018 Credit Agreement also contains financial covenants requiring compliance with certain asset coverage ratios and, commencing in 2020 as described below, an interest expense coverage ratio and a first lien net leverage ratio. The 2018 Credit Agreement permits the incurrence of an additional incremental letter of credit facility in an aggregate principal amount at any time outstanding not to exceed $30.0 million.

On March 29, 2018, the Company entered into an amendment to 2018 Credit Agreement to (i) waive the Company's compliance with the first lien net leverage ratio covenant and the interest expense coverage ratio covenant until the test period ending March 31, 2020, (ii) require the Company to make additional principal payments from March 29, 2018 to December 31, 2018 in an aggregate amount equal to $30.0 million, (iii) provide for a one percent prepayment premium in connection with prepayments of the term loans made during the first 18 months after entering into this amendment (for all prepayments of principal other than mandatory amortization payments and the payments described in the foregoing clause (ii)), and (iv) increase certain asset coverage ratios for all test periods ending on March 31, 2018 through December 31, 2018.

Second Lien Notes

On February 9, 2018, pursuant to the terms of the Prepackaged Plan, the Company issued $250.0 million aggregate principal amount of Second Lien Notes to each holder of a Senior Notes claim on a pro rata basis. The Second Lien Notes pay interest in arrears semi-annually on June 15 and December 15, commencing on June 15, 2018, at a rate of 9.00% per year, and mature December 31, 2024. The Second Lien Notes require payment of interest in cash, except that interest on up to $50.0 million principal amount, at the election of the Company, may be paid by increasing the principal amount of the outstanding notes or by issuing additional notes. The terms of the 2018 Credit Agreement require that the Company exercise such election. The Second Lien Notes are secured on a second-priority basis by substantially all of the Company's assets and are guaranteed by substantially all of the Company's subsidiaries. The Second Lien Notes and the guarantees thereof are subordinated to the prior payment in full of the 2018 Credit Agreement and certain other senior indebtedness (as defined and to the extent set forth in the Second Lien Notes Indenture).

22. Mortgage-Backed Debt

Mortgage-backed debt consists of debt issued by the Residual and Non-Residual Trusts that have been consolidated by the Company. The mortgage-backed debt of the Residual Trusts is carried at amortized cost while the mortgage-backed debt of the Non-Residual Trusts is carried at fair value.

Provided in the table below is information regarding the mortgage-backed debt (dollars in thousands):

	December 31, 2017		December 31, 2016	
	Carrying Value	Weighted-Average Stated Interest Rate (1)	Carrying Value	Weighted-Average Stated Interest Rate (1)
Mortgage-backed debt at amortized cost (unpaid principal balance of $391,208 and $434,667 at December 31, 2017 and 2016, respectively)	$ 387,200	6.07%	$ 429,931	6.07%
Mortgage-backed debt at fair value (unpaid principal balance of $353,262 and $518,317 at December 31, 2017 and 2016, respectively)	348,682	6.26%	514,025	5.70%
Total mortgage-backed debt	$ 735,882	6.16%	$ 943,956	5.87%

(1) Represents the weighted-average stated interest rate, which may be different from the effective rate, which considers the amortization of discounts and issuance costs.

Borrower remittances received on the residential loans of the Residual and Non-Residual Trusts collateralizing this debt and draws under LOCs issued by a third party and serving as credit enhancements to certain of the Non-Residual Trusts are used to make principal and interest payments due on the mortgage-backed debt. The Trust Notes issued by the Residual Trusts have final maturities ranging from 2036 to 2040. The maturity of the Company's mortgage-backed debt is directly affected by the rate of principal prepayments on the collateral. As a result, the actual maturity of the mortgage-backed debt is likely to occur earlier than the stated maturity. Certain of the Company's mortgage-backed debt issued by the Residual Trusts is subject to voluntary redemption according to the specific terms of the respective indenture agreements, including the option to exercise a clean-up call. At December 31, 2017, mortgage-backed debt was collateralized by $763.2 million of assets including residential loans, receivables related to the Non-Residual Trusts, real estate owned and restricted cash and cash equivalents. Refer to the Consolidated Variable Interest Entities section of Note 6 for further information.

23. HMBS Related Obligations

The weighted-average stated interest rate on HMBS related obligations was 4.25% and 4.09% at December 31, 2017 and 2016, respectively. At December 31, 2017, the weighted-average remaining life was 3.7 years. The unpaid principal balance and the carrying value of residential loans and real estate owned pledged as collateral to the securitization pools was $8.6 billion and $9.0 billion, respectively, at December 31, 2017.

24. Share-Based Compensation

Effective May 17, 2017, the Company established the 2017 Plan, which permits the grant of stock options, restricted stock, RSUs, performance shares and other awards to the Company's officers, employees, non-employee directors and consultants and advisors. The 2017 Plan permits that the number of authorized shares of common stock reserved for issuance under the plan total 3,650,000 shares, which includes shares that were not awarded under the 2011 Plan. No new awards will be granted under the 2011 Plan; however, prior awards will remain outstanding in accordance with the terms of the 2011 Plan.

The 2017 Plan is administered by the Compensation and Human Resources Committee, which is comprised of two or more independent members of the Board of Directors. Under the 2017 Plan, the maximum number of shares may be granted to any participant other than a non-employee director in any calendar year is 1.5 million shares, and the maximum number of shares that may be paid to any non-employee director in any calendar year is 200,000 shares determined as of the date of payout. The aggregate value of all compensation paid to a non-employee director in any calendar year may not exceed $500,000. Each contractual term of an option granted is fixed by the Compensation Committee, and except for limited circumstances, the term cannot exceed ten years from the grant date. Restricted stock, RSUs and performance-share awards have a vesting period as defined by the applicable award agreement.

At December 31, 2017, there were 3,018,054 shares underlying the 2017 Plan that were authorized, but not yet granted. The Company issues new shares of stock upon the exercise of stock options and the vesting of restricted stock, RSUs and performance shares. Awards of stock options, restricted stock, and RSUs granted in recent years generally vest over a three or four year period and are based on service. Awards of performance shares granted in recent years generally vest over a three year performance period and are based on service and a market-based or company-based performance condition.

Post-Bankruptcy Emergence

Subsequent to year end and on the Effective Date, all awards previously granted by the Company under the 2011 and 2017 Plans that were outstanding at December 31, 2017 were canceled in connection with the Company's emergence from bankruptcy. The Company reserved 3,193,750 shares of the successor Company's common stock issued on the Effective Date for issuance under an equity incentive plan.

Stock Options

The following table summarizes the activity for stock options granted by the Company:

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in $000s)
Outstanding at January 1, 2016	3,010,233	$ 21.87	5.56	$ 443
Granted	1,272,293	5.69		
Exercised	(64,220)	2.89		200
Forfeited or expired	(311,309)	16.51		
Outstanding at December 31, 2016	3,906,997	17.34	5.74	1,809
Forfeited or expired	(374,196)	13.03		
Outstanding at December 31, 2017 [(1)]	3,532,801	17.79	4.63	—
Exercisable at December 31, 2017 [(1)]	2,655,687	20.80	3.95	—
Options expected to vest as of December 31, 2017 [(1)]	863,728	8.76	6.67	—

(1) Subsequent to year end and on the Effective Date, all outstanding options at December 31, 2017 were canceled in connection with the Company's emergence from bankruptcy.

The grant-date fair value of stock options granted to employees and directors of the Company during the year ended December 31, 2016 was $1.8 million. There were no options granted during the year ended December 31, 2017. The weighted-average grant-date fair value of stock options granted during the year ended December 31, 2016 was $1.42. The total amount of cash received by the Company from the exercise of stock options was $0.2 million for the year ended December 31, 2016. The total fair values of options that vested during the years ended December 31, 2017 and 2016 were $0.6 million and $10.4 million, respectively.

Method and Assumptions Used to Estimate Fair Values of Options

The weighted-average assumptions the Company used to value options are shown below.

	For the Year Ended December 31, 2016
Risk-free interest rate	0.99%
Dividend yield	—%
Expected life (years)	4.84
Volatility	56.96%
Forfeiture rate	5.85%

The risk-free interest rate is based on the U.S. Treasury yield in effect at the grant date with a term equal to the expected life of the option. The expected life of the options represents the period of time the options are expected to be outstanding. The dividend yield is based on the Company's estimated annual dividend payout at the grant date. Volatility is based on the Company's historical data and the forfeiture rate is based on historical termination experience.

Non-Vested Share Activity

The Company's non-vested share-based awards consist of RSUs and performance shares. The grant-date fair values of share-based awards granted during the years ended December 31, 2017 and 2016 were $1.1 million and $3.7 million, respectively.

The following table summarizes the activity for non-vested awards granted by the Company:

	Shares	Weighted-Average Grant-Date Fair Value Per Share	Weighted-Average Contractual Term (in years)	Aggregate Intrinsic Value (in $000s)
Outstanding at January 1, 2016	1,499,145	$ 23.42	1.88	$ 21,318
Granted [1]	1,128,522	3.28		
Vested and settled	(894,900)	8.88		4,217
Forfeited	(322,557)	22.64		
Outstanding at December 31, 2016	1,410,210	16.71	4.68	6,698
Granted	845,422	1.28		
Vested and settled	(1,062,068)	4.60		709
Forfeited	(198,790)	13.97		
Canceled [2]	(316,175)	34.25		
Outstanding at December 31, 2017 [3]	678,599	9.07	5.42	572
Non-vested shares expected to vest as of December 31, 2017 [3]	538,671	10.47	5.38	454

(1) Excludes 192,024 performance shares legally granted on November 3, 2016 that did not meet the grant date requirements in accordance with GAAP, as the performance target condition had not been determined at December 31, 2016. The performance target for these performance shares is based on the 2017 Annual Business Plan as approved by the Board of Directors, which was approved subsequent to December 31, 2016. These performance shares are included in the 2017 grant activity.

(2) Consists of the cancellation of performance shares granted in 2014 that vested December 31, 2016; however, no shares were ultimately awarded since the target performance criteria were not met.

(3) Subsequent to year end and on the Effective Date, all outstanding non-vested awards at December 31, 2017 were canceled in connection with the Company's emergence from bankruptcy.

The total fair values of shares that vested and settled during the years ended December 31, 2017 and 2016 were $4.9 million and $7.9 million, respectively. The RSUs granted during the year ended December 31, 2017 include 653,398 immediately vesting RSUs granted to the Company's non-employee directors.

Method and Assumptions Used to Estimate Fair Values of Performance-Share Awards

As discussed above, the 192,024 performance shares legally granted in 2016 that had previously not met the grant-date requirements as required by GAAP at December 31, 2016, subsequently met the GAAP grant-date requirements during the first quarter of 2017. The fair value of these performance shares was based on the average of the high and low market prices of the Company's common stock on the date of the grant. Subsequently, the Company determined that the performance targets for these performance shares would not be achieved and therefore no related expense was recorded during the year ended December 31, 2017. There were no other performance-share awards granted during the year ended December 31, 2017.

There were no shares of common stock issued for the performance shares that vested December 31, 2017 and 2016, respectively, as target performance criteria were not met.

Share-Based Compensation Expense

Share-based compensation expense recognized by the Company is net of actual forfeitures as well as estimated forfeitures, which are estimated based on historical termination behavior. Share-based compensation expense of $2.2 million and $6.6 million for the years ended December 31, 2017 and 2016, respectively, is included in salaries and benefits expense on the consolidated statements of comprehensive loss. The tax benefit recognized related to share-based compensation expense for the years ended December 31, 2017 and 2016 was $0.8 million and $2.5 million, respectively. For unvested stock options and shares, the Company had $0.2 million and $0.4 million, respectively, of total unrecognized compensation cost at December 31, 2017, which was expected to be recognized over a weighted-average period of 0.7 years and 0.5 years, respectively; however, as required by GAAP will be fully recognized on the emergence from bankruptcy.

On June 8, 2016, the Company and Denmar J. Dixon, the Company’s former Chief Executive Officer, President and Vice Chairman of the Board of Directors, entered into a separation agreement effective June 30, 2016, pursuant to which all RSUs, performance shares and stock options previously awarded to Mr. Dixon will remain outstanding and continue to vest as though Mr. Dixon remained employed by the Company through each applicable vesting date. In addition, Mr. Dixon received 125,000 RSUs that immediately vested on June 30, 2016. The weighted-average grant-date fair value of $2.85 for these RSUs was based upon the average of the high and low market prices of the Company's stock on their date of grant. The retention of the performance shares was considered a Type III modification for share-based compensation, and, as a result, the Company reversed all expense previously recorded for these retained awards and recorded the new compensation expense over the new requisite service period. The total incremental compensation benefit resulting from these modifications was $1.0 million.

25. Income Taxes

The Company recorded income tax benefit of $3.4 million in 2017 as compared to income tax expense of $44.0 million in 2016. The income tax expense incurred during 2016 resulted from the recording of a $343.2 million valuation allowance against the deferred tax assets, which was offset in part by an income tax benefit related to the net loss. The income tax benefit recognized during 2017 resulted primarily from adjustments to reduce the valuation allowance due to tax law changes under the Tax Act, offset in part by tax expense related to goodwill and nominal current state tax. The tax benefit related to the net book loss was fully offset by a valuation allowance for the year ended December 31, 2017.

Income tax expense (benefit) consists of the following components (in thousands):

	For the Years Ended December 31,	
	2017	**2016**
Current		
Federal	$ 2,757	$ (69,204)
State and local	(2,315)	1,870
Current income tax expense (benefit)	442	(67,334)
Deferred		
Federal	(4,215)	93,902
State and local	416	17,472
Deferred income tax expense (benefit)	(3,799)	111,374
Total income tax expense (benefit)	$ (3,357)	$ 44,040

Income tax expense (benefit) at the Company's effective tax rate differed from the statutory tax rate as follows (in thousands):

	For the Years Ended December 31,	
	2017	2016
Loss before income taxes	$ (430,256)	$ (789,818)
Tax provision at statutory tax rate of 35%	(150,590)	(276,436)
Effect of:		
Valuation allowance related to Tax Act	(180,033)	—
Federal rate change related to Tax Act	173,405	—
Valuation allowance exclusive of Tax Act	162,496	343,200
State and local income tax	(26,396)	(28,558)
Non-deductible restructuring costs	13,475	—
Other	4,286	5,834
Total income tax expense (benefit)	$ (3,357)	$ 44,040

The following table summarizes the components of deferred tax assets and liabilities (in thousands):

	December 31,	
	2017	2016
Deferred tax assets		
Net operating losses	$ 113,315	$ 112,553
Goodwill	66,699	111,865
Reverse loans	48,814	64,899
Servicer and protective advances	37,793	49,301
Curtailment liability	33,724	44,461
Intangible assets	20,978	32,750
Accrued expenses	8,396	25,022
Accrued legal contingencies and settlements	6,727	13,184
Mandatory call obligation	—	19,695
Other	50,638	65,175
Total deferred tax assets	387,084	538,905
Valuation allowance	(328,661)	(346,199)
Total deferred tax assets, net of valuation allowance	58,423	192,706
Deferred tax liabilities		
Servicing rights	(52,587)	(135,125)
Net investment in residential loans	(3,972)	(33,126)
Discount on Convertible Notes	—	(12,515)
Other	(1,312)	(16,714)
Total deferred tax liabilities	(57,871)	(197,480)
Deferred tax assets (liabilities), net	$ 552	$ (4,774)

The following table summarizes the activity in the valuation allowance on deferred tax assets (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at beginning of year	$ 346,199	$ 2,999
Charges to income tax expense	—	343,200
Deductions	(17,538)	—
Balance at end of year	$ 328,661	$ 346,199

The Company is required to establish a valuation allowance for deferred tax assets and record a charge to income if it is determined, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's evaluation focused on identifying significant, objective evidence that it will more likely than not be able to realize its deferred tax assets in the future. The Company considers both positive and negative evidence when evaluating the need for a valuation allowance, which is highly judgmental and requires subjective weighting of such evidence.

The Company recorded a valuation allowance on its deferred tax assets of $343.2 million during the year ended December 31, 2016 to properly reflect the estimated net amount of deferred tax assets that are considered by management to be recoverable based on the amounts of deferred tax assets that are likely to be realized in the future. At December 31, 2017, the Company has a valuation allowance of $328.7 million.

At December 31, 2017, the Company had gross federal operating loss carryforwards of $401.9 million and state operating loss carryforwards of $36.6 million, resulting in net tax carryforwards of $113.3 million that will expire in 2026 through 2037. In addition, at December 31, 2017 the Company had tax credit carryforwards of $2.3 million that have no expiration date.

In December 2017, the Tax Act was signed into law. Among other things, the Tax Act lowers the corporate federal income tax rate to 21% from the existing maximum rate of 35%, effective for tax years including or commencing January 1, 2018. As a result of the reduction of the corporate federal income tax rate to 21%, GAAP requires companies to revalue their deferred tax assets and deferred tax liabilities as of the date of enactment, with the resulting tax effects accounted for in the reporting period of enactment. This revaluation resulted in a provision of $173.4 million to income tax expense in continuing operations and a reduction in the valuation allowance of $180.0 million. The Tax Act provided for changes in the carryforward of NOLs and ability to utilize NOLs to offset future taxable income as well as the elimination of the corporate alternative minimum tax for which changes the company adjusted its valuation allowance. Other than the impacts of these tax law changes, the other provisions of the Tax Act did not have a material impact on the Consolidated Financial Statements.

As provided by Section 382 and similar state provisions, utilization of certain tax attributes may be subject to substantial annual limitations due to an ownership change in the Company. Under the rules, statutorily defined ownership changes may limit the amount of tax attributes that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 for federal income tax purposes, results from transactions that increase the ownership of statutorily defined 5% stockholders in the stock of a corporation by more than 50% in the aggregate over a testing period, generally three years.

As a result of the discharge of debt pursuant to the Chapter 11 Case, the Company will incur substantial cancellation of debt for federal income tax purposes. In general, a debtor in a Chapter 11 proceeding is required to reduce the amount of its tax attributes by such cancellation of debt.

The Company experienced an ownership change in connection with the Company's emergence from the Chapter 11 Case on February 9, 2018. The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. The Company anticipates taking advantage of certain special rules for federal income tax purposes that would allow the Company to mitigate the limitations imposed under Section 382 with respect to the Company's remaining tax attributes; however, it is not certain that these special rules will apply to the ownership change experienced upon the emergence from bankruptcy, and the Company may ultimately elect not to apply them. If the special rules do not apply, the Company's ability to realize the value of its tax attributes would be subject to limitation. An ownership change subsequent to the Company's emergence from bankruptcy could severely limit or effectively eliminate its ability to realize the value of its tax attributes. To reduce the risk of a potential adverse effect on the Company's ability to realize the value of its tax attributes, the Articles of Amendment and Restatement contains transfer restrictions applicable to certain substantial shareholders.

The Company's preliminary estimate of the Tax Act and the remeasurement of deferred tax assets and liabilities is subject to the finalization of management's analysis related to certain matters, such as developing interpretations of the provisions of the Tax Act, changes to certain estimates and the filing of its tax returns. U.S. Treasury regulations, administrative interpretations or court decisions interpreting the Tax Act may require further adjustments and changes in the Company's estimates. The final determination of the Tax Act and the remeasurement of the Company's deferred assets and liabilities will be completed as additional information becomes available, but no later than one year from the enactment of the Tax Act.

Uncertain Tax Positions

The Company recognizes tax benefits in accordance with the accounting guidance concerning uncertainty in income taxes. This guidance establishes a more-likely-than-not recognition threshold that must be met before a tax benefit can be recognized in the Consolidated Financial Statements.

A reconciliation of the beginning and ending balances of the total liability for unrecognized tax benefits is as follows (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at the beginning of the year	$ 5,414	$ 58,148
Reductions related to prior year tax positions	(2,766)	(52,230)
Increases related to current year tax positions	440	910
Reductions as a result of a lapse of the statute of limitations	—	(1,414)
Balance at the end of the year	$ 3,088	$ 5,414

The total amount of unrecognized tax benefits that would affect the effective tax rate if recognized was $3.1 million and $2.9 million at December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, income tax expense (benefit) included $(1.5) million and $(2.4) million, respectively, for interest and penalties accrued on the liability for unrecognized tax benefits. At December 31, 2017 and 2016, accrued interest and penalties were $2.5 million and $4.0 million, respectively, which are included in payables and accrued liabilities on the consolidated balance sheets.

The Company's tax years that remain subject to examination by the IRS are 2013 through 2017 and by various states are 2012 through 2017.

26. Equity and Loss Per Share

Preferred Stock

The predecessor company had no preferred stock issued or outstanding.

Rights Agreement

The Company had previously adopted the Rights Agreement, dated as of June 29, 2015, and subsequently amended and restated on November 11, 2016 and further amended on November 9, 2017 and February 9, 2018, which provided registered holders of common stock of Walter Investment Management Corp. with one preferred stock purchase right per share of common stock, entitling the holder to purchase from the Company one one-thousandth of a fully paid non-assessable share of their junior participating preferred stock. The Rights Agreement provided that if any person or group of persons, excluding certain exempted persons, acquired 4.99% or more of the Company's outstanding common stock or any other interest that would be treated as "stock" for the purposes of Section 382, there would be a triggering event potentially resulting in significant dilution in the voting power and economic ownership of such acquiring person or group. The Rights Agreement was intended to help protect the Company's "built-in tax losses" and certain other tax benefits by acting as a deterrent to any person or group of persons acting in concert from becoming or obtaining the right to become the beneficial owner (including through constructive ownership of securities owned by others) of 4.99% or more of the shares of the Company's common stock. The Rights Agreement was scheduled to expire on November 11, 2018 or upon the earlier occurrence of certain events, subject to extension by the Board of Directors or exchange of rights by the Company.

Termination of Rights Agreement

On the Effective Date, the Company and Computershare entered into Amendment No. 2 to the Rights Agreement, which accelerated the scheduled expiration date of the Rights (as defined in the Rights Agreement) to the Effective Date. The Rights issued pursuant to the Rights Agreement, which were also canceled by operation of the Prepackaged Plan, have expired and are no longer outstanding, and the Rights Agreement has terminated.

In connection with the adoption of the Rights Agreement, the Company filed Articles Supplementary with the State Department of Assessments and Taxation of Maryland, setting forth the rights, powers, and preferences of the Company's junior participating preferred stock issuable upon exercise of the rights. The cancellation of all existing equity interests by operation of the Prepackaged Plan included the cancellation of any rights issued under the Rights Agreement. In addition, on the Effective Date, the Company filed Articles of Amendment with the State Department of Assessments and Taxation of Maryland, which among other things, served to eliminate the Company's junior participating preferred stock. The Company's Articles of Amendment and Restatement, adopted on the Effective Date, include transfer restriction provisions intended to protect the tax benefits described above.

Dividends on Common Stock

The decision to declare and pay dividends is made at the discretion of the Company's Board of Directors and will depend on, among other things, results of operations, cash requirements, financial condition, contractual restrictions and other factors that the Company's Board of Directors may deem relevant.

Many of the Company's subsidiaries are subject to restrictions on their ability to pay dividends or otherwise transfer funds to other consolidated subsidiaries and, ultimately, to the Parent Company. These restrictions include, but are not limited to, minimum levels of net worth and other financial requirements imposed by GSEs, Ginnie Mae and other licensing requirements. The aggregate restricted net assets of these subsidiaries was $451.7 million at December 31, 2017; however, the restrictions on the net assets of these subsidiaries do not directly limit the ability to pay dividends from consolidated retained earnings.

In addition, the Company's ability to pay dividends is limited by conditions set forth in the agreements governing the 2013 Secured Credit Facilities and the Senior Notes, as well as the 2018 Credit Agreement entered into by the Company during February 2018.

Loss Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per share computations shown on the consolidated statements of comprehensive loss (in thousands, except per share data):

	For the Years Ended December 31,	
	2017	2016
Basic and diluted loss per share		
Net loss available to common stockholders (numerator)	$ (426,899)	$ (833,858)
Weighted-average common shares outstanding (denominator)	36,761	35,973
Basic and diluted loss per common and common equivalent share	$ (11.61)	$ (23.18)

For periods in which there is income, certain securities would be antidilutive to the diluted earnings per share calculation. The following table summarizes antidilutive securities that would be excluded from the computation of dilutive loss per share (in thousands):

	For the Years Ended December 31,	
	2017	2016
Outstanding share-based compensation awards		
Stock options [(1)]	3,533	3,336
Performance shares [(2)]	—	30
Restricted stock units	327	565
Assumed conversion of Convertible Notes	4,932	4,932

(1) Includes out-of-the-money stock options totaling 3.5 million and 2.9 million at December 31, 2017, and 2016, respectively.

(2) Performance shares represent the number of shares expected to be issued based on the performance percentage as of the end of the reporting periods above.

The Convertible Notes are antidilutive when calculating earnings (loss) per share when the Company's average stock price is less than $58.80. Upon conversion of the Convertible Notes, the Company may pay or deliver, at its option, cash, shares of the Company's common stock, or a combination of cash and shares of common stock.

Post-Bankruptcy Emergence

On the Effective Date, all shares of the predecessor Company's common stock were canceled and 4,252,500 shares of the successor Company's common stock, par value $0.01 per share, were issued to the previous shareholders of common stock and Convertible Noteholders. The Company reserved 3,193,750 shares of common stock for issuance under an equity incentive plan.

On the Effective Date, the Company issued 100,000 shares of Convertible Preferred Stock to the Senior Noteholders, which are mandatorily convertible into 11,497,500 shares of common stock (a conversion multiple of 114.9750) upon the earliest of (i) February 9, 2023, (ii) at any time following one year after the Effective Date, the time that the volume weighted-average pricing of the common stock exceeds 150% of the conversion price per share of $8.6975, subject to adjustment as described in the Articles of Amendment and Restatement, for at least 45 trading days in a 60 consecutive trading day period, including each of the last 20 days in such 60 consecutive trading day period, and (iii) a change of control transaction in which the consideration paid or payable per share of common stock is greater than or equal to the conversion price per share, which, subject to adjustment as described in the Articles of Amendment and Restatement, is $8.6975.

In the event of a voluntary or involuntary liquidation, winding-up or dissolution of the Company, each holder of Convertible Preferred Stock will be entitled to receive the greater of (i) a liquidation preference per share of Convertible Preferred Stock, prior to any distribution with respect to any other equity security of the Company, equal to the Liquidation Preference, and (ii) the amount payable per share, participating on an “as converted” basis, upon liquidation to the holders of the successor common stock. The “Liquidation Preference” equals (i) the face amount of the Convertible Preferred Stock, increased by (ii) the amount of interest that would have accumulated on the face amount of the Convertible Preferred Stock up to (but excluding) the date of any liquidation, winding-up or dissolution of the Company, compounding quarterly at a rate of 7% per annum. Thereafter, holders of Convertible Preferred Stock will have no right or claim to the remaining assets, if any, of the Company.

Further, on the Effective Date, the Company issued to the previous shareholders of common stock, as well as the Convertible Noteholders, Series A Warrants to purchase up to an aggregate of 7,245,000 shares of common stock at $20.63 per share and Series B Warrants to purchase up to an aggregate of 5,748,750 shares of common stock at $28.25 per share. All unexercised warrants expire and the rights of the warrant holders to purchase shares of common stock terminate on February 9, 2028, at 5:00 p.m., Eastern Standard Time, which is the 10th anniversary of the Effective Date.

Registration Rights Agreement

On the Effective Date and pursuant to the Prepackaged Plan, the Company entered into a Registration Rights Agreement that provided certain registration rights to certain parties (together with any person or entity that becomes a party to the Registration Rights Agreement pursuant to the terms thereof) that received shares of the Company’s common stock, warrants and mandatorily convertible preferred stock on the Effective Date as provided in the Prepackaged Plan. The Registration Rights Agreement provides such persons with registration rights for the holders’ registrable securities (as defined in the Registration Rights Agreement).

Pursuant to the Registration Rights Agreement, the Company agreed to file, within 60 days of the receipt of a request by holders of at least 40% of the registrable securities, an initial shelf registration statement covering resales of the registrable securities held by the holders. Subject to limited exceptions, the Company is required to maintain the effectiveness of any such registration statement until the earlier of (i) three years following the Effective Date and (ii) the date that all registrable securities covered by the shelf registration statement are no longer registrable securities.

In addition, holders with rights under the Registration Rights Agreement beneficially holding 10% or more of the common stock have the right to a Demand Registration to effect the registration of any or all of the registrable securities and/or effectuate the distribution of any or all of their registrable securities by means of an underwritten shelf takedown offering. The Company is not obligated to effect more than three Demand Registrations, and it need not comply with such a request if (i) the aggregate gross proceeds from such a sale will not exceed $25 million, unless the Demand Registration includes all of the then-outstanding registrable securities or (ii) a registration statement shall have previously been declared effective by the SEC within 90 days preceding the date of such request.

Holders with rights under the Registration Rights Agreement also have customary piggyback registration rights, subject to the limitations set forth in the Registration Rights Agreement.

These registration rights are subject to certain conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration statement and the Company’s right to delay or withdraw a registration statement under certain circumstances. The Company will generally pay the registration expenses in connection with its obligations under the Registration Rights Agreement, regardless of whether a registration statement is filed or becomes effective. The registration rights granted in the Registration Rights Agreement are subject to customary indemnification and contribution provisions, as well as customary restrictions such as blackout periods.

27. Supplemental Disclosures of Cash Flow Information

The Company’s supplemental disclosures of cash flow information are summarized as follows (in thousands):

	For the Years Ended December 31,	
	2017	2016
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 212,021	$ 269,229
Cash paid (received) for taxes	(72,882)	61,881
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Servicing rights capitalized upon sales of loans	148,227	198,865
Real estate owned acquired through foreclosure	167,835	158,690
Sales of servicing rights	—	73,365
Residential loans originated to finance the sale of real estate owned	10,799	13,389
Residential loans acquired from Non-Residual Trusts [1]	25,061	—

(1) Represents loans held by the Non-Residual Trusts that were acquired by the Company upon the exercise of the mandatory call obligations. Refer to Notes 6 and 30 for additional information.

28. Segment Reporting

Management has organized the Company into three reportable segments based primarily on its services as follows:

- *Servicing* — performs servicing for the Company's mortgage loan portfolio and on behalf of third-party credit owners of mortgage loans for a fee and also performs subservicing for third-party owners of MSR. The Servicing segment also operates complementary businesses including a collections agency that performs collections of post charge-off deficiency balances for third parties and the Company. Commencing February 1, 2017, another insurance agency owned by the Company began to provide insurance marketing services to a third party with respect to voluntary insurance policies, including hazard insurance (refer to Note 4 for additional information). In addition, the Servicing segment holds the assets and mortgage-backed debt of the Residual Trusts.
- *Originations* —originates and purchases mortgage loans that are intended for sales to third parties.
- *Reverse Mortgage* — primarily focuses on the servicing of reverse loans for the Company's own reverse mortgage portfolio and subservicing on behalf of third-party credit owners of reverse loans. The Reverse Mortgage segment also provides complementary services for the reverse mortgage market, such as real estate owned property management and disposition, for a fee. Effective January 2017, the Company exited the reverse mortgage originations business. As of December 31, 2017, the Company did not have any reverse loans remaining in the originations pipeline and had finalized the shutdown of the reverse mortgage originations business. The Company will continue to fund undrawn tails available to borrowers.

The following tables present select financial information for the reportable segments (in thousands). The Company has presented the revenue and expenses of the Non-Residual Trusts and other non-reportable operating segments, as well as certain corporate expenses that have not been allocated to the business segments, in Other. Intersegment revenues and expenses have been eliminated.

	For the Year Ended December 31, 2017					
	Servicing	Originations	Reverse Mortgage	Other	Eliminations	Total Consolidated
Net servicing revenue and fees [1][2]	$ 328,736	$ —	$ 27,566	$ —	$ (9,620)	$ 346,682
Net gains on sales of loans [2]	607	280,967	—	—	2,817	284,391
Net fair value gains on reverse loans and related HMBS obligations	—	—	42,419	—	—	42,419
Interest income on loans	41,147	48	—	—	—	41,195
Insurance revenue	3,963	—	—	—	—	3,963
Other revenues [3][4]	90,595	31,329	2,750	933	(12,997)	112,610
Total revenues	465,048	312,344	72,735	933	(19,800)	831,260
Interest expense	53,593	41,555	31,435	134,661	—	261,244
Depreciation and amortization	34,666	2,979	3,119	—	—	40,764
Reorganization items	—	—	—	37,645	—	37,645
Other expenses, net [5]	614,555	220,552	112,367	65,039	(19,800)	992,713
Total expenses	702,814	265,086	146,921	237,345	(19,800)	1,332,366
Total other gains (losses)	63,548	(719)	(1,345)	9,366	—	70,850
Income (loss) before income taxes	$ (174,218)	$ 46,539	$ (75,531)	$ (227,046)	$ —	$ (430,256)
	At December 31, 2017					
Total assets	$ 2,957,173	$ 877,193	$ 10,100,149	$ 460,193	$ (230,511)	$ 14,164,197

	For the Year Ended December 31, 2016					
	Servicing	Originations	Reverse Mortgage	Other	Eliminations	Total Consolidated
Net servicing revenue and fees [1][2]	$ 321,912	$ —	$ 31,031	$ —	$ (11,952)	$ 340,991
Net gains (losses) on sales of loans [2]	(4,931)	410,544	—	—	3,835	409,448
Net fair value gains on reverse loans and related HMBS obligations	—	—	59,022	—	—	59,022
Interest income on loans	45,651	49	—	—	—	45,700
Insurance revenue	41,968	—	—	—	—	41,968
Other revenues [3][4]	92,351	38,837	5,742	296	(38,638)	98,588
Total revenues	496,951	449,430	95,795	296	(46,755)	995,717
Interest expense	68,529	34,012	9,070	144,170	—	255,781
Depreciation and amortization	44,439	8,888	6,088	11	—	59,426
Goodwill and intangible assets impairment	319,551	—	6,735	—	—	326,286
Other expenses, net [5]	752,721	271,413	156,783	16,497	(46,755)	1,150,659
Total expenses	1,185,240	314,313	178,676	160,678	(46,755)	1,792,152
Total other gains (losses)	(2,113)	—	(1,664)	10,394	—	6,617
Income (loss) before income taxes	$ (690,402)	$ 135,117	$ (84,545)	$ (149,988)	$ —	$ (789,818)
	At December 31, 2016					
Total assets	$ 3,449,055	$ 1,475,408	$ 11,056,291	$ 1,023,181	$ (544,965)	$ 16,458,970

(1) The Servicing segment recorded intercompany servicing revenue and fees from activity with the Originations segment and the Other non-reportable segment of $9.6 million and $12.0 million for the years ended December 31, 2017 and 2016, respectively.

(2) Included in net servicing revenue and fees for the Servicing segment are late fees that were waived as an incentive for borrowers refinancing their loans of $2.8 million and $3.8 million for the years ended December 31, 2017 and 2016, respectively, which reduced net gains on sales of loans recognized by the Originations segment.

(3) The Servicing segment recorded intercompany revenues for fees earned related to certain loan originations completed by the Originations segment from leads generated through the Servicing segment's servicing portfolio of $12.9 million and $37.6 million, for the years ended December 31, 2017 and 2016, respectively. The expenses incurred by the Originations segment for these originations are included in other expenses, net in the tables above. In 2016, the Servicing segment increased the lead fee charged per origination to the Originations segment to reflect current market pricing, which increased intersegment revenues by $11.3 million for the year ended December 31, 2016.

(4) The Originations segment recorded intercompany revenues for fees earned supporting the Servicing segment in administrative functions relating to the acquisition of certain servicing rights of $0.1 million and $1.0 million for the years ended December 31, 2017 and 2016, respectively.

(5) Other expenses, net in the tables above includes salaries and benefits, general and administrative, and other expenses, net on the consolidated statements of comprehensive loss.

29. Certain Capital Requirements and Guarantees

The Company's subsidiaries are required to comply with requirements under federal and state laws and regulations, including requirements imposed in connection with certain licenses and approvals, requirements of federal, state, GSE, Ginnie Mae and other business partner loan programs, some of which are financial covenants related to minimum levels of net worth and other financial requirements. If these financial covenants are not met, the Company’s selling and servicing agreements could be terminated and lending and servicing licenses could be suspended or revoked.

Due to the accounting treatment for reverse loans as secured borrowings when transferred, RMS has obtained an indefinite waiver for certain of these requirements from Ginnie Mae and a waiver through December 2018 from Fannie Mae. In addition, the Parent Company has provided a guarantee whereby it guarantees the performance and obligations of RMS under the Ginnie Mae HMBS program. In the event that the Parent Company fails to honor this guarantee, Ginnie Mae could terminate RMS's status as a qualified issuer of HMBS as well as take other actions permitted by law that could impact the operations of RMS, including the termination or suspension of RMS's servicing rights associated with reverse loans underlying HMBS guaranteed by Ginnie Mae. Each subsidiary of the Parent Company that is a Ginnie Mae issuer has also entered into a cross default agreement with Ginnie Mae that provides that, upon the default by a subsidiary under an applicable Ginnie Mae program agreement, Ginnie Mae will have the right to (i) declare a default on all other pools and loan packages of that subsidiary and all pools and loan packages of any affiliated Ginnie Mae issuer that executed the cross default agreement and (ii) exercise any other remedies available under applicable law against each of the affiliated Ginnie Mae issuers.

The Parent Company has also provided a guarantee to (i) Fannie Mae, dated May 31, 2013, for RMS, (ii) Fannie Mae, dated March 17, 2014, for Ditech Financial, and (iii) Freddie Mac, dated December 19, 2013, for Ditech Financial. Pursuant to the RMS guarantee, the Parent Company agreed to guarantee all of the obligations required to be performed or paid by RMS under RMS's mortgage selling and servicing contract or any other agreement between Fannie Mae and RMS relating to mortgage loans or participation interests that RMS delivers or has delivered to Fannie Mae or services or has serviced for, or on behalf of, Fannie Mae. RMS does not currently sell loans to Fannie Mae. Pursuant to the Ditech Financial Fannie Mae guarantee, the Parent Company agreed to guarantee all of the servicing obligations required to be performed or paid by Ditech Financial under Ditech Financial's mortgage selling and servicing agreement, the Fannie Mae selling and servicing guides, or any other agreement between Fannie Mae and Ditech Financial. The Parent Company also agreed to guarantee all selling representations and warranties Ditech Financial has assumed, or may in the future assume, in connection with Ditech Financial's purchase of MSR related to Fannie Mae loans. The Parent Company does not guarantee Ditech Financial's obligations relating to the selling representations and warranties made or assumed by Ditech Financial in connection with the sale and/or securitization of mortgage loans to and/or by Fannie Mae. Pursuant to the Ditech Financial Freddie Mac guarantee, the Parent Company agreed to guarantee all of the seller and servicer obligations required to be performed or paid by Ditech Financial under any agreement between Freddie Mac and Ditech Financial.

Factors that may significantly affect the adequacy of net worth include, but are not limited to, regulatory mandates, the overall economic condition in the mortgage and real estate markets, as well as the financial markets in general. After taking into account the waivers described above, all of the Company's subsidiaries were in compliance with all of their capital requirements at December 31, 2017 and 2016. The following table presents the required and actual adjusted net worth, as defined by the applicable agreement, for the most restrictive covenant, excluding covenants for which the Company has waivers, applicable to each of the Company's two largest operating subsidiaries (in thousands):

	December 31, 2017		December 31, 2016	
	Required Adjusted Net Worth	Actual Adjusted Net Worth	Required Adjusted Net Worth	Actual Adjusted Net Worth
Ditech Financial	$ 357,264	$ 1,194,815	$ 471,491	$ 1,387,108
Reverse Mortgage Solutions	94,418	153,353	108,617	51,310

The Company also has financial covenant requirements relating to its servicing advance facilities and its master repurchase agreements, as discussed in more detail in Notes 19 and 20.

30. Commitments and Contingencies

Mandatory Clean-Up Call and Letter of Credit Reimbursement Obligation

Historically, the Company was obligated to exercise the mandatory clean-up call obligations assumed as part of a prior agreement to acquire the rights to service the loans in the Non-Residual Trusts. The Company was required to call these securitizations when the principal amount of each loan pool falls to 10% or below of the original principal amount. The Company fulfilled its obligation for its mandatory clean-up call obligations in the second and third quarters of 2017 by making payments of $28.4 million during the year ended December 31, 2017. On October 10, 2017, the Company entered into a Clean-up Call Agreement with a counterparty. Pursuant to the Clean-up Call Agreement, the Company paid an inducement fee in the amount of $36.5 million to the counterparty, which was recorded as a Clean-up Call Agreement inducement fee within other assets on the consolidated balance sheets at December 31, 2017. With the execution of the Clean-Up Call Agreement, the counterparty assumed the Company's mandatory obligation to exercise the clean-up calls for the remaining securitization trusts. In connection with the exercise of each clean-up call, the counterparty agreed to reimburse the Company for certain outstanding advances previously made by the Company with respect to the related trusts, up to an aggregate amount of approximately $6.4 million for the eight remaining trusts.

During the fourth quarter of 2017, the counterparty, under the Clean-up Call Agreement, fulfilled its obligation for the mandatory clean-up call on one of the remaining trusts by making a payment to the trust of $71.4 million, at which point the counterparty took control of the remaining collateral in the trust. The total outstanding balance of the residential loans expected to be called and settled by the counterparty at the respective call dates was $317.2 million at December 31, 2017. Additionally, during the fourth quarter of 2017, the Company expensed $7.2 million of the clean-up call agreement inducement fee, which is included in other expenses on the consolidated statements of comprehensive loss. The clean-up call agreement inducement fee had a balance of $29.3 million at December 31, 2017.

Previously, as part of an agreement to service the loans in the original eleven securitization trusts the Company had an obligation to reimburse a third party for the final $165.0 million in LOCs, if drawn, issued to the eleven trusts by a third party as credit enhancements to these trusts. As a result of the Clean-up Call Agreement with the counterparty detailed above, the Company is now only obligated to reimburse the third party for amounts drawn on the LOCs in excess of $17.0 million in the aggregate related to the seven remaining consolidated securitization trusts from July 1, 2017 through each individual call date. The total draws on the LOCs was $8.5 million at December 31, 2017.

Unfunded Commitments

Reverse Mortgage Loans

At December 31, 2017, the Company had floating-rate reverse loans in which the borrowers have additional borrowing capacity of $1.0 billion and similar commitments on fixed-rate reverse loans of $0.2 million primarily in the form of undrawn lines-of-credit. The borrowing capacity includes $1.0 billion in capacity that was available to be drawn by borrowers at December 31, 2017 and $13.3 million in capacity that will become eligible to be drawn by borrowers through the twelve months ending December 31, 2018, assuming the loans remain performing. In addition, the Company has other commitments of $26.2 million to fund taxes and insurance on borrowers' properties to the extent of amounts that were set aside for such purpose upon the origination of the related reverse loan. There is no termination date for these drawings so long as the loan remains performing.

Mortgage Loans

The Company has short-term commitments to lend $1.5 billion and commitments to purchase loans totaling $8.0 million at December 31, 2017. In addition, the Company had commitments to sell $1.7 billion and purchase $298.0 million in mortgage-backed securities at December 31, 2017.

HMBS Issuer Obligations

As an HMBS issuer, the Company assumes certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount. Performing repurchased loans are conveyed to HUD and payment is received from HUD typically within a short timeframe of repurchase. HUD reimburses the Company for the outstanding principal balance on the loan up to the maximum claim amount. The Company bears the risk of exposure if the amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Recent regulatory changes introduced by HUD increased the requirements for completing an assignment to HUD. These new requirements may increase the time interval between when a loan is repurchased and when the assignment claim is filed with HUD, and inability to meet such requirements could preclude assignment. During this period, accruals for interest, HUD-required mortgage insurance payments, and borrower draws may cause the unpaid balance on the loan to increase and ultimately exceed the maximum claim amount. Nonperforming repurchased loans are generally liquidated through foreclosure and subsequent sale of real estate owned.

The Company currently relies upon certain master repurchase agreements and operating cash flows, to the extent necessary, to repurchase these Ginnie Mae loans. Given continued growth in the number and amount of reverse loan repurchases, the Company may seek additional, or expansion of existing, master repurchase or similar agreements, may seek to access the securitization market to provide financing capacity for future required loan repurchases and/or may seek to sell the loans in whole loan sale transactions. The timing and amount of the Company's obligation to repurchase HECMs is uncertain as repurchase is predicated on certain factors such as whether a borrower event of default occurs prior to the HECM reaching the mandatory repurchase threshold under which the Company is obligated to repurchase the loan. During the years ended December 31, 2017 and 2016, the Company repurchased $1.3 billion and $641.4 million, respectively, in reverse loans and real estate owned from securitization pools. As of December 31, 2017, the Company had repurchased reverse loans and real estate owned totaling $808.5 million with a fair value of $773.9 million, and unfunded commitments to repurchase reverse loans and real estate owned of $121.5 million. Repurchases of reverse loans and real estate owned have increased significantly as compared to prior periods and are expected to continue to increase due to the increased flow of HECMs and real estate owned that are reaching 98% of their maximum claim amount.

Mortgage Origination Contingencies

The Company sells substantially all of its originated or purchased mortgage loans into the secondary market for securitization or to private investors as whole loans. The Company sells conventional-conforming and government-backed mortgage loans through GSE and agency-sponsored securitizations in which mortgage-backed securities are created and sold to third-party investors. The Company also sells non-conforming mortgage loans to private investors. In doing so, representations and warranties regarding certain attributes of the loans are made to the third-party investor. Subsequent to the sale, if it is determined that a loan sold is in breach of these representations or warranties, the Company generally has an obligation to cure the breach. In general, if the Company is unable to cure such breach, the purchaser of the loan may require the Company to repurchase such loan for the unpaid principal balance, accrued interest, and related advances, and in any event, the Company must indemnify such purchaser for certain losses and expenses incurred by such purchaser in connection with such breach. The Company's credit loss may be reduced by any recourse it has to correspondent lenders that, in turn, have sold such residential loans to the Company and breached similar or other representations and warranties.

The Company's representations and warranties are generally not subject to stated limits of exposure with the exception of certain loans originated under HARP, which limits exposure based on payment history of the loan. At December 31, 2017, the Company's maximum exposure to repurchases due to potential breaches of representations and warranties was $69.0 billion and was based on the original unpaid principal balance of loans sold from the beginning of 2013 through December 31, 2017 adjusted for voluntary payments made by the borrower on loans for which the Company performs servicing. A majority of the Company's loan sales were servicing retained.

The Company's obligations vary based upon the nature of the repurchase demand and the current status of the mortgage loan. During 2016, the Company decreased the liability associated with representations and warranties exposure by $8.9 million, due to adjustments to certain assumptions based on recently observed trends as compared to historical expectations, primarily relating to loan defect rates and counterparty review probabilities, partially offset by certain qualitative considerations regarding long-term assumptions related to resales and recoveries. This adjustment was considered a change in estimate and has been applied prospectively.

The following table summarizes the activity for the Company's liability associated with representations and warranties (in thousands):

	For the Years Ended December 31,	
	2017	2016
Balance at beginning of the year	$ 22,094	$ 23,145
Provision for new sales	6,991	15,331
Change in estimate of existing reserves	(10,596)	(15,660)
Net realized losses on repurchases	(1,697)	(722)
Balance at end of the year	$ 16,792	$ 22,094

The Company's estimate of the liability associated with the representations and warranties exposure is included in originations liability as part of payables and accrued liabilities on the consolidated balance sheets.

Servicing Contingencies

The Company's servicing obligations are set forth in industry regulations established by HUD, the FHA, the VA, and other government agencies and in servicing and subservicing agreements with the applicable counterparties, such as Fannie Mae, Freddie Mac and other credit owners. Both the regulations and the servicing agreements provide that the servicer may be liable for failure to perform its servicing obligations and further provide remedies for certain servicer breaches.

Reverse Mortgage Loans

FHA regulations provide that servicers meet a series of event-specific timeframes during the default, foreclosure, conveyance, and mortgage insurance claim cycles. Failure to timely meet any processing deadline may stop the accrual of debenture interest otherwise payable in satisfaction of a claim under the FHA mortgage insurance contract and the servicer may be responsible to HUD for debenture interest that is not self-curtailed by the servicer, or for making the credit owner whole for any interest curtailed by FHA due to not meeting the required event-specific timeframes. The Company had a curtailment obligation liability of $106.1 million at December 31, 2017 related to the foregoing, which reflects management's best estimate of the probable incurred claim. The curtailment liability is recorded in payables and accrued liabilities on the consolidated balance sheets. During the year ended December 31, 2017, the Company recorded a provision, net of expected third-party recoveries, related to the curtailment liability of $14.0 million. The Company has potential estimated maximum financial statement exposure for an additional $147.7 million related to similar claims, which are reasonably possible, but which the Company believes are the responsibility of third parties (e.g., prior servicers and/or credit owners).

Mortgage Loans

The Company had a curtailment obligation liability of $34.8 million at December 31, 2017 related to sales of servicing rights, advance curtailment exposure and mortgage loan servicing that it primarily assumed through an acquisition of servicing rights. The Company is obligated to service the related mortgage loans in accordance with investor, government, or GSE requirements, including repayment to credit owners for corporate advances and interest curtailment. The curtailment liability is recorded in payables and accrued liabilities on the consolidated balance sheets.

Lease Obligations

The Company leases office space and office equipment under various operating lease agreements with terms expiring through 2026, exclusive of renewal option periods. Rent expense was $18.6 million and $19.1 million for the years ended December 31, 2017 and 2016, respectively. Estimated future minimum rental payments under operating leases at December 31, 2017 are as follows (in thousands):

	Amount
2018	$ 15,452
2019	13,380
2020	10,538
2021	10,602
2022	10,887
Thereafter	22,228
Total	$ 83,087

Litigation and Regulatory Matters

In the ordinary course of business, the Parent Company and its subsidiaries are defendants in, or parties to, pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. Many of these actions and proceedings are based on alleged violations of consumer protection laws governing the Company's servicing and origination activities. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company.

The Company, in the ordinary course of business, is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, the Company receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of the Company's activities.

In view of the inherent difficulty of predicting outcomes of such litigation, regulatory and governmental matters, particularly where the claimants seek very large or indeterminate restitution, penalties or damages, or where the matters present novel legal theories or involve a large number of parties, the Company generally cannot predict what the eventual outcome of the pending matters will be, what the timing of the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties related to each pending matter may be.

Reserves are established for pending or threatened litigation, regulatory and governmental matters when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. In light of the inherent uncertainties involved in litigation and other legal proceedings, it is not always possible to determine a reasonable estimate of the amount of a probable loss, and the Company may estimate a range of possible loss for consideration in its estimated accruals. The estimates are based upon currently available information, including advice of counsel, and involve significant judgment taking into account the varying stages and inherent uncertainties of such matters. Accordingly, the Company’s estimates may change from time to time and such changes may be material to the consolidated financial results.

At December 31, 2017, the Company’s recorded reserves associated with legal and regulatory contingencies for which a loss is probable and can be reasonably estimated were approximately $34 million. There can be no assurance that the ultimate resolution of the Company’s pending or threatened litigation, claims or assessments will not result in losses in excess of the Company’s recorded reserves. As a result, the ultimate resolution of any particular legal matter, or matters, could be material to the Company’s results of operations or cash flows for the period in which such matter is resolved.

For matters involving a probable loss where the Company can estimate the range but not a specific loss amount, the aggregate estimated amount of reasonably possible losses in excess of the recorded liability was $0 to approximately $20 million at December 31, 2017. Given the inherent uncertainties and status of the Company’s outstanding legal and regulatory matters, the range of reasonably possible losses cannot be estimated for all matters; therefore, this estimated range does not represent the Company’s maximum loss exposure. As new information becomes available, the matters for which the Company is able to estimate, as well as the estimates themselves, will be adjusted accordingly.

The following is a description of certain litigation and regulatory matters:

The Company has received various subpoenas for testimony and documents, motions for examinations pursuant to Federal Rule of Bankruptcy Procedure 2004, and other information requests from certain Offices of the U.S. Trustees, acting through trial counsel in various federal judicial districts, seeking information regarding an array of the Company's policies, procedures and practices in servicing loans to borrowers who are in bankruptcy and the Company's compliance with bankruptcy laws and rules. The Company has provided information in response to these subpoenas and requests and has met with representatives of certain Offices of the U.S. Trustees to discuss various issues that have arisen in the course of these inquiries, including the Company's compliance with bankruptcy laws and rules. The Company cannot predict the outcome of the aforementioned proceedings and investigations, which could result in requests for damages, fines, sanctions, or other remediation. The Company could face further legal proceedings in connection with these matters. The Company may seek to enter into one or more agreements to resolve these matters. Any such agreement may require the Company to pay fines or other amounts for alleged breaches of law and to change or otherwise remediate the Company's business practices. Legal proceedings relating to these matters and the terms of any settlement agreement could have a material adverse effect on the Company's reputation, business, prospects, results of operations, liquidity and financial condition.

From time to time, federal and state authorities investigate or examine aspects of the Company's business activities, such as its mortgage origination, servicing, collection and bankruptcy practices, among other things. It is the Company's general policy to cooperate with such investigations, and the Company has been responding to information requests and otherwise cooperating with various ongoing investigations and examinations by such authorities. The Company cannot predict the outcome of any of the ongoing proceedings and cannot provide assurances that investigations and examinations will not have a material adverse effect on the Company.

Walter Energy Matters

The Company may become liable for U.S. federal income taxes allegedly owed by the Walter Energy consolidated group for the 2009 and prior tax years. Under federal law, each member of a consolidated group for U.S. federal income tax purposes is severally liable for the federal income tax liability of each other member of the consolidated group for any year in which it was a member of the consolidated group at any time during such year. Certain former subsidiaries of the Company (which were subsequently merged or otherwise consolidated with certain current subsidiaries of the Company) were members of the Walter Energy consolidated tax group prior to the Company's spin-off from Walter Energy on April 17, 2009. As a result, to the extent the Walter Energy consolidated group’s federal income taxes (including penalties and interest) for such tax years are not favorably resolved on the merits or otherwise paid, the Company could be liable for such amounts.

Walter Energy Tax Matters. According to Walter Energy's Form 10-Q, or the Walter Energy Form 10-Q, for the quarter ended September 30, 2015 (filed with the SEC on November 5, 2015) and certain other public filings made by Walter Energy in its bankruptcy proceedings currently pending in Alabama, described below, as of the date of such filing, certain tax matters with respect to certain tax years prior to and including the year of the Company's spin-off from Walter Energy remained unresolved, including certain tax matters relating to: (i) a "proof of claim" for a substantial amount of taxes, interest and penalties with respect to Walter Energy's fiscal years ended August 31, 1983 through May 31, 1994, which was filed by the IRS in connection with Walter Energy's bankruptcy filing on December 27, 1989 in the U.S. Bankruptcy Court for the Middle District of Florida, Tampa Division; (ii) an IRS audit of Walter Energy's federal income tax returns for the years ended May 31, 2000 through December 31, 2008; and (iii) an IRS audit of Walter Energy's federal income tax returns for the 2009 through 2013 tax years.

Walter Energy 2015 Bankruptcy Filing. On July 15, 2015, Walter Energy filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Northern District of Alabama. On August 18, 2015, Walter Energy filed a motion with the Florida bankruptcy court requesting that the court transfer venue of its disputes with the IRS to the Alabama bankruptcy court. In that motion, Walter Energy asserted that it believed the liability for the years at issue "will be materially, if not completely, offset by the [r]efunds" asserted by Walter Energy against the IRS. The Florida Bankruptcy Court transferred venue of the matter to the Alabama Bankruptcy Court, where it remains pending.

On November 5, 2015, Walter Energy, together with certain of its subsidiaries, entered into the Walter Energy Asset Purchase Agreement with Coal Acquisition, a Delaware limited liability company formed by members of Walter Energy's senior lender group, pursuant to which, among other things, Coal Acquisition agreed to acquire substantially all of Walter Energy's assets and assume certain liabilities, subject to, among other things, a number of closing conditions set forth therein. On January 8, 2016, after conducting a hearing, the Alabama Bankruptcy Court entered an order approving the sale of Walter Energy's assets to Coal Acquisition free and clear of all liens, claims, interests and encumbrances of the debtors. The sale of such assets pursuant to the Walter Energy Asset Purchase Agreement was completed on March 31, 2016 and was conducted under the provisions of Sections 105, 363 and 365 of the Bankruptcy Code. Based on developments in the Alabama bankruptcy proceedings following completion of this asset sale, such asset sale appears to have resulted in (i) limited value remaining in Walter Energy's bankruptcy estate and (ii) to date, limited recovery for certain of Walter Energy's unsecured creditors, including the IRS.

On January 9, 2017, Walter Energy filed with the Alabama Bankruptcy Court a motion to convert its Chapter 11 bankruptcy case to a Chapter 7 liquidation. In that motion, Walter Energy stated that, other than with respect to 1% of the equity of the acquirer of Walter Energy's core assets, no prospect of payment of unsecured claims exists. On January 23, 2017, the IRS filed an objection to Walter Energy's motion to convert, in which the IRS requested that a judgment be entered against Walter Energy in connection with the tax matters described above. The IRS further asserted that entry of a final judgment was necessary so that it could pursue collection of tax liabilities from former members of Walter Energy's consolidated group that are not debtors.

On January 30, 2017, the Alabama Bankruptcy Court held a hearing at which it denied the IRS's request for entry of a judgment and announced its intent to grant Walter Energy's motion to convert. The Alabama Bankruptcy Court entered an order on February 2, 2017 converting Walter Energy's Chapter 11 bankruptcy to a Chapter 7 liquidation. During February 2017, Andre Toffel was appointed Chapter 7 trustee of Walter Energy's bankruptcy estate.

The Company cannot predict whether or to what extent it may become liable for federal income taxes of the Walter Energy consolidated tax group during the tax years in which the Company was a part of such group, in part because the Company believes, based on publicly available information, that: (i) the amount of taxes owed by the Walter Energy consolidated tax group for the periods from 1983 through 2009 remains unresolved; and (ii) in light of Walter Energy's conversion from a Chapter 11 bankruptcy to a Chapter 7 bankruptcy, it is unclear whether the IRS will seek to make a direct claim against the Company for such taxes. Further, because the Company cannot currently estimate its liability, if any, relating to the federal income tax liability of Walter Energy's consolidated tax group during the tax years in which it was a part of such group, the Company cannot determine whether such liabilities, if any, could have a material adverse effect on the Company's business, financial condition, liquidity and/or results of operations.

Tax Separation Agreement. In connection with the Company's spin-off from Walter Energy, the Company and Walter Energy entered into a Tax Separation Agreement, dated April 17, 2009. Notwithstanding any several liability the Company may have under federal tax law described above, under the Tax Separation Agreement, Walter Energy agreed to retain full liability for all U.S. federal income or state combined income taxes of the Walter Energy consolidated group for 2009 and prior tax years (including any interest, additional taxes or penalties applicable thereto), subject to limited exceptions. The Company therefore filed proofs of claim in the Alabama bankruptcy proceedings asserting claims for any such amounts to the extent the Company is ultimately held liable for the same. However, the Company expects to receive little or no recovery from Walter Energy for any filed proofs of claim for indemnification.

It is unclear whether claims made by the Company under the Tax Separation Agreement would be enforceable against Walter Energy in connection with, or following the conclusion of, the various Walter Energy bankruptcy proceedings described above, or if such claims would be rejected or disallowed under bankruptcy law. It is also unclear whether the Company would be able to recover some or all of any such claims given Walter Energy's limited assets and limited recoveries for unsecured creditors in the Walter Energy bankruptcy proceedings described above.

Furthermore, the Tax Separation Agreement provides that Walter Energy has, in its sole discretion, the exclusive right to represent the interests of the consolidated group in any audit, court proceeding or settlement of a claim with the IRS for the tax years in which certain of the Company's former subsidiaries were members of the Walter Energy consolidated tax group. However, in light of the conversion of Walter Energy's bankruptcy proceeding from a Chapter 11 proceeding to a Chapter 7 proceeding, the Company may choose to take a direct role in proceedings involving the IRS's claim for tax years in which the Company was a member of the Walter Energy consolidated tax group. Moreover, the Tax Separation Agreement obligates the Company to take certain tax positions that are consistent with those taken historically by Walter Energy. In the event the Company does not take such positions, it could be liable to Walter Energy to the extent the Company's failure to do so results in an increased tax liability or the reduction of any tax asset of Walter Energy. These arrangements may result in conflicts of interests between the Company and Walter Energy, particularly with regard to the Walter Energy bankruptcy proceedings described above.

Lastly, according to its public filings, Walter Energy's 2009 tax year is currently under audit. Accordingly, if it is determined that certain distribution taxes and other amounts are owed related to the Company's spin-off from Walter Energy in 2009, the Company may be liable under the Tax Separation Agreement for all or a portion of such amounts.

The Company is unable to estimate reasonably possible losses for the matter described above.

Key Employee Retention Plan

In September 2017, the Company entered into retention agreements with certain key officers of the Company. These agreements set forth retention bonuses to be earned by the key officers through dates as defined in each agreement. The total original retention bonuses to be paid for key officers that meet the related party definition and meet the qualifications of the agreement was $2.8 million, which is earned over the retention period. On February 20, 2018, Anthony N. Renzi resigned from his position as Chief Executive Officer and President of the Company, and therefore forfeited his right to payment of $1.3 million of his original retention bonus, which is included in the total amount above.

31. Separate Financial Information of Subsidiary Guarantors of Indebtedness

In accordance with the Senior Notes Indenture, certain existing and future 100% owned domestic subsidiaries of the Parent Company have fully and unconditionally guaranteed the Senior Notes on a joint and several basis. These guarantor subsidiaries also guarantee the Parent Company's obligations under the 2013 Secured Credit Facilities. The indenture governing the Senior Notes contains customary exceptions under which a guarantor subsidiary may be released from its guarantee without the consent of the holders of the Senior Notes, including (i) the permitted sale, transfer or other disposition of all or substantially all of a guarantor subsidiary's assets or common stock; (ii) the designation of a restricted guarantor subsidiary as an unrestricted subsidiary; (iii) the release of a guarantor subsidiary from its obligation under the 2013 Secured Credit Facilities and its guarantee of all other indebtedness of the Parent Company and other guarantor subsidiaries; and (iv) the defeasance of the obligations of the guarantor subsidiary by payment of the Senior Notes.

Presented below are the condensed consolidating financial information of the Parent Company, the guarantor subsidiaries on a combined basis, and the non-guarantor subsidiaries on a combined basis.

Condensed Consolidating Balance Sheet
December 31, 2017
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries and VIEs	Eliminations and Reclassifications	Consolidated
ASSETS					
Cash and cash equivalents	$ 506	$ 283,463	$ 2,000	$ —	$ 285,969
Restricted cash and cash equivalents	1,503	67,778	43,545	—	112,826
Residential loans at amortized cost, net	11,602	549,432	424,420	—	985,454
Residential loans at fair value	—	10,423,797	301,435	—	10,725,232
Receivables, net	17,546	545,526	5,835	(444,563)	124,344
Servicer and protective advances, net	—	386,434	408,803	18,196	813,433
Servicing rights, net	—	773,251	—	—	773,251
Goodwill	—	47,747	—	—	47,747
Intangible assets, net	—	8,733	—	—	8,733
Premises and equipment, net	600	49,613	—	—	50,213
Deferred tax assets, net	2,119	—	—	(719)	1,400
Other assets	27,639	168,119	39,837	—	235,595
Due from affiliates, net	89,429	—	—	(89,429)	—
Investments in consolidated subsidiaries and VIEs	1,453,385	22,781	—	(1,476,166)	—
Total assets	$ 1,604,329	$ 13,326,674	$ 1,225,875	$ (1,992,681)	$ 14,164,197
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Payables and accrued liabilities	$ 31,922	$ 958,954	$ 11,641	$ (8,056)	$ 994,461
Servicer payables	—	116,779	—	—	116,779
Servicing advance liabilities	—	483,462	444,563	(444,563)	483,462
Warehouse borrowings	—	1,085,198	—	—	1,085,198
Servicing rights related liabilities at fair value	—	32	—	—	32
Corporate debt	1,214,663	—	—	—	1,214,663
Mortgage-backed debt	—	—	735,882	—	735,882
HMBS related obligations at fair value	—	9,175,128	—	—	9,175,128
Deferred tax liabilities, net	—	1,567	—	(719)	848
Obligation to fund Non-Guarantor VIEs	—	41,314	—	(41,314)	—
Due to affiliates, net	—	82,381	7,048	(89,429)	—
Total liabilities not subject to compromise	1,246,585	11,944,815	1,199,134	(584,081)	13,806,453
Liabilities subject to compromise	806,937	—	—	—	806,937
Total liabilities	2,053,522	11,944,815	1,199,134	(584,081)	14,613,390
Stockholders' equity (deficit):					
Total stockholders' equity (deficit)	(449,193)	1,381,859	26,741	(1,408,600)	(449,193)
Total liabilities and stockholders' equity (deficit)	$ 1,604,329	$ 13,326,674	$ 1,225,875	$ (1,992,681)	$ 14,164,197

Condensed Consolidating Balance Sheet
December 31, 2016
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries and VIEs	Eliminations and Reclassifications	Consolidated
ASSETS					
Cash and cash equivalents	$ 773	$ 221,825	$ 2,000	$ —	$ 224,598
Restricted cash and cash equivalents	1,502	158,204	44,757	—	204,463
Residential loans at amortized cost, net	12,891	189,441	462,877	—	665,209
Residential loans at fair value	—	11,924,043	492,499	—	12,416,542
Receivables, net	97,424	154,852	15,686	—	267,962
Servicer and protective advances, net	—	481,099	688,961	25,320	1,195,380
Servicing rights, net	—	1,029,719	—	—	1,029,719
Goodwill	—	47,747	—	—	47,747
Intangible assets, net	—	11,347	—	—	11,347
Premises and equipment, net	1,181	81,447	—	—	82,628
Assets held for sale	—	65,045	6,040	—	71,085
Other assets	30,789	191,671	19,830	—	242,290
Due from affiliates, net	392,998	—	—	(392,998)	—
Investments in consolidated subsidiaries and VIEs	1,620,339	134,612	—	(1,754,951)	—
Total assets	$ 2,157,897	$ 14,691,052	$ 1,732,650	$ (2,122,629)	$ 16,458,970
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Payables and accrued liabilities	$ 53,337	$ 708,070	$ 5,474	$ (7,870)	$ 759,011
Servicer payables	—	146,332	—	—	146,332
Servicing advance liabilities	—	132,664	650,565	—	783,229
Warehouse borrowings	—	1,203,355	—	—	1,203,355
Servicing rights related liabilities at fair value	—	1,902	—	—	1,902
Corporate debt	2,129,000	—	—	—	2,129,000
Mortgage-backed debt	—	—	943,956	—	943,956
HMBS related obligations at fair value	—	10,509,449	—	—	10,509,449
Deferred tax liabilities, net	—	3,204	1,570	—	4,774
Liabilities held for sale	—	1,179	1,223	—	2,402
Obligation to fund Non-Guarantor VIEs	—	46,417	—	(46,417)	—
Due to affiliates, net	—	392,812	185	(392,997)	—
Total liabilities	2,182,337	13,145,384	1,602,973	(447,284)	16,483,410
Stockholders' equity (deficit):					
Total stockholders' equity (deficit)	(24,440)	1,545,668	129,677	(1,675,345)	(24,440)
Total liabilities and stockholders' equity (deficit)	$ 2,157,897	$ 14,691,052	$ 1,732,650	$ (2,122,629)	$ 16,458,970

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2017
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries and VIEs	Eliminations and Reclassifications	Consolidated
REVENUES					
Net servicing revenue and fees	$ —	$ 354,450	$ —	$ (7,768)	$ 346,682
Net gains on sales of loans	—	284,391	—	—	284,391
Net fair value gains on reverse loans and related HMBS obligations	—	42,369	50	—	42,419
Interest income on loans	865	1,500	38,830	—	41,195
Insurance revenue	—	3,711	309	(57)	3,963
Other revenues	355	112,209	63,657	(63,611)	112,610
Total revenues	1,220	798,630	102,846	(71,436)	831,260
EXPENSES					
General and administrative	95,660	554,098	11,519	(64,439)	596,838
Salaries and benefits	40,763	344,051	—	—	384,814
Interest expense	134,660	81,788	44,855	(59)	261,244
Depreciation and amortization	700	40,010	54	—	40,764
Reorganization items	37,645	—	—	—	37,645
Corporate allocations	(86,309)	86,309	—	—	—
Other expenses, net	564	5,475	5,022	—	11,061
Total expenses	223,683	1,111,731	61,450	(64,498)	1,332,366
OTHER GAINS (LOSSES)					
Gain on sale of business	—	67,734	—	—	67,734
Net losses on extinguishment of debt	(1,797)	(2,410)	(1,904)	—	(6,111)
Other net fair value gains (losses)	—	(1,852)	3,860	—	2,008
Other	—	—	7,219	—	7,219
Total other gains (losses)	(1,797)	63,472	9,175	—	70,850
Income (loss) before income taxes	(224,260)	(249,629)	50,571	(6,938)	(430,256)
Income tax expense (benefit)	(24,381)	12,850	8,534	(360)	(3,357)
Income (loss) before equity in earnings (losses) of consolidated subsidiaries and VIEs	(199,879)	(262,479)	42,037	(6,578)	(426,899)
Equity in earnings (losses) of consolidated subsidiaries and VIEs	(227,020)	37,036	—	189,984	—
Net income (loss)	$ (426,899)	$ (225,443)	$ 42,037	$ 183,406	$ (426,899)
Comprehensive income (loss)	$ (426,889)	$ (225,443)	$ 42,037	$ 183,406	$ (426,889)

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2016
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries and VIEs	Eliminations and Reclassifications	Consolidated
REVENUES					
Net servicing revenue and fees	$ —	$ 349,822	$ —	$ (8,831)	$ 340,991
Net gains on sales of loans	—	409,448	—	—	409,448
Net fair value gains (losses) on reverse loans and related HMBS obligations	—	59,422	(400)	—	59,022
Interest income on loans	1,082	504	44,114	—	45,700
Insurance revenue	—	38,588	4,141	(761)	41,968
Other revenues, net	(1,914)	102,453	68,117	(70,068)	98,588
Total revenues	(832)	960,237	115,972	(79,660)	995,717
EXPENSES					
General and administrative	67,583	608,067	14,670	(70,548)	619,772
Salaries and benefits	60,119	460,238	—	—	520,357
Interest expense	144,170	49,769	63,929	(2,087)	255,781
Depreciation and amortization	783	57,946	697	—	59,426
Goodwill and intangible assets impairment	—	326,286	—	—	326,286
Corporate allocations	(119,953)	119,953	—	—	—
Other expenses, net	621	4,434	5,475	—	10,530
Total expenses	153,323	1,626,693	84,771	(72,635)	1,792,152
OTHER GAINS (LOSSES)					
Net gains on extinguishment of debt	14,662	—	—	—	14,662
Other net fair value losses	—	(805)	(3,429)	—	(4,234)
Other	(979)	(2,832)	—	—	(3,811)
Total other gains (losses)	13,683	(3,637)	(3,429)	—	6,617
Income (loss) before income taxes	(140,472)	(670,093)	27,772	(7,025)	(789,818)
Income tax expense (benefit)	(5,224)	42,114	7,528	(378)	44,040
Income (loss) before equity in earnings (losses) of consolidated subsidiaries and VIEs	(135,248)	(712,207)	20,244	(6,647)	(833,858)
Equity in earnings (losses) of consolidated subsidiaries and VIEs	(698,610)	13,356	—	685,254	—
Net income (loss)	$ (833,858)	$ (698,851)	$ 20,244	$ 678,607	$ (833,858)
Comprehensive income (loss)	$ (833,738)	$ (698,851)	$ 20,244	$ 678,607	$ (833,738)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2017
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries and VIEs	Eliminations and Reclassifications	Consolidated
Cash flows provided by (used in) operating activities	$ (71,410)	$ 496,899	$ 328,522	$ 25,061	$ 779,072
Investing activities					
Purchases and originations of reverse loans held for investment	—	(382,769)	—	—	(382,769)
Principal payments received on reverse loans held for investment	—	1,431,049	—	—	1,431,049
Principal payments received on mortgage loans held for investment	1,443	—	185,037	(25,061)	161,419
Payments received on charged-off loans held for investment	—	16,997	—	—	16,997
Payments received on receivables related to Non-Residual Trusts	—	—	14,869	—	14,869
Proceeds from sales of real estate owned, net	83	140,379	3,809	(59)	144,212
Purchases of premises and equipment	(1,099)	(5,042)	—	—	(6,141)
Decrease (increase) in restricted cash and cash equivalents	(2)	2,858	633	—	3,489
Payments for acquisitions of businesses, net of cash acquired	—	(1,004)	—	—	(1,004)
Acquisitions of servicing rights, net	—	(228)	—	—	(228)
Proceeds from sales of servicing rights, net	—	137,301	—	—	137,301
Proceeds from sale of business	—	131,074	—	—	131,074
Cash outflow from deconsolidation of variable interest entities	—	—	(100,951)	—	(100,951)
Notes acquired from servicer and protective advance financing facilities	—	(444,563)	—	444,563	—
Capital contributions to subsidiaries and VIEs	(102,897)	(9,702)	—	112,599	—
Returns of capital from subsidiaries and VIEs	223,999	124,570	—	(348,569)	—
Change in due from affiliates	171,805	13,240	1,165	(186,210)	—
Other	11,779	(5,434)	—	59	6,404
Cash flows provided by investing activities	305,111	1,148,726	104,562	(2,678)	1,555,721
Financing activities					
Payments and extinguishments of corporate debt	(186,910)	—	—	—	(186,910)
Proceeds from securitizations of reverse loans	—	464,192	—	—	464,192
Payments on HMBS related obligations	—	(1,992,729)	—	—	(1,992,729)
Issuances of servicing advance liabilities	—	601,270	881,690	—	1,482,960
Payments on servicing advance liabilities	—	(250,473)	(1,534,656)	—	(1,785,129)
Net change in warehouse borrowings related to mortgage loans	—	(546,556)	—	—	(546,556)
Net change in warehouse borrowings related to reverse loans	—	428,399	—	—	428,399
Payments on servicing rights related liabilities	—	(1,415)	—	—	(1,415)
Payments on mortgage-backed debt	—	—	(108,018)	—	(108,018)
Other debt issuance costs paid	(32,573)	(15,055)	(1,677)	—	(49,305)
Sale of notes by servicer and protective advance financing facilities	—	—	444,563	(444,563)	—
Capital contributions	—	27,897	84,702	(112,599)	—
Capital distributions	—	(147,657)	(200,912)	348,569	—
Change in due to affiliates	(14,409)	(173,188)	1,387	186,210	—
Other	(76)	21,328	(163)	—	21,089
Cash flows used in financing activities	(233,968)	(1,583,987)	(433,084)	(22,383)	(2,273,422)
Net increase (decrease) in cash and cash equivalents	(267)	61,638	—	—	61,371
Cash and cash equivalents at the beginning of the year	773	221,825	2,000	—	224,598
Cash and cash equivalents at the end of the year	$ 506	$ 283,463	$ 2,000	$ —	$ 285,969

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2016
(in thousands)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries and VIEs	Eliminations and Reclassifications	Consolidated
Cash flows provided by (used in) operating activities	$ (204,359)	$ 203,585	$ 452,724	$ —	$ 451,950
Investing activities					
Purchases and originations of reverse loans held for investment	—	(896,879)	—	—	(896,879)
Principal payments received on reverse loans held for investment	—	1,122,267	—	—	1,122,267
Principal payments received on mortgage loans held for investment	940	—	91,679	—	92,619
Payments received on charged-off loans held for investment	—	23,060	—	—	23,060
Payments received on receivables related to Non-Residual Trusts	—	—	8,110	—	8,110
Proceeds from sales of real estate owned, net	30	107,347	3,714	—	111,091
Purchases of premises and equipment	(595)	(32,271)	—	—	(32,866)
Decrease (increase) in restricted cash and cash equivalents	9,011	(114)	49	—	8,946
Payments for acquisitions of businesses, net of cash acquired	—	(3,066)	—	—	(3,066)
Acquisitions of servicing rights, net	—	(9,794)	—	—	(9,794)
Proceeds from sales of servicing rights, net	—	280,970	—	—	280,970
Capital contributions to subsidiaries and VIEs	—	(26,440)	—	26,440	—
Returns of capital from subsidiaries and VIEs	10,991	33,233	—	(44,224)	—
Change in due from affiliates	126,883	2,372	(5,899)	(123,356)	—
Other	309	(4,958)	—	—	(4,649)
Cash flows provided by investing activities	147,569	595,727	97,653	(141,140)	699,809
Financing activities					
Payments and extinguishments of corporate debt	(31,037)	(480)	—	—	(31,517)
Proceeds from securitizations of reverse loans	—	960,157	—	—	960,157
Payments on HMBS related obligations	—	(1,371,375)	—	—	(1,371,375)
Issuances of servicing advance liabilities	—	228,059	1,951,429	—	2,179,488
Payments on servicing advance liabilities	—	(331,376)	(2,294,100)	—	(2,625,476)
Net change in warehouse borrowings related to mortgage loans	—	(151,172)	—	—	(151,172)
Net change in warehouse borrowings related to reverse loans	—	14,139	—	—	14,139
Proceeds from sales of excess servicing spreads and servicing rights	—	34,307	—	—	34,307
Payments on servicing rights related liabilities	—	(22,092)	—	—	(22,092)
Payments on mortgage-backed debt	—	—	(107,598)	—	(107,598)
Other debt issuance costs paid	(528)	(7,206)	(3,305)	—	(11,039)
Capital contributions	—	—	26,440	(26,440)	—
Capital distributions	—	(5,430)	(38,794)	44,224	—
Change in due to affiliates	85,801	(121,164)	(87,993)	123,356	—
Other	(689)	(666)	3,544	—	2,189
Cash flows provided by (used in) financing activities	53,547	(774,299)	(550,377)	141,140	(1,129,989)
Net increase (decrease) in cash and cash equivalents	(3,243)	25,013	—	—	21,770
Cash and cash equivalents at the beginning of the year	4,016	196,812	2,000	—	202,828
Cash and cash equivalents at the end of the year	$ 773	$ 221,825	$ 2,000	$ —	$ 224,598

32. Related-Party Transactions

WCO was established to invest in mortgage-related assets. In November 2016, WCO entered into a series of agreements whereby it agreed to sell substantially all of its assets, which included the sale of substantially all of its MSR portfolio, to NRM. In connection with the December 2016 closing of the transactions relating thereto, WCO commenced liquidation activities and is currently projecting the fourth quarter of 2018 as the end date for winding down its operations.

The Company's investment in WCO was $7.8 million and $19.4 million at December 31, 2017 and 2016, respectively. The Company recorded losses relating to its investment in WCO of $0.1 million and $2.2 million for the years ended December 31, 2017 and 2016, respectively. Additionally, the Company received dividends of $11.5 million and $1.0 million from WCO during the years ended December 31, 2017 and 2016, respectively.

During 2016, the Company served as investment manager for WCO pursuant to a management agreement. During the third quarter of 2017, the Company and WCO terminated the management agreement and entered into a services agreement, under which the Company currently provides non-investment advisory and administrative services to WCO. The Company earned fees for providing these services to WCO of $0.2 million and $1.7 million for the years ended December 31, 2017 and 2016, respectively, which are recorded in other revenues on the consolidated statements of comprehensive loss. The Company had less than $0.1 million and $0.9 million included in receivables, net on the consolidated balance sheets at December 31, 2017 and 2016, respectively, relating to fees earned for the aforementioned services provided to WCO, as well as pass-throughs to WCO related to general and administrative and payroll-related expenses at December 31 2016.

During the third quarter of 2017, the Company entered into an interest purchase agreement with WCO to repurchase Marix, formerly a wholly-owned subsidiary of the Company, for $0.7 million. The transfer was completed on February 28, 2018.

WCO lacks sufficient equity at risk to finance its activities without subordinated financial support and, as such, is a VIE. WCO’s board of directors has decision making authority as it relates to the activities that most significantly impact the economic performance of WCO, including making decisions related to significant investments, servicing, capital and debt financing. As a result, the Company is not deemed to be the primary beneficiary of WCO as it does not have the power to direct the activities that most significantly impact WCO’s economic performance.

The following table presents the carrying amounts of the Company’s assets and liabilities that relate to WCO, as well as the size of the unconsolidated VIE (in thousands):

	Carrying Value of Assets and Liabilities Recorded on the Consolidated Balance Sheets					
	Servicer and Protective Advances, Net	Receivables, Net	Other Assets [(1)]	Payables and Accrued Liabilities	Net Assets	Size of VIE [(2)]
December 31, 2017	$ 4,670	$ 50	$ 7,816	$ —	$ 12,536	$ 23,543
December 31, 2016	6,980	$ 1,392	19,403	(1,353)	26,422	194,556

(1) Other assets at December 31, 2017 and 2016 are primarily comprised of the Company's investment in WCO.

(2) The size of the VIE is deemed to be WCO's net assets.

33. Quarterly Results of Operations (Unaudited)

The following tables summarize the Company's unaudited consolidated results of operations on a quarterly basis for the years ended December 31, 2017 and 2016. The sum of the quarterly earnings (loss) per share amounts do not equal the amount reported for the full year since per share amounts are computed independently for each quarter and for the full year based on respective weighted-average shares outstanding and other dilutive potential shares.

Quarterly results of operations are summarized as follows (in thousands, except per share data):

	For the 2017 Quarters Ended			
	December 31	September 30	June 30	March 31
Total revenues	$ 200,544	$ 176,644	$ 208,787	$ 245,285
Total expenses	422,916	303,146	292,595	313,709
Total other gains (losses)	4,023	2,824	(8,807)	72,810
Income (loss) before income taxes [1]	(218,349)	(123,678)	(92,615)	4,386
Income tax expense (benefit)	(5,384)	455	1,694	(122)
Net income (loss)	$ (212,965)	$ (124,133)	$ (94,309)	$ 4,508
Basic and diluted earnings (loss) per common and common equivalent share	$ (5.70)	$ (3.38)	$ (2.58)	$ 0.12

(1) A significant portion of the Company's asset and liabilities are carried at fair value and as a result, the Company's net income or loss can be materially impacted quarter over quarter by gains and losses resulting from changes in valuation inputs and other assumptions used in the fair value of the assets and liabilities.

	For the 2016 Quarters Ended			
	December 31 [2]	September 30 [2]	June 30 [2]	March 31
Total revenues	$ 444,143	$ 297,330	$ 187,473	$ 66,771
Total expenses	417,229	465,795	565,706	343,422
Total other gains (losses)	(74)	10,282	(1,351)	(2,240)
Income (loss) before income taxes [1]	26,840	(158,183)	(379,584)	(278,891)
Income tax expense (benefit)	(15,234)	55,084	110,379	(106,189)
Net income (loss)	$ 42,074	$ (213,267)	$ (489,963)	$ (172,702)
Basic and diluted earnings (loss) per common and common equivalent share	$ 1.16	$ (5.90)	$ (13.68)	$ (4.85)

(1) A significant portion of the Company's asset and liabilities are carried at fair value and as a result, the Company's net income or loss can be materially impacted quarter over quarter by gains and losses resulting from changes in valuation inputs and other assumptions used in the fair value of the assets and liabilities.

(2) The Company recorded goodwill impairment losses of $215.4 million, $91.0 million and $13.2 million during the second, third and fourth quarters of 2016, respectively. Refer to Note 15 for further information.

Ditech Holding Corporation

Schedule I

Financial Information
(Parent Company Only)
(Debtor-in-Possession)

(in thousands, except share and per share data)

	December 31,	
	2017	2016
ASSETS		
Cash and cash equivalents	$ 506	$ 773
Restricted cash and cash equivalents	1,503	1,502
Residential loans at amortized cost, net	11,602	12,891
Receivables, net	17,546	97,424
Premises and equipment, net	600	1,181
Deferred tax assets, net	2,119	—
Other assets	27,639	30,789
Due from affiliates, net	89,429	392,998
Investments in consolidated subsidiaries and VIEs	1,453,385	1,620,339
Total assets	$ 1,604,329	$ 2,157,897
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Payables and accrued liabilities	$ 31,922	$ 53,337
Corporate debt	1,214,663	2,129,000
Total liabilities not subject to compromise	1,246,585	2,182,337
Liabilities subject to compromise	806,937	—
Total liabilities	2,053,522	2,182,337
Stockholders' deficit:		
Preferred stock, $0.01 par value per share:		
Authorized - 10,000,000 shares		
Issued and outstanding - 0 shares at December 31, 2017 and 2016	—	—
Common stock, $0.01 par value per share:		
Authorized - 90,000,000 shares		
Issued and outstanding - 37,373,616 and 36,391,129 shares at December 31, 2017 and 2016, respectively	374	364
Additional paid-in capital	598,193	596,067
Accumulated deficit	(1,048,817)	(621,804)
Accumulated other comprehensive income	1,057	933
Total stockholders' deficit	(449,193)	(24,440)
Total liabilities and stockholders' deficit	$ 1,604,329	$ 2,157,897

The accompanying notes are an integral part of the consolidated financial statements.

Ditech Holding Corporation

Schedule I

Financial Information
(Parent Company Only)
(Debtor-in-Possession)

(in thousands)

	For the Years Ended December 31,	
	2017	2016
REVENUES		
Interest income on loans	$ 865	$ 1,082
Other revenues, net	355	(1,914)
Total revenues	1,220	(832)
EXPENSES		
Interest expense	134,660	144,170
General and administrative	95,660	67,583
Salaries and benefits	40,763	60,119
Reorganization items	37,645	—
Depreciation and amortization	700	783
Corporate allocations	(86,309)	(119,953)
Other expenses, net	564	621
Total expenses	223,683	153,323
OTHER GAINS (LOSSES)		
Net gains (losses) on extinguishment of debt	(1,797)	14,662
Other	—	(979)
Total other gains (losses)	(1,797)	13,683
Loss before income taxes	(224,260)	(140,472)
Income tax benefit	(24,381)	(5,224)
Loss before equity in losses of consolidated subsidiaries and VIEs	(199,879)	(135,248)
Equity in losses of consolidated subsidiaries and VIEs	(227,020)	(698,610)
Net loss	$ (426,899)	$ (833,858)
Comprehensive loss	$ (426,889)	$ (833,738)

The accompanying notes are an integral part of the consolidated financial statements.

Ditech Holding Corporation

Schedule I

Financial Information
(Parent Company Only)
(Debtor-in-Possession)

(in thousands)

	For the Years Ended December 31,	
	2017	2016
Cash flows used in operating activities	$ (71,410)	$ (204,359)
Investing activities		
Principal payments received on mortgage loans held for investment	1,443	940
Proceeds from sales of real estate owned, net	83	30
Purchases of premises and equipment	(1,099)	(595)
Decrease (increase) in restricted cash and cash equivalents	(2)	9,011
Capital contributions to subsidiaries and VIEs	(102,897)	—
Returns of capital from subsidiaries and VIEs	223,999	10,991
Change in due from affiliates	171,805	126,883
Other	11,779	309
Cash flows provided by investing activities	305,111	147,569
Financing activities		
Payments and extinguishments of corporate debt	(186,910)	(31,037)
Other debt issuance costs paid	(32,573)	(528)
Change in due to affiliates	(14,409)	85,801
Other	(76)	(689)
Cash flows provided by (used in) financing activities	(233,968)	53,547
Net decrease in cash and cash equivalents	(267)	(3,243)
Cash and cash equivalents at the beginning of the year	773	4,016
Cash and cash equivalents at the end of the year	$ 506	$ 773

The accompanying notes are an integral part of the consolidated financial statements.

Ditech Holding Corporation

Schedule I

Notes to the Parent Company Financial Statements

(Debtor-in-Possession)

1. Basis of Presentation

The financial information of the Parent Company should be read in conjunction with the Consolidated Financial Statements included in this report. These Parent Company financial statements reflect the results of operations, financial position and cash flows for the Parent Company and its consolidated subsidiaries and VIEs in which it is the primary beneficiary. These consolidated subsidiaries and VIEs are accounted for using the equity method of accounting.

The accompanying Parent Company financial statements have been prepared in accordance with GAAP. The preparation of these Parent Company financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These Parent Company financial statements include certain intercompany allocations to its subsidiaries that management believes have been made on a reasonable basis. These costs primarily include executive salaries and other centralized business functions. Refer to Note 28 to the Consolidated Financial Statements for additional information on intercompany allocations.

2. Emergence from Reorganization Proceedings

On November 30, 2017, Walter Investment Management Corp. filed a Bankruptcy Petition under the Bankruptcy Code to pursue the Prepackaged Plan announced on November 6, 2017. On January 17, 2018, the Bankruptcy Court approved the amended Prepackaged Plan and on January 18, 2018, entered a confirmation order approving the Prepackaged Plan. On February 9, 2018, the Prepackaged Plan became effective pursuant to its terms and Walter Investment Management Corp. emerged from the Chapter 11 Case. The Company continued to operate throughout the Chapter 11 Case and upon emergence changed its name to Ditech Holding Corporation. From and after effectiveness of the Prepackaged Plan, the Company has continued, in its previous organizational form, to carry out its business. The Parent Company's emergence from the Chapter 11 Case has resolved the significant risks and uncertainties which previously raised substantial doubt about the Parent Company's ability to continue as a going concern.

The impact of the emergence from reorganization proceedings on the Company's debt and equity is discussed in further detail in Notes 21, 24 and 26 to the Consolidated Financial Statements.

Reorganization Items

The Parent Company's reorganization items consist of the following (in thousands):

	For the Year Ended December 31, 2017
Write off of deferred debt issuance costs	$ 34,406
Legal and professional fees [(1)]	3,098
Other expenses [(2)]	141
Total reorganization items	$ 37,645

(1) Professional fees are directly related to the reorganization.
(2) Other expenses consist of the U.S. Trustee fees and costs related to licensing matters.

During the year ended December 31, 2017, no cash payments were made for reorganization items.

Liabilities Subject to Compromise

Liabilities subject to compromise include unsecured or under-secured liabilities incurred prior to the Petition Date. These liabilities represent the amounts expected to be allowed on known or potential claims to be resolved through the Chapter 11 Case and remain subject to future adjustments based on negotiated settlements with claimants, actions of the Bankruptcy Court, rejection of executory contracts, proofs of claims or other events. Additionally, liabilities subject to compromise also include certain items that may be assumed under a plan of reorganization, and as such, may be subsequently reclassified to liabilities not subject to compromise. Generally, actions to enforce or otherwise effect payment of pre-petition liabilities are subject to the automatic stay or an approved motion of the Bankruptcy Court.

The Parent Company's liabilities subject to compromise consist of the following (in thousands):

	December 31, 2017
Senior Notes	$ 538,662
Convertible Notes	242,468
Accrued interest[1]	25,807
Total liabilities subject to compromise	$ 806,937

(1) Represents accrued interest on the Senior Notes and Convertible Notes as of November 30, 2017, the date the Company filed the Bankruptcy Petition. As interest on the Senior Notes and Convertible Notes subsequent to November 30, 2017 was not expected to be an allowed claim, this amount, as well as interest expense reported on the consolidated statement of comprehensive loss for the year ended December 31, 2017 excludes $4.4 million of interest on the Senior Notes and Convertible that otherwise would have been accrued for the month of December 2017.

On the Effective Date, all of the Company's obligations under the previously outstanding Convertible Notes and Senior Notes listed above were extinguished. Previously outstanding debt interests were exchanged for Second Lien Notes, preferred stock, Series A Warrants and Series B Warrants.

Fresh Start Accounting

The Company believes that the conditions will be met to qualify under GAAP for fresh start accounting, and accordingly expects to adopt fresh start accounting effective February 10, 2018. The actual impact at emergence on February 9, 2018 will be reported in the Company's Form 10-Q for the first quarter of 2018. The financial statements as of February 10, 2018 and for subsequent periods are expected to report the results of the successor with no beginning retained earnings. Any presentation of the successor represents the financial position and results of operations of the successor and will not be comparable to prior periods.

3. Supplemental Disclosures of Cash Flow Information

The Parent Company’s supplemental disclosures of cash flow information are summarized as follows (in thousands):

	For the Years Ended December 31,	
	2017	2016
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 93,327	$ 123,369
Cash paid (received) for taxes	(72,982)	61,289
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Real estate owned acquired through foreclosure	501	806
Residential loans originated to finance the sale of real estate owned	657	540
Contributions to subsidiaries	184,474	68,637
Distributions from subsidiaries	4,474	14,727

4. Guarantees

Refer to Note 29 to the Consolidated Financial Statements for certain guarantees made by the Parent Company in regards to Ditech Financial and RMS. In addition to these guarantees, all obligations of Ditech Financial and RMS under master repurchase agreements and certain servicing advance facilities are guaranteed by the Parent. The Parent also guarantees certain subsidiary obligations such as agreements to perform servicing in accordance with contract terms.

corporate directory & shareholder information

BOARD OF DIRECTORS

THOMAS F. MARANO, Chairman of the Board, Chief Executive Officer and President

DAVID S. ASCHER, Director; Managing Partner and Founder, Transom Consulting Group

GEORGE M. AWAD, Director; Founder and Principal, Gibraltar Capital Corporation

SETH L. BARTLETT, Director; Senior Vice President, Publicis.Sapient

DANIEL G. BELTZMAN, Director; Co-founder and General Partner, Birch Run Capital Advisors, LP; Director, Regis Corporation

JOHN R. BRECKER, Director; Chief Executive Officer, Drivetrain Advisors, LLC

NEAL P. GOLDMAN, Director; Managing Member, SAGE Capital Investments, LLC

THOMAS G. MIGLIS, Director; Former Chief Information Officer, Citadel, LLC

SAMUEL T. RAMSEY, Director; Former Chief Risk Officer, Chase

EXECUTIVE OFFICERS

THOMAS F. MARANO, Chairman of the Board, Chief Executive Officer and President

GERALD A. LOMBARDO, Chief Financial Officer

RITESH CHATURBEDI, Chief Operating Officer

JOHN J. HAAS, General Counsel, Chief Legal Officer and Secretary

ALFRED W. YOUNG, JR., Executive Vice President and Chief Risk and Compliance Officer

ELIZABETH F. MONAHAN, Senior Vice President and Chief Human Resources Officer

JEFFREY P. BAKER, President of Reverse Mortgage Solutions, Inc.

ANNUAL MEETING

The 2018 Annual Meeting of Stockholders of Ditech Holding Corporation will be held on June 7, 2018 at 9 a.m. local time at the Holiday Inn Express, Fort Washington, Pennsylvania.

CORPORATE OFFICES

Ditech Holding Corporation
1100 Virginia Drive
Suite 100
Fort Washington, PA 19034
(844) 714-8603
Website: www.ditechholding.com

INVESTOR CONTACT

Investor Relations
Ditech Holding Corporation
3000 Bayport Drive
Suite 860
Tampa, FL 33607
(813) 421-7694
investorrelations@ditech.com

AVAILABLE INFORMATION

Our website address is www.ditechholding.com. We use our website as a channel of distribution for company information. We make available free of charge on the Investor Relations section of our website (http://investor.ditechholding.com/) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We also make available other reports filed with or furnished to the SEC under the Exchange Act through our website, including our proxy statements and reports filed by officers and directors under section 16(a) of the Exchange Act, as well as our Code of Conduct and Ethics, our Corporate Governance Guidelines and the charters of each of the Board of Directors' standing committees. You may request any of these materials and information in print free of charge by written request to Ditech Holding Corporation, Attn: Investor Relations, 3000 Bayport Drive, Suite 860, Tampa, Florida 33607. We do not intend for information contained on our website to be part of the Annual Report.

COMMON STOCK

Trading Symbol: DHCP
New York Stock Exchange

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021

INDEPENDENT ACCOUNTANTS

Ernst & Young LLP
201 N. Franklin Street
Suite 2400
Tampa, FL 33602

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Statements that are not historical fact are forward-looking statements. Certain of these forward-looking statements can be identified by the use of words such as "believes," "anticipates," "expects," "intends," "plans," "projects," "estimates," "assumes," "may," "should," "will," "seeks," "targets," or other similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors, and our actual results, performance or achievements could differ materially from future results, performance or achievements expressed in these forward-looking statements. These forward-looking statements are based on our current beliefs, intentions and expectations. These statements are not guarantees or indicative of future performance, nor should any conclusions be drawn or assumptions be made as to any potential outcome of any strategic review we conduct, including any changes in strategy. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements include, but are not limited to, those factors, risks and uncertainties described under the caption "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2017 and in our other filings with the SEC. Our forward-looking statements speak only as of the date of this report or as of the date they were made, and we make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made, except as otherwise required under the federal securities laws.

DITECH
HOLDING
CORPORATION