



ANNUAL REPORT



Mr. CooperGroup®

CORPORATE HEADQUARTERS

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**INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

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**STOCKHOLDER SERVICES,
TRANSFER AGENT AND REGISTRAR**

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STOCK EXCHANGE LISTING

Mr. Cooper Group Inc.
common shares are listed on
NASDAQ
(Symbol: COOP)

INVESTOR RELATIONS

Shareholders@mrcooper.com
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BOARD OF DIRECTORS**Jay Bray**

Chief Executive Officer and Chairman of the Board

Busy Burr

Director

Roy Guthrie

Director

Daniela Jorge

Director

Michael Malone

Independent Lead Director

Shveta Mujumdar

Director

Tagar Olson

Director

Steven Scheiwe

Director

EXECUTIVE OFFICERS**Jay Bray**

Chief Executive Officer and Chairman of the Board

Christopher Marshall

Vice Chairman & President

Kurt Johnson

Executive Vice President & Chief Financial Officer

Calos Pelayo

Executive Vice President & Chief Legal Officer

Michael Rawls

Executive Vice President, Chief Executive Officer – Xome

Forward-Looking Statements

Any statements in this annual report that are not historical or current facts are forward-looking statements. These forward-looking statements, estimates and projections include, but are not limited to, our expectations or predictions of future financial or business performance or conditions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Certain of these risks and uncertainties are described in the "Risk Factors" section of our most recent annual report and other required documents as filed with the SEC which are available at the SEC's website at <http://www.sec.gov>. Forward-looking statements speak only as of the date they are made, and Mr. Cooper Group is not under any obligation, and expressly disclaims any obligation, to update, alter or otherwise revise any forward-looking statement, except as required by law.

Non-GAAP measures

This annual report refers to certain non-GAAP financial metrics. See Appendix A for a discussion and reconciliation of these non-GAAP measures to the most directly comparable GAAP measures.

Dear Fellow Shareholders,

2022 was another year of unexpected volatility, with global supply-chain disruptions, military conflict, and the Fed's vigorous response to inflation. Indeed, the fastest tightening cycle in the Fed's history precipitated the largest mortgage interest rate increases on record, plunging the originations sector into serious retrenchment. Against this challenging backdrop, Mr. Cooper's performance stood out. We generated \$923 million in net income. We increased tangible book value by 29% per share. And we grew our customer servicing portfolio by 23%, which left us as the second largest servicer of residential mortgages in the U.S. These strong results reflect our prudence in operating with a balanced business model, which includes both originations and servicing, as well as our proprietary technology and talented people. It was gratifying to see our results reflected in the equity market, where Mr. Cooper's stock outperformed peers by a wide margin.

Strong execution makes us a leader in an industry which plays a critical role supporting housing and the consumer. But this industry stands at a critical juncture. To be a successful servicer requires passionate customer focus, nearly flawless compliance, deep loss mitigation expertise and capacity, strict operational discipline, and scale. Very few mortgage companies have all of these attributes. Indeed, the servicing sector is still relatively unconcentrated, with the top ten accounting for only 48% of the market. Going forward, I expect to see much greater concentration emerging. The next two to three years should see a sizeable backlog of MSRs coming to market, as originators disgorge MSRs in the face of liquidity pressure, and other operators make strategic decisions to downsize or exit the business entirely. Eventually I believe residential mortgage servicing will look like other segments of the financial services industry, where market share is concentrated.

During 2022, our Servicing team produced excellent growth and profitability. The portfolio reached \$870 billion, thanks both to acquisitions of MSRs and growth in our subservicing portfolio. Servicing segment pretax income hit a record \$1.1 billion. To be sure, our margins benefited from rising interest rates, as you would expect. But our margins also benefited from years of investment in technology and operational discipline. In 2018, we launched the Project Titan servicing transformation initiative to create the most competitive platform in the industry. During 2020, we rolled-out digital self-serve forbearance tools within weeks of the start of the pandemic. More recently, we've put in place a laser focus on process improvement in such areas as payments and escrows, with the goal of driving better experiences for customers and greater efficiency for the company. You can see the results of these investments in sharp improvements in the efficiency ratio (servicing expenses as a percentage of the portfolio), which have declined from 11.9 basis points in 2018 to 6.7 basis points last year. Our strategic philosophy is quite simple: drive down costs to levels that competitors cannot match, and then keep driving them down farther.

Technology and operational discipline are important not just for efficiency, but also for the customer experience, as is clear from the growing profusion of digital tools and apps we all use on a daily basis. In the first quarter of 2022, we sold the intellectual property rights to our servicing technology platform to Sagent for a 19% stake in the firm, resulting in a pretax gain of \$223 million. After integrating our technology onto a cloud-based core, Sagent will go to market with the industry's first cloud-native servicing platform. As Sagent's largest customer, Mr. Cooper will benefit from lower costs, but even more important, the transaction will free up internal resources that we'll use to focus on customer-facing applications, which we believe will be the key to winning and keeping customers for life.

Another meaningful transaction in 2022 was our acquisition of RightPath Servicing, a specialty servicer with an impressive 25-year track record. RightPath brings sophisticated skills to the management of

troubled portfolios and other complex mortgage assets, and the unit provides us with additional loss mitigation capacity. With the Fed still in tightening mode, economists are concerned about the risk of recession, which could lead to a turn in the consumer credit cycle. Mr. Cooper has enormous experience mitigating losses dating back to the Global Financial Crisis and its aftermath, when we took on portfolios from banks that did not have the skills to manage delinquent loans. If the current environment turns more adverse, we will play an important leadership role helping investors mitigate losses and keeping customers in their homes, where we have an exemplary track record.

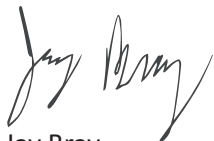
During the refinance boom of 2020 and 2021, our originations team produced pretax profits in excess of \$1 billion per year, as we helped our customers save millions by refinancing into lower coupon loans. Of course, this performance could not continue indefinitely, and the steep rate shock in 2022 not only brought the opportunity to a close, but forced us to take rapid action to realign capacity at multiple points throughout the year. As a result of these decisive steps, we were able to finish 2022 with solid pretax income of \$249 million for the year and sustain our profitability heading into 2023, at a time when industry margins have turned negative.

During 2022, our Xome segment saw relatively little activity, as the industry emerged at a slow pace from the foreclosure moratoriums that were in effect during the pandemic. Despite limited revenues, we continued to invest in the REO auction exchange, and our team did an outstanding job improving the platform and gaining market share. We finished the year with record levels of assets under management and prospects for rising sales and revenues in 2023.

As a major servicer with over 4 million customers, we understand that Mr. Cooper must inspire confidence in all our stakeholders. Needless to say, the recent challenges facing certain regional banks only underscore this importance of a strong balance sheet and risk management. I'm pleased to report that Mr. Cooper ended 2022 with the strongest capital ratios in the company's history, including tangible net worth that exceeded 31% of total assets. Additionally, our liquidity was extremely robust, with cash and line availability at \$1.9 billion. During the year, robust capital and liquidity allowed us to grow our MSR portfolio and return \$239 million to shareholders through the repurchase of 5.4 million shares. Given the opportunities we foresee in the marketplace, I believe this will turn out to be a very accretive investment.

As with any leading company, Mr. Cooper's success depends on our people. Attracting and retaining diverse talent, maintaining an inclusive and purpose-driven environment, and engaging with our communities are top priorities. In 2022, our team came together to participate in nearly 50 volunteer events totaling more than 2,300 hours of service. Additionally, Mr. Cooper was certified as a Great Place to Work for the fourth year in a row. The company was included on Fortune's lists of Best in Financial Services and Best Workplaces in Texas and identified by Forbes as a Best Employer for Women.

In closing I would like to thank my fellow Coopers for their unwavering commitment to customers and colleagues. I would also like to express my appreciation to the board of directors for their guidance and to my fellow shareholders for your continued support.



Jay Bray
Chairman and CEO

MR. COOPER GROUP INC.
2022 ANNUAL REPORT ON FORM 10-K
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PART I.

Item 1. Business

The disclosures set forth in this item are qualified by Item 1A, Risk Factors and the section within Item 1, captioned “Caution Regarding Forward-Looking Statements.” Management’s Discussion and Analysis of Financial Condition and Results of Operations of this report and other cautionary statements are set forth elsewhere in this report.

OVERVIEW

Mr. Cooper Group Inc., including our consolidated subsidiaries (collectively, “Mr. Cooper,” the “Company,” “we,” “us” or “our”), is the largest non-bank servicer of residential mortgage loans in the U.S. according to the latest publications from Inside Mortgage Finance as of the third quarter of 2022, and a major mortgage originator. We also provide real estate owned (“REO”) disposition services through our Xome subsidiary.

Our success depends on working with residential mortgage borrowers (our customers), government sponsored and private investors, and business partners, to help customers achieve home ownership and manage what is typically their largest and most important financial asset. Investors primarily include government sponsored enterprises (“GSE”) such as the Federal National Mortgage Association (“Fannie Mae” or “FNMA”) and the Federal Home Loan Mortgage Corp (“Freddie Mac” or “FHLMC”), investors in private-label securitizations, the Government National Mortgage Association (“Ginnie Mae” or “GNMA”), as well as organizations owning mortgage servicing rights (“MSR”), which engage us to subservice. We are regulated both at the Federal and individual state levels.

We have provided a glossary of terms, which defines certain industry-specific and other terms that are used herein, in Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)*, of this Form 10-K.

On March 31, 2022, we completed the sale of certain assets and liabilities associated with our servicing and subservicing technology platform for performing and non-performing mortgage loans. Refer to *Note 3, Dispositions*, in the Notes to the Consolidated Financial Statements for further details.

BUSINESS SEGMENTS

We conduct our operations through two operating segments: Servicing and Originations.

See Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, and *Note 20, Segment Information* of the Notes to Consolidated Financial Statements in Item 8, for additional financial information about our segments.

Servicing

As of December 31, 2022, we served 4.1 million customers with an aggregate unpaid principal balance (“UPB”) of \$870 billion, consisting of \$411 billion in owned servicing and \$459 billion in subservicing and other. According to the latest publication by Inside Mortgage Finance as of the third quarter of 2022, we were the largest non-bank servicer and third largest residential mortgage servicer in the United States. During 2022, we acquired \$346 billion UPB of loans, with \$217 billion of UPB related to subservicing.

We service loans on behalf of investors or owners of the underlying mortgages. Servicing consists of collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses, such as taxes and insurance, performing loss mitigation activities on behalf of investors and otherwise administering our mortgage loan servicing portfolio.

Servicing

Where we own the right to service loans, we recognize MSR assets in our consolidated financial statements and have elected to mark this portfolio to fair value each quarter. We primarily generate recurring revenue through contractual servicing fees, which include late payment, modification, and other ancillary fees and interest income on custodial deposits. As the MSR owner, we are obligated to make servicing advances to fund scheduled principal, interest, tax and insurance payments when the mortgage loan borrower has failed to make the scheduled payments and to cover foreclosure costs and various other items that are required to preserve the assets being serviced. As the MSR owner, we generally have the right to solicit our customers for refinance opportunities, which are processed through our direct-to-consumer channel in our Originations segment. Additionally, we may

be able to modify or refinance loans pursuant to government programs and earn incentive fees or gain-on-sale revenues from redelivering modified loans to existing securitizations.

Subservicing

We service loans on behalf of clients who own the underlying servicing rights. Since we do not own the right to service the loan, we do not recognize an MSR asset in our consolidated financial statements. We primarily generate revenue based upon a stated fee per loan per month that varies based on the loan's delinquency status. As a servicer, we may be obligated to make servicing advances; however, advances are generally limited, with recoveries typically following within 30 days. Additionally, our exposure to foreclosure-related costs and losses is generally limited in our subservicing relationships as those risks are retained by the owner of the MSR. Capital requirements for subservicing arrangements are substantially lower than for owned MSRs.

In 2022, we continued to expand our subservicing portfolio, which grew from \$371 billion to \$459 billion in UPB and accounted for 53% of the total servicing portfolio as of December 31, 2022. We believe the expansion of subservicing operations allows us to leverage the scale of our technology and labor capital to provide cost effective servicing to customers while limiting the use of cash resources, thereby producing a higher return on equity.

Focus on the Customer

We are focused on providing quality service to our customers and building strong, lasting relationships. We have developed a culture of customer advocacy and celebrate and reward our team members for providing excellent service that helps our customers achieve their goal of homeownership and manage what is for many of them their largest financial asset. Additionally, we have invested significantly in technology solutions to improve the customer experience.

For each loan we service or subservice, we utilize a customer-centric model designed to increase borrower performance and to decrease borrower delinquencies. Keys to this model include frequent borrower interactions and utilization of multiple loss mitigation strategies, particularly in the early stages of default. We train our customer service representatives to find solutions that work for homeowners when circumstances allow. We believe this commitment to continued home ownership helps preserve neighborhoods and home values and improves asset performance for our investors.

Originations

Our Originations segment originates residential mortgage loans and provides refinance opportunities to our existing servicing customers through our direct-to-consumer channel and purchases loans from originators through our correspondent channel. In the fourth quarter of 2022, we launched our non-agency Jumbo loan product. According to the latest publication by Inside Mortgage Finance as of the third quarter of 2022, we were the 16th largest overall mortgage loan originator. During the year ended December 31, 2022, we funded \$28 billion. We generate revenue through gains related to the selling of mortgage loans sourced through our direct-to-consumer and correspondent channels and fees associated with originating loans. We originate and purchase conventional mortgage loans conforming to the underwriting standards of the GSEs. We also originate and purchase government-insured mortgage loans, which are insured by the Federal Housing Administration ("FHA"), Department of Veterans Affairs ("VA") and U.S. Department of Agriculture ("USDA").

We utilize warehouse facilities to fund originated loans. When we sell originated mortgage loans to secondary market investors, we generally retain the servicing rights on mortgage loans sold. The mortgage loans are typically sold within 30 days of origination in order to both mitigate credit risk and minimize the capital required. The majority of our mortgage loans were sold to, or were sold pursuant to, programs sponsored by Fannie Mae, Freddie Mac or Ginnie Mae.

In 2022, we completed actions to realign capacity in the Originations segment, consistent with reduced customer demand in a higher mortgage-rate environment. These actions resulted in the elimination of approximately 1,200 positions.

Direct-to-Consumer Channel

We originate loans directly with borrowers through our direct-to-consumer channel. This channel utilizes our call centers, website and mobile apps, specially-trained teams of licensed mortgage originators, predictive analytics and modeling utilizing proprietary data from our servicing portfolio to reach those of our existing 4.1 million servicing customers who may benefit from a new mortgage. Depending on borrower eligibility, we will refinance existing loans into conventional, government or non-agency products. Through lead campaigns and direct marketing, the direct-to-consumer channel seeks to convert leads into loans in a cost-efficient manner. We earn gain-on-sale revenues from securitizing newly-originated loans.

Our direct-to-consumer channel represented 63% and 48% of our mortgage originations for the years ended December 31, 2022 and 2021, respectively, based on funded volume. Pull through adjusted lock volume for this channel was \$14.8 billion in 2022 and \$36.6 billion in 2021.

Correspondent Channel

We purchase closed mortgage loans from community banks, credit unions, mortgage brokers and independent mortgage bankers. We primarily generate revenue from the receipt of underwriting fees from correspondents earned on a per loan basis, as well as the gain on sale of loans sold into the secondary market. The correspondent channel serves as a cost-effective means of acquiring new customer relationships for our servicing portfolio.

Our correspondent channel represented 37% and 52% of our mortgage originations for the years ended December 31, 2022 and 2021, respectively, based on funded volume. Pull through adjusted lock volume for this channel was \$10.1 billion in 2022 and \$39.8 billion in 2021.

Competition

Our Servicing segment primarily competes against large financial institutions and non-bank servicers. The subservicing market in which we operate is also highly competitive and we face competition related to subservicing pricing and service delivery. Our competitive position is also dependent on our ability to provide excellent customer service, manage delinquent loans and mitigate investor losses, demonstrate compliance with local, state, federal and investor regulations, and improve technology and processes while controlling our costs.

Our Originations segment competes based on product offerings, rates, fees and customer service. Many of our competitors consist of large banks or other financial institutions with greater financial resources, more diverse funding sources with lower funding costs, and less reliant on the sale of mortgage loans into the secondary markets to maintain their liquidity. Additionally, newer competitors are reinventing aspects of the mortgage loan industry and capturing profit pools historically collected by existing market participants.

Our primary competitive strength flows from our ability to market our products to our servicing portfolio customers. We believe our origination capabilities provide a significant advantage compared to other servicers and subservicers. Our Originations segment is highly dependent on our customer relationships. Many smaller and mid-sized financial institutions may find it difficult to compete in the mortgage industry due to the significant market share of the largest competitors, along with the continual need to invest in technology in order to reduce operating costs while maintaining compliance with underwriting standards and regulatory requirements. Our ability to win new clients and maintain existing customers is largely driven by the level of customer service we provide and our ability to comply and adapt to an increasingly complex regulatory environment.

Government Regulation

The residential mortgage industry is highly regulated. We are required to comply with a wide array of federal, state and local laws and regulations that regulate, among other things, the manner in which we conduct our servicing, originations and ancillary business and the fees we may charge. These regulations directly impact our business and require constant compliance.

Cyclicality and Seasonality

The U.S. residential real estate industry is seasonal, cyclical and affected by changes in general economic conditions. Industry demand is affected by consumer demand for home loans and the market for buying, selling, financing and/or refinancing residential real estate, which in turn, is affected by the national and global economy, regional trends, property valuations, interest rates, and socio-economic trends by state and federal regulations and programs which may accelerate or slow certain real estate trends.

Human Capital Resources

Over the last few years, we have cultivated a people-first culture, utilizing team member feedback to drive new initiatives. Mr. Cooper had approximately 6,600 employees as of December 31, 2022 across the U.S. and India.

As a company, Mr. Cooper is grounded in a set of intangible values - being challengers of convention, champions for our customers and cheerleaders for our team. Our most recent engagement survey, which led to our fourth Great Place to Work[®]

certification and inclusion on the 2022 Great Place to Work[®] and Fortune Best in Financial Services and Best Workplaces in Texas lists, shows how these intentional efforts are making a difference, with 88% of survey participants having said that Mr. Cooper is a great place to work.

Diversity and Inclusion Initiatives: Our success as a business is directly tied to our ongoing efforts to attract and retain diverse talent, promote fairness and equity, and maintain an inclusive and progressive environment where each team member can thrive. We established our internal Office of Diversity, Equity, and Inclusion to serve as a driver and a resource for our team members and the community. The Office of Diversity, Equity, and Inclusion has spearheaded numerous programs and had 12 Employee Resource Teams as of December 31, 2022. In 2022, the Office of Diversity, Equity, and Inclusion facilitated more than 60 hours of programming for team members, comprised of speaking engagements, career development workshops, and community service. Our efforts also extended to the community through housing education and outreach, resulting in over \$100 million in governmental funding secured to support homeowners in need.

Talent Management: We invest in attracting, developing and retaining the best talent, and we know that focusing on a holistic experience will continue to be key in our journey from better to best, so we operate an overarching Talent Management function, which combines our Training, Leadership Development and Talent Acquisition teams into one group. Over the past year, we offered our employees 325,000 hours of training across a broad range of categories, including leadership, inclusion, professional skills, and performance management.

Performance Management and Compensation: We abide by a pay for performance philosophy that links rewards to a team member's performance. Rewards are differentiated, which results in top performers receiving higher rewards, showing team members they are being compensated based on their individual contributions. To ensure our compensation practices are fair and market competitive, we evaluate our pay ranges every year using data from several industry surveys.

Additional Information

To learn more about Mr. Cooper Group Inc., please visit our website at www.mrcoopergroup.com. From time to time, we use our website as a channel of distribution of material Company information. We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") available free of charge under the Investors section of our website as soon as reasonably practicable after we electronically file the reports with, or furnish them to, the Securities and Exchange Commission ("SEC"). Our reports, proxy and information statements and other information filed electronically with the SEC can also be accessed at www.sec.gov.

Our website also provides access to reports filed by our directors, executive officers and certain significant stockholders pursuant to Section 16 of the Exchange Act. In addition, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics, and charters for the standing committees of our Board of Directors are available on our website. Any information on our website is not incorporated by reference into this Annual Report on Form 10-K.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the U.S. federal securities laws. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, core initiatives, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. When used in this discussion, the words "anticipate," "appears," "believe," "foresee," "intend," "should," "expect," "estimate," "project," "plan," "may," "could," "will," "are likely" and similar expressions are intended to identify forward-looking statements. These statements involve predictions of our future financial condition, performance, plans and strategies, and are thus dependent on a number of factors including, without limitation, assumptions and data that may be imprecise or incorrect. Specific factors that may impact performance or other predictions of future actions have, in many but not all cases, been identified in connection with specific forward-looking statements. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances, and we are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

A number of important factors exist that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- macroeconomic and U.S. residential real estate market conditions;

- changes in prevailing interest rates and/or changes in home prices;
- our ability to maintain or grow the size of our servicing portfolio;
- our ability to maintain or grow our originations volume and profitability;
- our ability to recapture voluntary prepayments related to our existing servicing portfolio;
- our shift in the mix of our servicing portfolio to subservicing, which is highly concentrated;
- delays in our ability to collect or be reimbursed for servicing advances;
- our ability to obtain sufficient liquidity and capital to operate our business;
- disruptions in the secondary home loans market;
- our ability to successfully implement our strategic initiatives and hedging strategies;
- our ability to realize anticipated benefits of our previous acquisitions;
- our ability to use net operating loss carryforwards and other tax attributes;
- changes in our business relationships or changes in servicing guidelines with Fannie Mae, Freddie Mac and Ginnie Mae;
- third-party credit, servicer and correspondent risks;
- our ability to pay down debt;
- our ability to manage legal and regulatory examinations and enforcement investigations and proceedings, compliance requirements and related costs;
- health pandemics, hurricanes, earthquakes, fires, floods and other natural catastrophic events;
- our ability to prevent cyber intrusions and mitigate cyber risks; and
- our ability to maintain our licenses and other regulatory approvals.

All of these factors are difficult to predict, contain uncertainties that may materially affect actual results and may be beyond our control. New factors emerge from time to time, and it is not possible for our management to predict all such factors or to assess the effect of each such factor on our business. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and any of these statements included herein may prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved. Please refer to Item 1A, *Risk Factors*, and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, sections of this report for further information on these and other factors affecting our business.

Item 1A. Risk Factors

You should carefully consider the following risk factors together with all of the other information included in this report, including the financial statements and related notes, when deciding to invest in us. The risks and uncertainties described below could materially adversely affect our business, financial condition and results of operations in future periods and are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations in future periods.

Risk Factor Summary

Market, Financial Reporting, Credit and Liquidity Risks

- Our revenues in Originations and Servicing are highly dependent on macroeconomic and U.S. residential real estate market conditions.
- Our earnings may decrease because of changes in prevailing interest rates and/or declines in home prices.
- We may be unable to obtain sufficient capital to operate our business, and our substantial indebtedness may limit our financial and operating activities and our ability to incur additional debt to fund future needs.
- A disruption in the secondary home loan market, including the MBS market, could have a detrimental effect on our business.
- If our estimates or assumptions in our financial models prove to be incorrect, it may affect our earnings.
- We may not realize all of the anticipated benefits of previous or potential acquisitions and dispositions.
- Our hedging strategies may not be successful in mitigating our risks associated with interest rates.
- We have third-party credit, servicer and correspondent risks.
- We may not be able to fully utilize our net operating loss (“NOL”), the IRS could challenge our NOL carry forwards and changes in legislation could negatively affect our ability to use the tax benefits associated with our NOL carry forwards.

Business & Operational Risks

Servicing

- A significant increase in delinquencies for the loans that we own and service could have a material impact on our revenues, expenses and liquidity and on the valuation of our MSRMs.
- We may not maintain or grow our business if we do not acquire MSRMs or enter into favorable subservicing agreements.
- We service higher risk loans which are more expensive to service than conventional mortgage loans.
- We are required to make servicing advances that can be subject to delays in recovery or may not be recoverable.
- Our counterparties may terminate our servicing rights and subservicing contracts.
- We could have a downgrade in our servicer ratings.

Originations

- We may not be able to maintain the volumes in our loan originations business.
- We may be required to indemnify or repurchase loans we sold, or will sell, if these loans fail to meet certain criteria.
- We are highly dependent upon loan programs administered by the Agencies to generate revenues.

Corporate/Other

- Our REO exchange business could be further impacted by delays in FHA foreclosure sales, as well as economic slowdowns and recessions.

General Business & Operational Risks

- We may not be successful in implementing certain strategic initiatives.

- Technology failures or cyber-attacks against us or our vendors could damage our business operations, and new laws and regulations could increase our costs.
- Our capital investments in technology may not achieve anticipated returns.
- We and our vendors have operations in India that could be adversely affected by changes in political or economic stability or by government policies.
- Our vendor relationships subject us to a variety of risks.
- Our risk management policies and procedures may not be effective.
- We could have, appear to have or be alleged to have conflicts of interest with Xome.
- Our business could suffer if we fail to attract, or retain, highly skilled employees and changes in our executive management team may be disruptive to our business.
- Negative public opinion could damage our reputation and adversely affect our business.
- We may have lapses in disclosure controls and procedures or internal control over financial reporting.
- Our business is subject to the risks of natural catastrophic events and health pandemics.

Regulatory and Legal Risks

- We operate within a highly regulated industry on federal, state and local levels.
- We are subject to numerous legal proceedings, federal, state or local governmental examinations and enforcement investigations.
- We are subject to state licensing and operational requirements that result in substantial compliance costs.
- Our business would be adversely affected if we lose our licenses.
- We may incur increased litigation costs and related losses if a court overturns a foreclosure or if a loan we are servicing becomes subordinate to a Home Owners Association lien.
- Delays in residential mortgage foreclosure proceedings could have a negative effect on our ability to liquidate loans timely and slow the recovery of advances and thus impact our earnings or liquidity.

Risks Related to Owning our Stock

- Our common stock is subject to transfer restrictions.
- Anti-takeover provisions in our charter and under Delaware law could limit certain stockholder actions.
- The market price of our common stock may decrease, resulting in a loss for investors.

Risk Factors

Market, Financial Reporting, Credit and Liquidity Risks

Our revenues in Originations and Servicing are highly dependent on macroeconomic and U.S. residential real estate market conditions.

Our success depends largely on the health of the U.S. residential real estate industry, which is seasonal, cyclical and affected by changes in general economic conditions beyond our control. Economic factors such as increased interest rates, inflation, slow economic growth or recessionary conditions, the pace of home price appreciation or the lack of it, changes in household debt levels, and increased unemployment or stagnant or declining wages affect our customers' income and thus their ability and willingness to make loan payments. Further, inflation remains high despite U.S. Federal Reserve continued increases in interest

rates to temper inflation, and leading economic indicators are signaling an economic recession on the horizon, which may have an adverse effect on our operations. Additionally, global events affect all such macroeconomic conditions. For example, the U.S. Federal Reserve's interest rate increases have resulted in increased global instability, leading to the largest sovereign drawdowns on record, as foreign central banks have attempted to defend their currencies. Global instability, compounded by the situation in Ukraine, has contributed to high levels of volatility in both equity and fixed-income markets. Weak, or a significant deterioration in economic conditions, reduces the amount of disposable income consumers have, which in turn reduces consumer spending and the willingness of qualified potential customers to take out loans. As a result, such economic factors affect loan origination volume. Additional macroeconomic factors including, but not limited to, rising government debt levels, the withdrawal or augmentation of government interventions into the financial markets, changing U.S. consumer spending patterns, changing expectations for inflation and deflation, and weak credit markets may create low consumer confidence in the U.S. economy or the U.S. residential real estate industry. Excessive home building or high foreclosure rates resulting in an oversupply of housing in a particular area may also increase the amount of losses incurred on defaulted mortgage loans. Any or all of the circumstances described above may lead to further volatility in or disruption of the credit markets at any time and adversely affect our financial condition.

Any uncertainty or deterioration in market conditions that leads to a decrease in loan originations will result in lower revenue on loans sold into the secondary market. Lower loan origination volumes generally place downward pressure on margins, thus compounding the effect of the deteriorating market conditions. Companies focusing on mortgage originations may experience severe financial distress and this may result in numerous companies exiting the mortgage business or filing bankruptcy. This could cause a contagion effect resulting in the banks which provide us financing lines to reduce the lines or increase financing costs. Such events could be detrimental to our business. Moreover, any deterioration in market conditions that leads to an increase in loan delinquencies will result in lower revenue for loans we service for the GSEs and Ginnie Mae as servicing fees are collected only for current performing loans. While increased delinquencies generate higher ancillary revenues, including late fees, these fees are sometimes unrecoverable if the related loan is liquidated. Increased delinquencies may also increase the cost of servicing the loans for all market participants. The decreased cash flow from lower servicing fees or higher cost to service could decrease the estimated value of our MSR's, resulting in recognition of losses when we write down those values. In addition, an increase in delinquencies lowers the interest income we receive on cash held in collection and increases our obligation to advance certain principal, interest, tax and insurance obligations owed by the delinquent mortgage loan borrower. An increase in delinquencies could therefore be detrimental to our business.

Our earnings may decrease because of changes in prevailing interest rates and/or declines in home prices.

Our profitability is directly impacted by changes in prevailing interest rates. Interest rates have risen further and faster than any time in modern history. The following are certain material risks we face related to changes in interest rates:

Servicing:

- a decrease in interest rates may increase prepayment speeds which lead to (i) increased amortization expense; (ii) decreased servicing fees; and (iii) decreased fair value of our MSR's;
- an increase in interest rates, together with an increase in monthly payments when an adjustable mortgage loan's interest rate adjusts upward from an initial fixed rate or a low introductory rate, may cause increased delinquency, default and foreclosure. Increased mortgage defaults and foreclosures may adversely affect our business as they increase our expenses and reduce the number of mortgages service fees that are collected. Additionally, payment savings on modifications are directly tied to market interest rates, and increasing interest rates may reduce the number of customers eligible to receive modifications or increase the likelihood of re-default for those who receive a modification. Loan modifications for government insured mortgages are more difficult in a high-rate environment, which may result in higher delinquency levels for loans in Ginnie Mae securities. An increase in interest rates also lowers unhedged early buyout ("EBO") revenues;

Originations:

- an increase in interest rates could adversely affect our loan originations volume because refinancing an existing loan would be less attractive for homeowners and qualifying for a purchase money loan may be more difficult for consumers;
- an increase in interest rates could also adversely affect our production margins due to increased competition among originators;

Other:

- an increase in interest rates could adversely affect Xome's REO exchange property sales, particularly non-distressed sales, as financing may become less attractive to borrowers;
- an increase in interest rates could increase the cost of servicing our outstanding debt, including our ability to finance servicing advances and loan originations and for borrowing for acquisitions; and
- a decrease in interest rates could reduce our earnings from our custodial deposit accounts.

Home prices in many areas of the country have risen dramatically. Forecasters are predicting nationwide home price declines in 2023, with home values deflating significantly, especially in those areas with the highest rates of increase. Falling home prices may result in higher defaults, greater loss severity, increased foreclosures and losses to investors and stakeholders. The decrease in housing values may greatly affect mortgage loan originations for years, with dramatic decreases in volume due in part from borrowers' inability to sell or refinance their properties as a result of the lower values. In addition, as investors take losses and liquidity in capital markets evaporates, investors and originators may tighten underwriting criteria and scrutiny of loan production. These events could decrease our revenue from loan originations or loan purchases, and increase our expenses due to repurchases, the resources needed to validate claims, and servicing costs to manage higher defaults and foreclosures.

Any of the foregoing could adversely affect our business, financial condition and results of operations.

A disruption in the secondary home loan market, including the MBS market, could have a detrimental effect on our business.

Demand in the secondary market and our ability to complete the sale or securitization of our mortgage loans depends on a number of factors, many of which are beyond our control. This includes general economic conditions, general conditions in the banking system, the willingness of lenders to provide funding for mortgage loans, the willingness of investors to purchase mortgage loans and MBS, and changes in regulatory requirements. In September 2022, the U.S. Federal Reserve withdrew from the mortgage securities market and ceased purchasing MBS. Additionally, the yield on U.S. Treasury bonds, often referred to as one of the primary market indicator rates, has increased sharply, and the spread between mortgage rates and 10-year Treasury yield has widened to 2008 financial crisis levels. Customers have little to no rate incentive to refinance and there is minimal demand from buyers of MBS. Any continued significant disruption or period of illiquidity in the general MBS market could directly affect our liquidity because no existing alternative secondary market would likely be able to accommodate on a timely basis the volume of loans that we typically sell in any given period. Accordingly, if the MBS market experiences a period of illiquidity, we may be prevented from selling the loans that we produce into the secondary market in a timely manner or at favorable prices, which could be detrimental to our business.

We may be unable to obtain sufficient capital to operate our business.

Our financing strategy includes the use of significant leverage because, to make servicing advances and fund originations, we require liquidity in excess of the capital generated by our operations. Accordingly, our ability to finance our operations depends on our ability to secure financing on acceptable terms and to renew and/or replace existing financings as they expire. These financings may not be available on acceptable terms or at all. Currently, credit default swaps for money center banks are now at levels last seen in late 2012, which could result in reduced availability and less favorable terms for liquidity facilities, especially for the mortgage industry. If we are unable to obtain these financings, we may need to raise the funds we require in the capital markets or through other means, any of which may increase our cost of funds.

We are generally required to renew a significant portion of our debt financing arrangements each year, which exposes us to refinancing and interest rate risks. Our ability to refinance existing debt and borrow additional funds is affected by a variety of factors including:

- the available liquidity in the credit markets;
- prevailing interest rates;
- an event of default, a negative ratings action by a rating agency and limitations imposed on us under the indentures governing our current debt that contain restrictive covenants and borrowing conditions that may limit our ability to raise additional debt;

- the strength of the lenders from which we borrow; and
- limitations on borrowings on advance facilities imposed by the amount of eligible collateral pledged, which may be less than the borrowing capacity of the advance facility.

If we are unable to obtain sufficient capital on acceptable terms for any of the foregoing reasons, this could adversely affect our business, financial condition and results of operations.

Our substantial indebtedness may limit our financial and operating activities and our ability to incur additional debt to fund future needs.

As of December 31, 2022, the aggregate principal amount of our unsecured senior notes was \$2,700 million. Although we and our subsidiaries have substantial indebtedness, we believe we have the ability to incur additional indebtedness in the future, subject to the limitations contained in the agreements governing our indebtedness. These agreements generally restrict us and our restricted subsidiaries from incurring additional indebtedness; however, these restrictions are subject to important exceptions and qualifications. If we incur additional debt, the related risks could be magnified and could limit our financial and operating activities.

Our current and any future indebtedness could:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal and interest on our current indebtedness and any indebtedness we may incur in the future, thereby reducing the funds available for other purposes;
- make it more difficult for us to satisfy and comply with our obligations with respect to the unsecured senior notes;
- subject us to increased sensitivity to increases in prevailing interest rates;
- place us at a competitive disadvantage to competitors with relatively less debt in economic downturns, adverse industry conditions or catastrophic external events; or
- reduce our flexibility in planning for or responding to changing business, industry and economic conditions.

In addition, our substantial level of indebtedness could limit our ability to obtain financing or additional financing on acceptable terms to fund future acquisitions, working capital, capital expenditures, debt service requirements, and/or general corporate and other purposes, which could have a material adverse effect on our business and financial condition. Our liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors outside of our control. Our substantial obligations could have other important consequences. For example, our failure to comply with the restrictive covenants in the agreements governing our indebtedness, which limit our ability to incur liens, to incur debt and to sell assets, could result in an event of default that, if not cured or waived, could harm our business or prospects and could result in our bankruptcy.

We use financial models that rely heavily on estimates in determining the fair value of certain assets and liabilities, such as MSRs and MSR financing liabilities, and if our estimates or assumptions prove to be incorrect, it may affect our earnings.

We use internal financial models that utilize, wherever possible, market participant data to value certain of our assets, including our MSRs and MSR financing liabilities and for purposes of financial reporting. These models are complex and use asset-specific collateral data and market inputs for interest and discount rates. In addition, the modeling requirements of MSRs are complex because of the high number of variables that drive cash flows associated with MSRs. Even if the general accuracy of our valuation models is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of the models. In determining value for MSRs, we make certain assumptions, many of which are beyond our control, including, among other things:

- the rates of prepayment and repayment within the underlying pools of mortgage loans and our ability to recapture mortgage prepayments through the origination platform;
- projected rates of delinquencies, defaults and liquidations;
- future interest rates;

- cost to service the loans;
- ancillary revenues; and
- amounts of future servicing advances.

If these assumptions or relationships prove to be inaccurate, if market conditions change or if errors are found in our models, the value of certain assets and liabilities could materially vary, which could impact our ability to satisfy minimum net worth covenants and borrowing conditions in our debt agreements and adversely affect our business, financial condition and results of operations.

We may not realize all of the anticipated benefits of previous or potential acquisitions and dispositions.

Our ability to realize the anticipated benefits of previous or potential acquisitions, including the acquisition of assets, will depend, in part, on our ability to scale-up to appropriately service these assets and integrate the businesses of the acquired companies with our business.

The risks associated with acquisitions include, among others:

- unknown or contingent liabilities;
- unanticipated issues in integrating information, management style, controls and procedures, servicing practices, communications and other systems including information technology systems;
- the value of non-cash consideration received and its potential change in value;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;
- not retaining key employees or clients; and
- inaccuracy of valuation and/or operating assumptions supporting our purchase price.

In the event that we acquire a platform, we may elect to operate this platform in addition to our current platform for a period of time or indefinitely. Individually or collectively, these transactions could substantially increase the UPB, or alter the composition of our portfolio of mortgage loans that we service or have an otherwise significant impact on our business. Additionally, we may make potentially significant acquisitions which could expose us to greater risks than we currently experience in servicing our current portfolio and adversely affect our business, financial condition and results of operations.

The risks associated with disposition include, among other things:

- difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner;
- destabilization of the applicable operations;
- loss of key personnel;
- ability to obtain necessary governmental or regulatory approvals;
- post-disposal disputes and indemnification obligations;
- access by purchasers to certain of our systems and tools during transition periods;
- the migration of data and separation of systems; and
- data privacy matters.

We can provide no assurances that we will enter into any such agreements or as to the timing of any potential strategic transactions. The strategic transaction process may disrupt our business including diverting management's attention from ongoing business concerns. We also may not realize all of the anticipated benefits of potential future strategic transactions, which could adversely affect our business, financial condition and results of operations.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates.

In our Originations segment, we use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. We also hedge MSRs in the current rate environments. The nature and timing of hedging transactions influence the effectiveness of these strategies. 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 be able to adequately 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 on favorable terms or at all, particularly during periods of heightened volatility or economic downturns. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

We have third-party credit, servicer and correspondent risks which could have a material adverse effect on our business, liquidity, financial condition and results of operation.

Consumer Credit Risk: We provide representations and warranties to purchasers and insurers of the loans that we sell that range between three years and the life of the loan. In the event of a breach of these representations and warranties, we may be required to repurchase a mortgage loan or indemnify the purchaser, and any subsequent loss on the mortgage loan may be borne by us. Our loss estimates are affected by factors both internal and external in nature, including, level of loan sales, as well as to whom the loans are sold, the expectation of credit loss on repurchases and indemnifications, our success rate at appealing repurchase demands, our ability to recover any losses from third parties, the overall economic condition in the housing market, the economic condition of borrowers, the political environment at investor agencies and the overall U.S. and world economies. Many of the factors are beyond our control and may lead to judgments that are susceptible to change. In adverse market conditions, loans may decrease in value due to an increase in delinquencies, borrower defaults and non-payments. In addition, property values may experience losses at liquidation due to extensions in foreclosure and REO sales timelines, as well as home price depreciation.

Counterparty Credit Risk: We are exposed to counterparty credit risk in the event of non-performance by counterparties to various agreements. Although certain credit facilities and warehouse lines are committed, we may experience a disruption in operations due to a lender withholding funds of a borrowing request on the respective credit facility.

Prior Servicer Risk: We service mortgage loans under guidelines set forth by regulatory agencies and GSEs. Failure to meet stipulations of the servicing guidelines can result in the assessment of fines and loss of reimbursement of loan related advances, expenses, interest and servicing fees. When the servicing of a portfolio is assumed either through purchase of servicing rights or through a subservicing arrangement, various loans in the acquired portfolio may have been previously serviced in a manner that will contribute towards our not meeting certain servicing guidelines. If not recovered from a prior servicer, such events frequently lead to the eventual realization of a loss to us. The recovery process against a prior servicer can be prolonged based upon the time required by us to meet minimum loss deductibles under the indemnification provisions in our agreements with the prior servicer and for the time requirements by the prior servicer to review underlying loss events and our request for indemnification. The amounts ultimately recovered from prior servicers may differ from our estimated recoveries recorded based on the prior servicer's interpretation of responsibility for loss, which could lead to our realization of additional losses.

Correspondent Risk: We purchase closed loans from correspondent lenders. The failure of these correspondent lenders to comply with any applicable laws, regulations and rules may subject us to monetary penalties or other losses. Although we have controls and procedures designed to assess areas of risk with respect to these acquired loans, including, without limitation, diligence regarding compliance with underwriting guidelines and applicable laws or regulations, we may not detect every violation of law by these correspondent lenders. In an economic downturn, a number of these correspondent lenders may not be financially viable, and any issues with respect to loans purchased from them and sold to Fannie Mae and Freddie Mac would transfer any manufacturing defect risk of origination to us. Additionally, we expect occupancy fraud and income fraud in the correspondent channel to increase. As housing prices and interest rates increase, loan terms become less favorable, and affordability becomes more challenging. As a result, borrowers may be more inclined to either inflate their income or misrepresent their occupancy intentions.

Any of the above could adversely affect our business, liquidity, financial condition and results of operations.

We may not be able to fully utilize our NOL and other tax carry forwards.

As of December 31, 2012, we had U.S. federal NOLs of approximately \$7.5 billion, of which approximately \$6.0 billion was allocated to the portion of 2012 after the ownership change described below, that, if unused, will begin to expire in 2031. As of

December 31, 2022, we had U.S. federal NOLs of approximately \$0.5 billion, of which \$0.3 billion were not subject to limitation under Section 382 of the United States Internal Revenue Code of 1986, as amended (the “Code”). Our ability to utilize NOLs and other tax carry forwards to reduce taxable income in future years could be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of such NOL carry forwards prior to their expiration and/or the Internal Revenue Service (“IRS”) challenges that a transaction or transactions were concluded with the principal purpose of evasion or avoidance of Federal income tax. There can be no assurance that we will have sufficient taxable income in later years to enable us to use the NOLs before they expire, or that the IRS will not challenge the use of all or any portion of the NOLs. Although we have certain transfer restrictions in place under our Certificate of Incorporation, our Board could issue additional shares of stock or permit or effect future conversions, amendments or redemptions of our stock, which, depending on their magnitude, could result in ownership changes that would trigger the imposition of additional limitations on the utilization of our NOLs under Sections 382 and 383 of the Code. In an attempt to minimize the likelihood of an additional ownership change occurring, our Certificate of Incorporation contains transfer restrictions limiting the acquisition (and disposition) of our stock or any other instrument treated as stock for purposes of Section 382 by persons or group of persons treated as a single entity under Treasury Regulation Section 1.382-3 owning (actually or constructively), or who would own as a result of the transaction, 4.75% of the total value of our stock (including any other interests treated as stock for purposes of Section 382). Nevertheless, it is possible that we could undergo an ownership change, either by events within or outside of the control of our Board, e.g., indirect changes in the ownership of persons owning 5% of our stock. In the event of a subsequent ownership change, all or part of the NOLs from 2012 and subsequent years that were not previously subject to limitations under Section 382 could also become subject to an annual limitation. Section 384 may also apply in the event of an ownership change resulting from an acquisition, which would limit the utilization of our NOLs to only certain income or gains generated from assets owned subsequent to the acquisition.

The IRS could challenge the amount, timing and/or use of our NOL carry forwards.

The amount of our NOL carry forwards has not been audited or otherwise validated by the IRS. Among other things, the IRS could challenge whether an ownership change occurred with the merger with Nationstar, as well as the amount, the timing and/or our use of our NOLs. Any such challenge, if successful, could significantly limit our ability to utilize a portion or all of our NOL carry forwards. In addition, calculating whether an ownership change has occurred within the meaning of Section 382 is subject to inherent uncertainty, both because of the complexity of applying Section 382 and because of limitations on a publicly traded Company’s knowledge as to the ownership of, and transactions in, its securities. Therefore, the calculation of the amount of our utilizable NOL carry forwards could be changed as a result of a successful challenge by the IRS or as a result of new information about the ownership of, and transactions in, our securities.

Possible changes in legislation could negatively affect our ability to use the tax benefits associated with our NOL carry forwards.

The rules relating to U.S. federal income taxation are periodically under review by persons involved in the legislative and administrative rulemaking processes, by the IRS and by the U.S. Department of the Treasury, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes, including decreases in the tax rate. Future revisions in U.S. federal tax laws and interpretations thereof could adversely impact our ability to use some or all of the tax benefits associated with our NOL carry forwards.

Business & Operational Risks

Servicing

A significant increase in delinquencies for the loans that we own and service could have a material impact on our revenues, expenses and liquidity and on the valuation of our MSRs.

- **Revenue.** An increase in delinquencies will result in lower revenue for loans we service for GSEs and Ginnie Mae as servicing fees are collected only for current performing loans. Additionally, while increased delinquencies generate higher ancillary revenues, including late fees, these fees do not offset the higher cost to service a delinquent loan and are sometimes unrecoverable if the loan is liquidated. In addition, an increase in delinquencies reduces cash held in collections and other accounts and lowers the interest income we receive.

- *Expenses.* An increase in delinquencies will result in a higher cost to service due to the increased time and effort required to collect payments from delinquent borrowers and an increase in interest expense as a result of an increase in our advancing obligations.
- *Liquidity.* An increase in delinquencies could also negatively impact our liquidity because of an increase in servicing advances resulting in an increase in borrowings under advance facilities and/or insufficient financing capacity to fund increases in advances.
- *Valuation of MSR's.* We base the price we pay for MSR's on, among other things, our projections of the cash flows from the related pool of mortgage loans based on market participant assumptions. Expectation of delinquencies is a significant assumption underlying those cash flow projections. If delinquencies were significantly greater than expected, the estimated fair value of our MSR's could be diminished. If the estimated fair value of MSR's is reduced, we would record a loss which would adversely impact our ability to satisfy borrowing conditions in our debt agreements which could have a negative impact on our financial results.

An increase in delinquency rates could therefore adversely affect our business, financial condition and results of operations.

We may not be able to maintain or grow our business if we do not acquire MSR's or enter into additional subservicing agreements on favorable terms.

Our servicing portfolio is subject to “run off,” meaning that mortgage loans serviced by us may be prepaid prior to maturity or repaid through standard amortization of principal. As a result, our ability to maintain the size of our servicing portfolio depends on our ability to acquire the right to service additional pools of residential mortgages, enter into additional subservicing agreements or to retain the servicing rights on newly originated mortgages. We have also shifted the mix of our servicing portfolio to a greater mix of subserviced loans. While we expect this strategy to have longer-term benefits, in the short-term, since subservicing revenues are earned on a fee per loan basis, this shift in our servicing portfolio to subservicing could reduce our revenue and earnings. In addition, we may not be able to maintain our pipeline of subservicing opportunities.

The Federal Housing Finance Agency (“FHFA”) could enact more stringent requirements on the GSEs, or other federal or state agencies may enact additional requirements that are more stringent regarding the purchase or sale of MSR's. Additionally, if we do not comply with our seller/servicer obligations, the investors may not consent to approve future transfers of MSR's.

If we do not acquire MSR's or enter into additional subservicing agreements on terms favorable to us, our business, financial condition and results of operations could be adversely affected.

Some of the loans we service are higher risk loans, which are more expensive to service than conventional mortgage loans and may lead to liquidity challenges.

Some of the mortgage loans we service are higher risk loans, meaning that the loans are to less credit worthy borrowers, delinquent or for properties the value of which has decreased. These loans are more expensive to service because they require more frequent interaction with customers and greater monitoring and oversight. Additionally, in connection with the ongoing mortgage market reform and regulatory developments, servicers of higher risk loans are subject to increased scrutiny by state and federal regulators and will experience higher compliance and regulatory costs, which could result in a further increase in servicing costs. We may not be able to pass along any of the additional expenses we incur in servicing higher risk loans to our servicing clients. The greater cost of servicing higher risk loans, which may be further increased through regulatory reform, consent decrees or enforcement, could adversely affect our business, financial condition and results of operations. We have a portfolio of higher risk loans guaranteed by Ginnie Mae. In an adverse economic scenario or a pandemic similar to COVID-19, where defaults rise rapidly and unexpectedly, we may have funding challenges since Ginnie Mae does not allow the separate utilization of advances as a form of collateral, and we may not be able to secure financing for advances on acceptable terms or at all. If we are unable to obtain these financings, we may need to raise the funds we require in the capital markets or through other means, any of which may increase our cost of funds. Additionally, Ginnie Mae issued new guidelines on early buyouts of reperforming loans which could affect our liquidity.

As a result of the COVID pandemic, most investors have changed their loss mitigation program procedures and requirements. New program interpretation, implementation, and testing are time intensive and are subject to operational risk. While we have extensive validation in place to ensure timeliness and accuracy of these updated loss mitigation programs, the multitude of changes and differences in programs announced by each investor creates risk of error. The risk subjects us to loss indemnification requirements.

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 borrower is not making payments, we are required under most of our servicing agreements to advance our own funds to meet contractual principal and interest remittance requirements for investors, pay property taxes and insurance premiums, legal expenses and other protective advances. We also advance funds to maintain, repair and market real estate properties on behalf of investors. As home values change, we may have to reconsider certain of the assumptions underlying our decisions to make advances, and in certain situations our contractual obligations may require us to make certain advances for which we may not be reimbursed. In addition, when a mortgage loan serviced by us defaults or becomes delinquent, the repayment to us of the advance may be delayed until the mortgage loan is repaid or refinanced or liquidation occurs. Market disruptions such as the COVID-19 pandemic and the response by the CARES Act and the GSEs, through which a temporary period of forbearance is being offered for customers unable to pay on certain mortgage loans may also increase the number of defaults, delinquencies or forbearances related to the loans we service, increasing the advances we make for such loans.

We have sold to a joint venture capitalized by certain entities formed and managed by New Residential Investment Corp. (“New Residential”) and certain third-party investors the rights to mortgage servicing rights and servicer advances related to certain loan pools. In connection with these transactions, New Residential purchased the equity of wholly owned special purpose subsidiaries of Mr. Cooper Group that issued limited recourse funding to finance the advances. We continue to service these loans. In the event that New Residential receives requests for advances in excess of amounts that they or their co-investors are willing or able to fund, we are obligated to fund these advance requests. Since we have transferred the related advance facilities to New Residential, we may have to obtain other sources of financing which may not be available. Our inability to fund these advances could result in a termination event under the applicable servicing agreement, an event of default under the advance facilities and a breach of our purchase agreement with New Residential. Our inability to fund these advance requests could adversely affect our business, financial condition and results of operations.

Our counterparties may terminate our servicing rights and subservicing contracts.

The owners of the loans we service and the primary servicers of the loans we subservice may, under certain circumstances, terminate our MSRs or subservicing contracts, respectively.

Agency Servicing: We are party to seller/servicer agreements and/or subject to guidelines and regulations (collectively, seller/servicer obligations) with both of the GSEs, FHA and Ginnie Mae. As is standard in the industry, under the terms of these seller/servicer agreements, the agencies have the right to terminate us as servicer of the loans we service on their behalf at any time and also have the right to cause us to sell the MSRs to a third party.

We are subject to minimum financial eligibility requirements established by the Agencies. These minimum financial requirements, include net worth, capital ratio and/or liquidity criteria in order to set a minimum level of capital needed to adequately absorb potential losses and a minimum amount of liquidity needed to service Agency mortgage loans and MBS and cover the associated financial obligations and risks. To meet these minimum financial requirements, we are required to maintain cash and cash equivalents in amounts that could impede us from growing our business and place us at a competitive disadvantage in relation to federally chartered banks and certain other financial institutions. These seller/servicer obligations include financial covenants that include capital requirements related to tangible net worth. On August 17, 2022, the FHFA and Ginnie Mae announced updated minimum financial eligibility requirements for GSE seller/servicers and Ginnie Mae issuers. The updated minimum financial eligibility requirements modify the definitions of tangible net worth and eligible liquidity, modify their minimum standard measurement and include a new risk-based capital ratio, among other changes. The majority of the updated requirements will become effective on September 30, 2023. On October 21, 2022, Ginnie Mae extended the compliance date for its risk-based capital requirements to December 31, 2024. Although we believe that we will be in compliance with these updated requirements, to the extent that these capital and liquidity requirements are not met, the applicable agency may suspend or terminate these agreements, which would prohibit us from further servicing these specific types of mortgage loans or being an approved servicer. If we are unable to meet these capital and liquidity requirements, this could adversely affect our business, financial condition and results of operations.

Subservicing: Our subservicing portfolio is highly concentrated with a small number of parties who may elect to transfer their subservicing relationship to other counterparties or may go out of business. As of December 31, 2022, 88% of our subservicing portfolio is with seven counterparties. Under our subservicing contracts, the primary servicers for which we conduct subservicing activities have the right to terminate our subservicing contracts with or without cause, with limited notice and with no termination

fee upon a change of control. Entering into additional subservicing contracts will expose us to similar risks with new counterparties.

If our servicing rights or subservicing contracts are terminated on a material portion of our servicing portfolio, this could adversely affect our business, financial condition and results of operations.

We could have a downgrade in our servicer ratings.

Standard & Poor's and Fitch rate us as a residential loan servicer. Favorable ratings from these agencies are important to the conduct of our loan servicing business. Downgrades in servicer ratings could:

- adversely affect our ability to finance servicing advances and maintain our status as an approved servicer by Fannie Mae, Freddie Mac, Ginnie Mae, and other investors;
- lead to the early termination of existing advance facilities and affect the terms and availability of advance facilities that we may seek in the future;
- cause our termination as servicer in our servicing agreements that require that we maintain specified servicer ratings; and
- further impair our ability to consummate future servicing transactions.

Any of the above could adversely affect our business, financial condition and results of operations.

Originations

We may not be able to maintain the volumes in our loan originations business, which would adversely affect our ability to replenish our servicing business.

The volume of loans funded within our loan originations business is subject to multiple factors, including changes in interest rates and availability of government programs. Volume in our originations business is based on the refinancing of existing mortgage loans that we service, which is highly dependent on interest rates and other macroeconomic factors, and originations through our Correspondent channel. Our loan origination volume may decline if interest rates increase, if government programs terminate and are not replaced with similar programs or if we cannot replace this volume with other loan origination channels such as Correspondent, new customer acquisitions or purchase money loans. Any such slowdown may materially decrease the number and volume of mortgages we originate. As interest rates have rapidly risen, our refinancing volumes have significantly decreased as fewer consumers are incentivized to refinance their mortgages. As a result, our Originations revenues have decreased substantially. In addition, consumers are increasingly completing the mortgage process using online and/or digital tools. The proliferation of these tools and their ease of use may present challenges in retaining and attracting new loan applicants if we are unable to effectively implement new technology-driven products and services as quickly as competitors or be successful in marketing these products and services to consumers. Additionally, newer market participants, often called "disruptors," are reinventing aspects of the mortgage loan industry and capturing profit pools historically collected by existing market participants. As a result, the lending industry could become even more competitive if new market participants are successful in capturing market share from existing market participants such as ourselves. If we are unable to maintain our loan originations volume, our business, financial condition and results of operations could be adversely affected.

We may be required to indemnify or repurchase loans we sold, or will sell, if these loans fail to meet certain criteria or characteristics or under other circumstances.

The indentures governing our securitized pools of loans and our contracts with purchasers of our whole loans contain provisions that require us to indemnify or repurchase the related loans under certain circumstances. While our contracts vary, they contain provisions that require us to repurchase loans if:

- our representations and warranties concerning loan quality and loan circumstances are inaccurate, including representations concerning the licensing of a mortgage broker;
- we fail to secure adequate mortgage insurance within a certain period after closing;
- a mortgage insurance provider denies coverage;

- we fail to comply, at the individual loan level or otherwise, with regulatory requirements in the current dynamic regulatory environment; or
- the borrower fails to make certain initial loan payments due to the purchaser, or terminates employment between the time validation is performed and the time the loan funds.

We are subject to repurchase claims and may continue to receive claims in the future. If we are required to indemnify or repurchase loans that we originate or have previously originated and sell or securitize that result in losses that exceed our reserve, this could adversely affect our business, financial condition and results of operations.

We are highly dependent upon loan programs administered by Fannie Mae, Freddie Mac, the Federal Housing Administration, the Department of Veterans Affairs, the US Department of Agriculture and Ginnie Mae (collectively, the “Agencies”) to generate revenues through mortgage loan sales to institutional investors.

There are various proposals which deal with GSE reform, including winding down the GSEs and reducing or eliminating over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders and investors in the mortgage market, including reducing the maximum size of loans that the GSEs can guarantee, phasing in a minimum down payment requirement for borrowers, improving underwriting standards and increasing accountability and transparency in the securitization process. In September 2019, the Trump Administration’s Treasury Department released its report on mortgage finance reform that commits to move the GSEs out of conservatorship and shrink their role and that of any possible additional chartered guarantors in the overall housing finance market. The Biden Administration has replaced the director of the FHFA, is rolling back GSE reforms and is expected to reverse the Trump Administration’s plans to end the conservatorship of the GSEs. Thus, the long-term future of the GSEs is still uncertain.

Our ability to generate revenues through mortgage loan sales to institutional investors depends to a significant degree on programs administered by the Agencies that facilitate the issuance of mortgage-backed securities in the secondary market. These Agencies play a critical role in the residential mortgage industry, and we have significant business relationships with many of them. Almost all of the conforming loans we originate qualify under existing standards for inclusion in guaranteed mortgage securities backed by one of these Agencies. We also derive other material financial benefits from these relationships, including the assumption of credit risk on loans included in such mortgage securities in exchange for our payment of guarantee fees and the ability to avoid certain loan inventory finance costs through streamlined loan funding and sale procedures. If it is not possible for us to complete the sale or securitization of certain of our mortgage loans due to changes in Agency programs, we may lack liquidity under our mortgage financing facilities to continue to fund mortgage loans, and our revenues and margins on new loan originations would be materially and negatively impacted.

Our GNMA loan portfolio may experience higher default risk as these loans typically have high Loan to Value Ratios (LTV). In case of default, we may not recover all servicing expenses and experience losses due to limited collateral value. The loss can be higher if there is any structural damage to the property due to natural disasters such as floods, fire, hurricanes and other environmental factors from climate change. A requirement of FHA is to convey property in habitable condition, and damage from natural hazards may require us to repair properties to conveyable condition. Our loan originations business may not be able to sell these loans, and we may not recover all our capital which leads to higher losses. Additionally, we may not be able to recover all expenses related to damage caused by water and wind. Inflationary pressures may limit a borrower’s disposable income which may lead to additional incumbrances on title, impeding our foreclosure efforts. Our REO portfolio from foreclosed government loans, may experience higher losses due to declines in market value and extended sale timelines. This may occur due to multiple factors beyond our control, such as higher interest rates, which would limit a potential buyer’s capacity to purchase, inflationary pressure limiting surplus cash or economic deterioration of local neighborhoods where properties are located. Our servicing business may experience higher advance requirements, increasing our interest expense cost from credit lines.

We are largely reliant on Agency MBS issuances to sell the loans that we originate. In recent years, the Agencies have instituted periodic limits on products such as investor properties, second homes, and products with multiple risk characteristics such as borrowers with below average credit scores and high LTV. If these periodic limits for purchasing these loans become permanent, we must find other investors for loans within our pipeline, which may be at a material discount to the expected pricing.

Any discontinuation of, or significant reduction in, the operation of these Agencies or any significant adverse change in the level of activity in the secondary mortgage market or the underwriting criteria of these Agencies could materially and adversely affect our business, liquidity, financial position and results of operations.

Corporate/Other

Our REO exchange business could be further impacted by delays in FHA foreclosure sales, as well as economic slowdowns and recessions.

The foreclosure moratoriums instituted during the COVID-19 pandemic have impacted and are continuing to impact our REO exchange business. The Exchange business consists of the Xome.com auction platform that provides efficient execution for sales of foreclosed properties. States, agencies and regulators have previously issued forbearance programs and placed a moratorium on foreclosures and evictions. Many of the measures have been lifted; however, there has been a delay in the selling of FHA foreclosed properties, which adversely impacts our REO exchange revenues. A continued economic slowdown, recession, or declining consumer confidence in the economy could have a material adverse effect on values of residential real estate properties. The volume of residential real estate transactions is highly variable which is primarily affected by the average price of real estate sales, the availability of funds to finance purchases, mortgage interest rates, consumer confidence in the economy and general economic factors affecting the real estate markets. A decline in real estate transactions could materially and adversely affect our REO exchange business.

General Business & Operational Risks

We may not be successful in implementing certain strategic initiatives.

Certain strategic initiatives, which are designed to improve our results of operations and drive long-term stockholder value, include:

- Strengthen our balance sheet by building capital and liquidity, and managing interest rate and other forms of risk;
- Improve efficiency by driving continuous improvement in unit costs for Servicing and Originations segments, as well as by taking corporate actions to eliminate costs throughout the organization;
- Grow our servicing portfolio to \$1 trillion in UPB by acquiring new customers and retaining existing customers;
- Achieve and sustain a refinance recapture rate of 60%;
- Delight our customers and keep Mr. Cooper a great place for our team members to work;
- Reinvent the customer experience by acting as the customer's advocate and by harnessing technology to deliver digital solutions that are personalized and friction-less;
- Sustain the talent of our people and the culture of our organization; and
- Maintain strong relationships with agencies, investors, regulators, and other counterparties and a strong reputation for compliance and customer service.

There is no assurance that we will be able to successfully implement these strategic initiatives, that we will be able to realize all of the projected benefits of our plans or that we will be able to compete successfully in new markets and our efforts may be more expensive and time consuming than we expect, which could adversely affect our business, financial condition and results of operations.

Technology failures or cyber-attacks against us or our vendors could damage our business operations, and new laws and regulations could increase our costs.

The business industry as a whole is characterized by rapidly changing technologies, system disruptions and failures caused by fire, power loss, telecommunications failures, system misuse, unauthorized intrusion (cyber-attack), computer viruses and disabling devices, natural disasters, health pandemics and other similar events that may interrupt or delay our ability to provide services to our borrowers. As a part of conducting business, we receive, transmit and store a large volume of personally identifiable information and other user data. Additionally, Xome is highly dependent on information technology networks and systems to securely process, transmit and store sensitive electronic information. Cybersecurity risks for the financial services industry have increased significantly in recent years due to new technologies, the reliance on technology to conduct financial transactions and the increased sophistication of organized crime and hackers. Those parties also may attempt to misrepresent personal or financial information to obtain loans or other financial products from us or attempt to fraudulently induce employees,

customers, or other users of our systems to disclose confidential information in order to gain access to our data or that of our customers. Additionally, cyberattacks on financial institutions are increasingly becoming a tactical risk of modern warfare. Cyberattacks performed as an act of war are typically excluded from insurance coverage and could result in material financial loss to the organization with limited recourse from insurance providers. We and others in our industry are regularly the subject of attempts by attackers to gain unauthorized access to our networks, systems, and data, or to obtain, change, or destroy confidential data (including personal identifying information of individuals) through a variety of means, including computer viruses, malware, phishing, ransomware and other attack vectors. These attacks may result in unauthorized individuals obtaining access to our confidential information or that of our customers, or otherwise accessing, damaging, or disrupting our systems or infrastructure. In addition, to access our products and services, including our Home Intelligence app, our customers may use personal smartphones, tablet PCs, and other mobile devices that are beyond our control systems. Third parties with which we do business or that facilitate our business activities or vendors that provide services or security solutions for our operations could also be sources of operational risk and information security risk to us, including from cyber-attacks, information breaches or loss, breakdowns, disruptions or failures of their own systems or infrastructure, or any deficiencies in the performance of their responsibilities. Security breaches, acts of vandalism and developments in computer intrusion capabilities could cause our financial, accounting, data processing or other operating systems and facilities to fail to operate properly or become disabled and could result in a compromise or breach of the technology that we or our vendors use to protect our borrowers' personal information and transaction data.

Despite our efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate or implement effective preventive measures against all internal and external security breaches, especially because the techniques used change frequently, are becoming more sophisticated and are not recognized until launched, and because security attacks can originate from a wide variety of sources. This is especially applicable in the shift to having most of our team members work in a home-centric environment, as our team members access our secure networks through their home networks. These risks may increase in the future as we continue to increase our reliance on telecommunication technologies (including mobile devices), the internet and use of web-based product offerings.

While we have implemented policies and procedures designed to help mitigate cybersecurity risks and cyber intrusions, there can be no assurance that any such cyber intrusions, whether external or internal, will not occur or, if they do occur, that they will be adequately addressed. A successful penetration or circumvention of the security of our or our vendors' systems or a defect in the integrity of our or our vendors' systems or cybersecurity could cause serious negative consequences for our business, including significant disruption of our operations, misappropriation of our confidential information or that of our customers, or damage to our computers or operating systems and to those of our customers and counterparties. Any of the foregoing events could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation exposure and harm to our reputation, all of which could adversely affect our business, financial condition and results of operations. This risk is enhanced in certain jurisdictions with stringent data privacy laws. For example, the California Consumer Privacy Act of 2018 which went into effect in January 2020, as amended by the California Privacy Rights Act, which went into effect in January 2023 (collectively, the "Privacy Acts"), provides data privacy rights for consumers and operational requirements for us. The Privacy Acts include a statutory damages framework and private rights of action against businesses that fail to comply with certain Privacy Acts terms or implement reasonable security procedures and practices to prevent data breaches. Several other states, including Colorado, Connecticut, Utah and Virginia, have enacted or are considering similar legislation. Additionally, 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.

In addition, increasing attention is being paid by the media, regulators and legislators to matters relating to cybersecurity, and regulators and legislators may enact laws or regulations regarding cybersecurity. For example, the New York Department of Financial Services has adopted regulations that are far-ranging in scope, including not only specific technical safeguards but also requirements regarding governance, incident planning, data management and system testing. New laws and regulations could result in significant compliance costs, which may adversely affect our cash flows and net income.

Our capital investments in technology may not achieve anticipated returns.

Our business is becoming increasingly reliant on technology investments, and the returns on these investments are less predictable. We are currently making, and will continue to make, significant technology investments to support our originations and servicing offerings by implementing improvements to our customer-facing technology and evolving our information processes and computer systems to run our business more efficiently and remain competitive and relevant to our customers.

Additionally, we have sold certain intellectual property rights related to our proprietary, cloud-based technology platform for mortgage servicing and received an equity stake in the buyer. These technology initiatives might not provide the anticipated benefits or may provide them on a delayed schedule or at a higher cost. We must monitor and choose the right investments and implement them at the right pace. Failing to make the best investments or making an investment commitment significantly above or below our needs could result in the loss of our competitive position and adversely impact our financial condition and results of operations.

We and our vendors have operations in India that could be adversely affected by changes in political or economic stability or by government policies.

We currently have operations located in India, which is subject to relatively higher degrees of political and social instability and may lack the infrastructure to withstand political unrest or natural disasters. The political or regulatory climate in the United States, or elsewhere, also could change so that it would not be lawful or practical for us to use international operations in the manner in which we currently use them. If we or our vendors had to curtail or cease operations in these countries and transfer some or all of these operations to another geographic area, we would incur significant transition costs as well as higher future overhead costs that could materially and adversely affect our results of operations. In many foreign countries, particularly in those with developing economies, it may be common to engage in business practices that are prohibited by laws and regulations applicable to us, such as The Foreign Corrupt Practices Act of 1977, as amended (“FCPA”). Any violations of the FCPA or local anti-corruption laws by us, our subsidiaries or our local agents could have an adverse effect on our business and reputation and result in substantial financial penalties or other sanctions.

Our vendor relationships subject us to a variety of risks.

We have significant 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 the applicable servicing criteria, we assess compliance with the applicable servicing criteria for the applicable vendor (or in certain cases require vendors to provide their own assessments and attestations) and are required to have procedures in place to provide reasonable assurance that the vendor’s activities comply in all material respects with servicing criteria applicable to the vendor. In the event that a vendor’s activities do not comply with the servicing criteria, it could negatively impact our servicing agreements. Additionally, key vendors may misuse our data which could expose our customers to unauthorized transactions or other potential adverse events, which may adversely affect our business and reputation. In addition, if our current vendors were to stop providing services to us on acceptable terms, including as a result of one or more vendor bankruptcies, we may be unable to procure alternatives 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 could have, appear to have or be alleged to have conflicts of interest with Xome.

Xome provides services to us which could create, appear to create or be alleged to create conflicts of interest. By obtaining services from a subsidiary, there is risk of possible claims of collusion or claims that such services are not provided by Xome upon market terms. We have adopted policies, procedures and practices that are designed to identify and address conflicts of interest. In addition, we undertake practices to identify and deal with potential conflicts. Further, we have engaged an independent third party to conduct a pricing study in an attempt to ensure that the fees charged are customary and reasonable. However, there can be no assurance that such measures will be effective in eliminating all conflicts of interest or that third parties will refrain from making such allegations. Appropriately identifying and dealing with conflicts of interest is complex and difficult, and our reputation, which is one of our most important assets, could be damaged and the willingness of counterparties to enter into transactions with us may be affected if we fail, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

Our risk management policies and procedures may not be effective.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established policies and procedures intended to identify, monitor and manage the types of risk to which we are subject, including credit risk, market and interest rate risk, liquidity risk, cyber risk, regulatory, legal and reputational risk. Although we have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future, these policies and procedures, as well as our risk management techniques such as our hedging strategies, may not be fully effective. There may also be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. As regulations and markets in which we operate continue to evolve, our risk management framework may not always keep sufficient

pace with those changes. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

Our business could suffer if we fail to attract, or retain, highly skilled employees and changes in our executive management team may be disruptive to 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. Many of the companies with which we compete for experienced employees are large banks who 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. In 2022, we had staffing reductions of approximately 1,400 team members, including 1,200 team members in our Originations segment. We may be exposed to unanticipated consequences of our staffing reductions, including attrition beyond the planned reductions, increased difficulties in our day-to-day operations, including a loss of continuity, loss of accumulated knowledge and/or efficiency, reduced employee morale and reduced ability to attract and retain qualified personnel. Employees who were not affected by our planned staffing reductions may seek alternate employment, which may harm our productivity.

Additionally, the experience of our executive management team is a valuable asset to us. Our executive management team has significant experience in the residential loan originations and servicing industry and would be difficult to replace. 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.

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

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 and debt collection practices, technology failures, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative public opinion can also result from media coverage, whether accurate or not. Additionally, the proliferation of social media websites as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our customers in an unauthorized manner in various social media outlets. Negative public opinion can adversely affect our ability to attract and retain customers, trading counterparties and employees and can expose us to litigation and regulatory action.

Lapses in disclosure controls and procedures or internal control over financial reporting could materially and adversely affect our operations, profitability or reputation.

Our disclosure controls and procedures may not be effective in every circumstance. Similarly, we may experience a material weakness or significant deficiency in internal control over financial reporting. Any lapses or deficiencies may materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to spend significant resources to correct the lapses or deficiencies, expose us to regulatory or legal proceedings, subject us to fines, penalties or judgments, harm our reputation, or otherwise cause a decline in investor confidence.

Our business is subject to the risks of earthquakes, hurricanes, fires, floods, health pandemics and other natural catastrophic events.

Earthquakes, hurricanes, fires, floods, health pandemics, such as COVID-19, and similar events could have a material adverse effect on the macro economy and affect our loan servicing costs, increase our servicing advances, increase servicing defaults and negatively affect the value of our MSRs.

Regulatory and Legal Risks

We operate within a highly regulated industry on federal, state and local levels and our business results are significantly impacted by the laws and regulations to which we are subject, as well as scrutiny from governmental or regulatory agencies.

As a national mortgage services firm, we are subject to extensive, complex and comprehensive regulation under federal, state and local laws in the United States, as well as governmental scrutiny from regulators and law enforcement agencies. These laws, regulations and governmental inquiries can significantly affect the way that we do business, can restrict the scope of our existing businesses, limit our ability to expand our product offerings or to pursue acquisitions, or can make our costs to service or originate loans higher, which could impact our financial results.

Federal, state and local governments have proposed or enacted numerous laws, regulations and rules related to mortgage loans. Due to the highly regulated nature of the residential mortgage industry, we are required to comply with a wide array of federal, state and local laws and regulations that regulate, among other things, the manner in which we conduct our servicing, originations and ancillary business and the fees we may charge. These regulations directly impact our business and require constant compliance, which includes enhancing our compliance program, procedures and controls, monitoring and internal and external audits. A failure in maintaining an effective compliance program or a material failure to comply with any of these laws or regulations could subject us to lawsuits or governmental actions, which could materially adversely affect our business, financial condition and results of operations. In addition, there continue to be changes in legislation and licensing, which require technology changes and additional implementation costs for loan originators and new state and federal privacy legislation could impact mortgage operations, marketing, and data governance. We expect legislative changes will continue in the foreseeable future, which may increase our operating expenses. For example, on December 30, 2022 the state of New York signed into law a new measure which limits the time a servicer has to foreclose on a customer without losing rights to the underlying property. The law has not yet had sufficient time to be tested or challenged, but could subject the company to direct credit losses on VA loans and substantial losses for investors in properties in New York which could increase the potential of losses to the company. Furthermore, there continue to be changes in state laws that are adverse to mortgage servicers that increase costs and operational complexity of our business and impose significant penalties for violation. Any of these changes in law could adversely affect our business, financial condition and results of operations.

Regulatory requirements or changes to existing requirements that the CFPB or other federal or state agencies, including HUD and the FCC, could require changes in our business, result in increased compliance and operational costs and impair the profitability of such business. For example, Regulation C of the Home Mortgage Disclosure Act (“HMDA”) requires us to collect and report certain mortgage data for every loan application. These requirements for gathering and submitting large amounts of data regarding loan applications to regulators and the public are complex. Thus, any inadvertent errors in our gathering or reporting the data could result in fines or penalties being levied by the CFPB or other regulators against us. In addition, the authority of state attorneys general to bring actions to enforce federal consumer protection legislation, as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), could be expanded and we could be subject to additional state lawsuits and enforcement actions, thereby further increasing our legal and compliance costs. The cumulative effect of these changes could result in a material impact on our earnings. The implementation of the originations and servicing rules by the CFPB and the CFPB’s continuing examinations of our business, which we expect to increase and intensify under new CFPB leadership, could increase our regulatory compliance burden and associated costs and place restrictions on our operations, which could in turn adversely affect our business, financial condition and results of operations. Additionally, our subservicing of loans for federally regulated depositories creates indirect regulatory risk with the OCC, FDIC, and the U.S. Federal Reserve. Recent enforcement actions by these regulators over competitors in the mortgage servicing business increases our risks with both the CFPB and indirectly through our subservicing business partners.

We could be subject to additional regulatory requirements or changes under the Dodd-Frank Act beyond those currently proposed, adopted or contemplated. There also continues to be discussion of potential GSE reform which would likely affect markets for mortgages and mortgage securities in ways that cannot be predicted. In addition, FHFA initiatives may be implemented by the GSEs that could materially affect the market for conventional and/or government insured loans.

Individual states have also been active, as have other regulatory organizations such as the Multi-State Mortgage Committee, as well as various state Attorneys General. We also believe there has been a shift among certain regulators towards a broader view of the scope of regulatory oversight responsibilities with respect to mortgage originators and servicers. In addition to their traditional focus on consumer protection laws, licensing and examination matters, certain regulators have begun to make observations, recommendations or demands with respect to such areas as corporate governance, low-to-moderate income lending requirements, safety and soundness, and risk and compliance management.

Certain regulators took steps to block the acquisition of MSRs by one of our competitors. It is possible that we could become subject to similar actions with respect to our acquisition of MSRs or other key business operations such as entering into subservicing contracts, which could adversely affect our business, financial condition and results of operations.

The influx of new laws, regulations, and other directives adopted in response to the COVID-19 pandemic exemplifies the ever-changing and increasingly complex regulatory landscape we operate in. While some regulatory reactions to COVID-19 may have relaxed certain compliance obligations (e.g., relaxing work location requirements for loan personnel working remotely during COVID-19 emergency declarations) the forbearance requirements imposed on mortgages servicers in the CARES Act added new regulatory responsibilities. While some regulators have granted permanent ability to work away from a licensed location, those that have not may determine that prior leniency surrounding work locations may no longer apply. The GSEs and the FHFA, Ginnie Mae, HUD, various investors and others have also issued guidance relating to COVID-19. We have received, and may continue to receive, inquiries from various federal and state lawmakers, attorneys general and regulators seeking information on our COVID-19 response and its impact on our business, team members, and clients. Future regulatory scrutiny and enforcement resulting from COVID-19 is unknown.

Additionally, the CFPB iteratively adopted rules over the course of several years regarding mortgage servicing practices that required us to make modifications and enhancements to our mortgage servicing processes and systems. While the CFPB announced its flexible supervisory and enforcement approach during the COVID-19 pandemic on certain consumer communications required by the mortgage servicing rules, managing to the CFPB's loss mitigation rules with CARES Act forbearance requests is challenging. If we are unable to comply with, or face allegations that we are in breach of, applicable laws, regulations or other requirements, we may face regulatory action, including fines, penalties, and restrictions on our business. In addition, we could face increased litigation, including class action lawsuits, and reputational damage.

We are subject to numerous legal proceedings, federal, state or local governmental examinations and enforcement investigations. Some of these matters are highly complex and slow to develop, and results are difficult to predict or estimate.

Legal Proceedings: We are routinely and currently involved in a significant number of legal proceedings concerning matters that arise in the ordinary course of our business. There is no assurance that the number of legal proceedings will not increase in the future, including certified class or mass actions. These legal proceedings range from actions involving a single plaintiff to putative class action lawsuits. These actions and proceedings are generally based on alleged violations of consumer protection, securities, employment, contract, tort, common law fraud and numerous other laws, including, but not limited to, the Equal Credit Opportunity Act, Fair Debt Collection Practices Act, Fair Credit Reporting Act, Real Estate Settlement Procedures Act, National Housing Act, Homeowners Protection Act, Servicemember's Civil Relief Act, Telephone Consumer Protection Act, Truth in Lending Act, Financial Institutions Reform, Recovery, and Enforcement Act of 1989, unfair, deceptive or abusive acts or practices in violation of the Dodd-Frank Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Home Mortgage Disclosure Act, the Bankruptcy Code, False Claims Act, the CARES Act and Making Home Affordable loan modification programs (while MHA programs have ended, claims may continue to arise). Additionally, along with others in our industry, we are subject to repurchase and indemnification claims and may continue to receive claims in the future, regarding alleged breaches of representations and warranties relating to the sale of mortgage loans, the placement of mortgage loans into securitization trusts or the servicing of mortgage loan securitizations. We are also subject to legal actions or proceedings related to loss sharing and indemnification provisions of our various acquisitions. Additionally, third parties may assert claims against us that our content, website processes or software applications infringe their intellectual property rights. Certain of the pending or threatened legal proceedings include claims for substantial compensatory, punitive and/or, statutory damages or claims for an indeterminate amount of damages.

In 2022, we had staffing reductions of approximately 1,400 team members, including 1,200 team members in our Originations segment. These reductions could create an additional risk of claims being made on behalf of affected employees. Any alleged violation of applicable wage laws or other labor-or employment-related laws could result in complaints by current or former employees, adverse media coverage, investigations and damages or penalties, which could have a materially adverse effect on our reputation, business, operating results and prospects. In addition, responding to any such proceeding may result in a significant diversion of management's attention and resources, significant defense costs and other professional fees.

Litigation and other proceedings may require that we pay settlement costs, legal fees, damages, including punitive damages, penalties or other charges, or be subject to injunctive relief affecting our business practices, any or all of which could adversely affect our financial results. In particular, ongoing and other legal proceedings brought under federal or state consumer protection statutes may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages substantially in excess of the amounts we earned from the underlying activities and that could have a material adverse effect on our liquidity, financial position and results of operations. The costs of responding to the investigations can be substantial.

Regulatory Matters: We operate within highly regulated industries on a federal, state and local level. In the normal and ordinary

course of our business, we are routinely subject to extensive examinations, investigations, subpoenas, inquiries and reviews by various federal, state and local governmental, regulatory and enforcement agencies, including CFPB, the Securities and Exchange Commission, the Department of Justice, the Office of the Special Inspector General for the Troubled Asset Relief Program, the U.S. Department of Housing and Urban Development, various State mortgage banking regulators and various State Attorneys General, related to our residential loan servicing and origination practices, our financial reporting and other aspects of our businesses. For example, in 2020, we resolved certain legacy regulatory matters with the CFPB, the multi-state committee of mortgage banking regulators and various State Attorneys General, and the Executive Office of the United States Trustee, all of which involved findings from examinations and discussions that were completed in 2014 and 2015, and related to certain loan servicing practices which occurred during 2010 through 2015. Several large mortgage originators or servicers have been subject to similar matters, which have resulted in the payment of fines and penalties, changes to business practices and the entry of consent decrees or settlements. The trend of large settlements with governmental entities may adversely affect the outcomes for other financial institutions, including us. We continue to manage our response to each matter, but it is not possible for us to confidently or reliably predict the outcome of any of them, including predicting any possible losses resulting from any judgments or fines, which can lead to substantial disparities between legal reserves and subsequent settlements or penalties.

Responding to these matters requires us to devote substantial legal and regulatory resources, resulting in higher costs and lower net cash flows. Adverse results in any of these matters could further increase our operating expenses and reduce our revenues, require us to change business practices, limit our ability to grow and otherwise materially and adversely affect our business, reputation, financial condition and results of operation. To the extent that an examination or other regulatory engagement reveals a failure by us to comply with applicable law, regulation or licensing requirement this could lead to (i) loss of our licenses and approvals to engage in our businesses, (ii) damage to our reputation in the industry and loss of client relationships, (iii) governmental investigations and enforcement actions, (iv) administrative fines and penalties and litigation, (v) civil and criminal liability, including class action lawsuits, and actions to recover incentive and other payments made by governmental entities, (vi) enhanced compliance requirements, (vii) breaches of covenants and representations under our servicing, debt or other agreements, (viii) inability to raise capital and (ix) inability to execute on our business strategy. Any of these occurrences could further increase our operating expenses and reduce our revenues, require us to change business practices and procedures and limit our ability to grow or otherwise materially and adversely affect our business, reputation, financial condition and results of operation.

Moreover, regulatory changes established under the Dodd-Frank Act, which continue to be expanded, other regulatory changes such as the CFPB having its own examination and enforcement authority and the “whistleblower” provisions of the Dodd-Frank Act and guidance on whistleblowing programs issued by the NYDFS could further increase the number of legal and regulatory enforcement proceedings against us. In addition, while we take numerous steps to prevent and detect employee misconduct, such as fraud, employee misconduct cannot always be deterred or prevented and could subject us to additional liability.

We establish reserves for pending or threatened legal proceedings when it is probable that a liability has been incurred and the amount of such loss can be reasonably estimated. Legal proceedings are inherently uncertain, and our estimates of loss are based on judgments and information available at that time. Our estimates may change from time to time for various reasons, including factual or legal developments in these 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.

Unlike competitors that are national banks, we are subject to state licensing and operational requirements that result in substantial compliance costs.

Because we are not a depository institution, we do not benefit from a federal exemption to state mortgage banking, loan servicing or debt collection licensing and regulatory requirements. We must comply with state licensing requirements and varying compliance requirements in all 50 states, the District of Columbia and other U.S. territories, and we are sensitive to regulatory changes that may increase our costs through stricter licensing laws, disclosure laws or increased fees or that may impose conditions to licensing that we or our personnel are unable to meet. In addition, we are subject to periodic examinations by state regulators, which can result in refunds to borrowers of certain fees earned by us, and we may be required to pay substantial penalties imposed by state regulators due to compliance errors. Future state legislation and changes in existing regulation may significantly increase our compliance costs or reduce the amount of ancillary revenues, including late fees that we may charge to borrowers. This could make our business cost-prohibitive in the affected state or states and could materially affect our business.

Our business would be adversely affected if we lose our licenses.

Our operations are subject to regulation, supervision and licensing under numerous federal, state and local statutes, ordinances and regulations. In most states in which we operate, a regulatory agency regulates and enforces laws relating to mortgage servicing companies, mortgage originations companies and real estate brokers and auctioneers. These rules and regulations generally provide for licensing as a mortgage servicing Company, mortgage originations Company or third-party debt default specialist, licensed auctioneer, and other similar types of requirements as to the form and content of contracts and other documentation, licensing of our employees and employee hiring background checks, licensing of independent contractors with which we contract, restrictions on certain practices, disclosure and record-keeping requirements and enforcement of borrowers' rights. We are subject to periodic examination by state regulatory authorities.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable federal, state and local laws, rules, regulations and ordinances. We may not be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could result in a default under our servicing or other agreements and have a material adverse effect on our operations. The states that currently do not provide extensive regulation of our businesses may later choose to do so, and if such states so act, we may not be able to obtain or maintain all requisite licenses and permits. The failure to satisfy those and other regulatory requirements could result in a default under our servicing agreements and have a material adverse effect on our operations. Furthermore, the adoption of additional, or the revision of existing, rules and regulations could adversely affect our business, financial condition and results of operations.

We may incur increased litigation costs and related losses if a court overturns a foreclosure or if a loan we are servicing becomes subordinate to a Home Owners Association lien.

We may incur costs if we are required to, or if we elect to, execute or re-file documents or take other action in our capacity as a servicer in connection with pending or completed foreclosures. In addition, if a court rules that the lien of a Home Owners Association takes priority over the lien we service, we may incur legal liabilities and costs to defend such actions. If a court dismisses or overturns a foreclosure because of errors or deficiencies in the foreclosure process, we may have liability to the loan owner, a borrower, title insurer or the purchaser of the property sold in foreclosure. These costs and liabilities may not be legally or otherwise reimbursable to us, particularly to the extent they relate to securitized mortgage loans. A significant increase in litigation costs could adversely affect our liquidity, and our inability to be reimbursed for an advance could adversely affect our business, financial condition and results of operations.

Residential mortgage foreclosure proceedings in certain states have been delayed due to lack of judicial resources and legislation, all of which could have a negative effect on our ability to liquidate loans timely and slow the recovery of advances and thus impact our earnings or liquidity.

In some states, such as New York, our industry has faced, and may continue to face, increased delays and costs caused by state law and local court rules and processes. In addition, California and Nevada have enacted Homeowner's Bill of Rights legislation to establish complex mandatory loss mitigation practices for homeowners which cause delays in foreclosure proceedings. Delays in foreclosure proceedings could also require us to make additional servicing advances by drawing on our servicing advance facilities, or delay the recovery of advances, all or any of which could materially affect our earnings and liquidity and increase our need for capital.

Risks Related to Owning our Stock

Our common stock, and any other instruments treated as stock for purposes of Section 382, is subject to transfer restrictions under our Certificate of Incorporation which, if not complied with, could result in the forfeiture of such stock and related distributions.

Our Certificate of Incorporation contains significant transfer restrictions in relation to the transfer of our common stock and any other instruments treated as stock for purposes of Section 382. These transfer restrictions have been adopted in order to minimize the likelihood that we will be deemed to have an "ownership change" within the meaning of Section 382 that could limit our ability to utilize our NOLs under and in accordance with regulations promulgated by the IRS.

In particular, without the approval of our Board, (i) no person or group of persons treated as a single entity under Treasury Regulation Section 1.382-3 will be permitted to acquire, whether directly or indirectly, and whether in one transaction or a series of related transactions, any of our common stock or any other instrument treated as stock for purposes of Section 382, to the extent that after giving effect to such purported acquisition (a) the purported acquirer or any other person by reason of the

purported acquirer's acquisition would become a Substantial Holder (as defined below), or (b) the percentage stock ownership of a person that, prior to giving effect to the purported acquisition, is already a Substantial Holder would be increased; and (ii) no Substantial Holder may dispose, directly or indirectly, of any class of stock or any other instrument treated as stock for purposes of Section 382. A "Substantial Holder" is a person that owns (as determined for purposes of Section 382) at least 4.75% of the total value of our stock, including any instrument treated as stock for purposes of Section 382.

Because of the complexity of applying Section 382, and because the determination of ownership for purposes of Section 382 does not correspond to SEC beneficial ownership reporting on Schedules 13D and 13G, holders and potential acquirers of our securities should consult with their legal and tax advisors prior to making any acquisition or disposition of our securities. Pursuant to Article VIII of our Certificate of Incorporation, the Board has the sole power to determine compliance with the transfer restrictions, and we cannot assure you that the Board will concur with any conclusions reached by any holder of our securities or their respective advisors, and/or approve or ratify any proposed acquisitions or dispositions of our securities. Under Article VIII, Section 3(b), of our Certificate of Incorporation, if the Board determines that a Prohibited Transfer (as defined in our Certificate of Incorporation) has occurred, such Prohibited Transfer shall, to the fullest extent permitted by law, be *void ab initio* and have no legal effect, and upon written demand by us, the Purported Transferee (as defined in our Certificate of Incorporation) shall disgorge or cause to be disgorged our securities, together with any dividends or distributions received, with respect to such securities.

Anti-takeover provisions in our Certificate of Incorporation and Amended and Restated Bylaws ("Bylaws") and under Delaware law, as well as certain existing contractual arrangements, make a third-party acquisition of us difficult.

Our Certificate of Incorporation, including Article VIII thereof, and Bylaws contain provisions that make it difficult for a third party to acquire us, even if doing so might be deemed beneficial by our stockholders. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

The market price of our common stock may decrease, and you may lose all or part of your investment.

The market price of our common stock could decrease, and you may not be able to resell your shares at or above the price at which your shares were acquired. Those fluctuations could be based on various factors, including:

- our operating performance and the performance of our competitors and fluctuations in our operating results;
- macro-economic trends, including changes in interest rates and economic growth and unemployment;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who follow us or other companies in our industry;
- global, national or local economic, legal and regulatory factors unrelated to our performance;
- announcements of negative news by us or our competitors, such as announcements of poorer than expected results of operations, data breaches or significant litigation;
- actual or anticipated variations in our or our competitors' operating results, and our or our competitors' growth rates;
- failure by us or our competitors to meet analysts' projections or guidance we or our competitors may give the market;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- the departure of key personnel;
- the number of shares publicly traded; and
- other developments affecting us, our industry or our competitors.

In addition, in recent years the stock market has experienced significant price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations, as well as general economic, political and market conditions such as recessions or interest rate changes, may cause declines in the market price of our common stock, and you may not realize any return on your investment in us and may lose some or all of your investment.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease and maintain our principal executive office in one building totaling approximately 176,000 square feet in Coppell, Texas. Our business operations and support offices are in leased facilities in various other locations in the United States, as well as locations in India. Our locations in the United States include (i) Texas, which houses our Servicing and Originations segments, (ii) Arizona, Oregon, Florida and Colorado, which house our Servicing segment and (iii) California, which houses our Originations segment. Our India locations include Chennai and Bengaluru, which both support our Servicing and Originations segments. We believe that our facilities are adequate for our current requirements and are being appropriately utilized. We periodically review our space requirements, and we believe we will be able to acquire new space and facilities as and when needed on reasonable terms. We also look to consolidate and dispose of facilities we no longer need, as and when appropriate.

Item 3. Legal Proceedings

For a description of our material legal proceedings, see *Note 19, Commitments and Contingencies* of the Notes to the Consolidated Financial Statements within Item 8. *Financial Statements and Supplementary Data*, of this Form 10-K.

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

Market Information and Stockholders

Our common stock has been traded on the Nasdaq Stock Market under the ticker symbol "COOP" since October 10, 2018. Prior to October 10, 2018, our common stock traded under the ticker symbol "WMIH".

As of February 9, 2023, there were 1,763 stockholders of record of our common stock. A substantially greater number of holders of our common stock are "street name" or beneficial holders, whose shares are held by banks, brokers and other financial institutions.

Dividends

We have not declared or paid cash dividends on our common stock, and we currently do not expect to declare or pay any cash dividends in the foreseeable future. The timing and amount of any future dividends, if any, will be determined by the Board of Directors and will depend, among other factors, upon our earnings, financial condition, cash requirements, the capital requirements of subsidiaries and investment opportunities at the time any such transaction is considered.

Issuer Purchases of Equity Securities

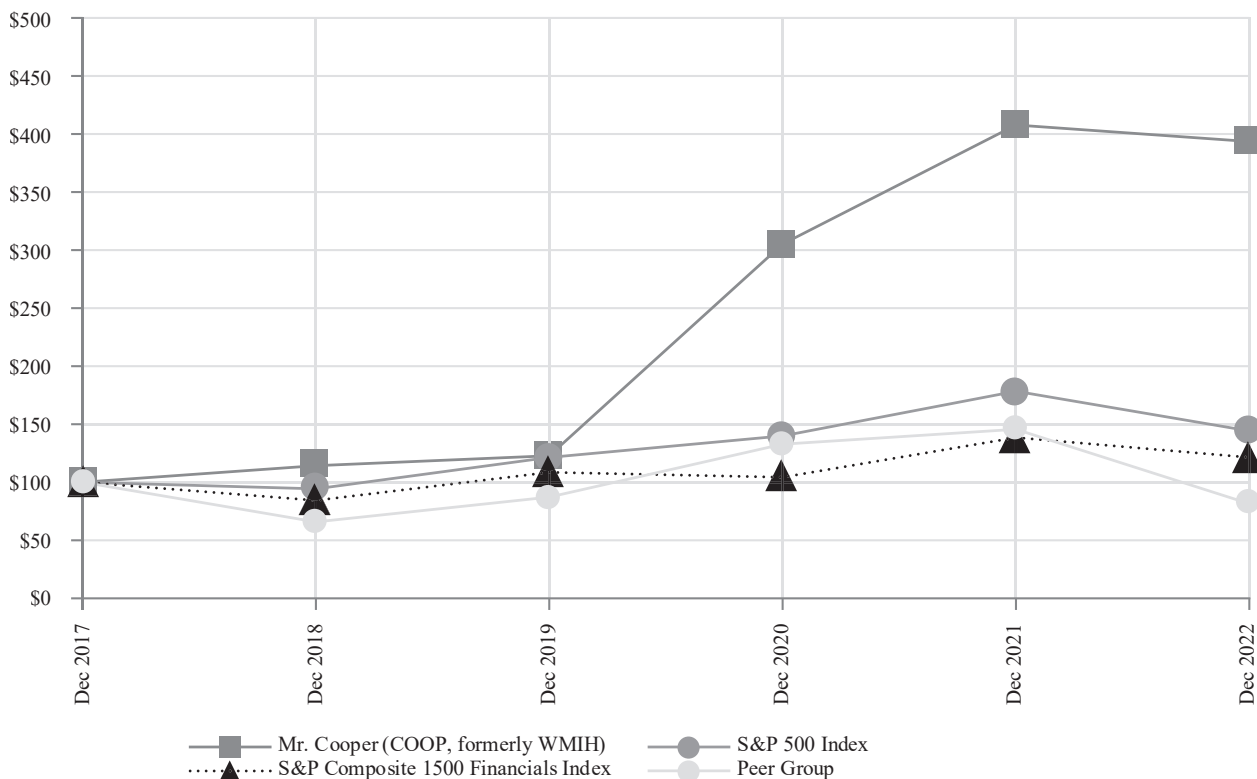
In 2021, our Board of Directors authorized the repurchase of up to \$700 million of our outstanding common stock. In October 2022, our Board of Directors authorized the repurchase of an additional \$200 million of our outstanding common stock. The stock repurchase program may be suspended, modified or discontinued at any time at our discretion. During the three months ended December 31, 2022, we repurchased shares of our common stock at a total cost of \$54 million under our share repurchase program. The number and average price of shares purchased are set forth in the table below:

Period	(a) Total Number of Shares Purchased (in thousands)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan or Program (in thousands)	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program (in millions) ⁽¹⁾
October 2022	302	\$ 39.75	302	\$ 255
November 2022	896	\$ 42.43	896	\$ 217
December 2022	100	\$ 41.84	100	\$ 213
Total	<u>1,298</u>		<u>1,298</u>	

Stockholder Return Performance

The following graph shows a comparison of the cumulative total stockholder return for our common stock, as adjusted for the 1-for-12 reverse stock split that occurred in October 2018, our peer group index, the S&P 500 Index and the S&P Composite 1500 Financials Index from December 31, 2017 through December 31, 2022. In 2022, we changed from the peer group index to S&P Composite 1500 Financials Index to better align the shareholder return performance graph with the index used to evaluate relative Total Shareholder Return performance in our Performance Share Unit Plan. Our peer group index is composed of the following companies: PennyMac Financial Services, Inc., Ocwen Financial Corporation, Flagstar Bancorp, Inc., Rithm Capital Corp (formerly New Residential Investment Corp.), and Rocket Companies, Inc. This data assumes an investment of \$100 on December 31, 2017.

Comparison of Cumulative Total Return (December 31, 2017 to December 31, 2022)



Comparative results for Mr. Cooper (COOP, formerly WMIH) common stock, the S&P 500 Index, S&P Composite 1500 Financials Index and our peer group index are presented below:

	December 31,					
	2017	2018	2019	2020	2021	2022
Mr. Cooper (COOP, formerly WMIH)	\$ 100	\$ 115	\$ 123	\$ 305	\$ 408	\$ 394
S&P 500 Index	100	94	121	140	178	144
S&P Composite 1500 Financials Index	100	85	109	105	138	121
Peer Group Index ⁽¹⁾	100	66	87	133	146	82

⁽¹⁾ Rocket Companies, Inc. is included in the peer group index for 2020, 2021 and 2022 data only. Flagstar Bancorp, Inc. is included in the peer group Index for the period from December 31, 2017 through November 30, 2022 as its stocks are no longer publicly traded.

Item 6. [RESERVED]

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. The following discussion contains, in addition to the historical information, forward-looking statements that include risks and uncertainties (see discussion of "Forward-Looking Statements" included elsewhere in this Annual Report on Form 10-K). Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those factors set forth under Item 1A, *Risk Factors*, and elsewhere in this Annual Report on Form 10-K. All dollar amounts presented herein are in millions, except per share data and other key metrics, unless otherwise noted.

Basis of Presentation

The below presentation discusses the results of the operations for the year ended December 31, 2022 compared to the year ended December 31, 2021. For a discussion of results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020, please refer to Item 7. *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, 2021.

Overview

We are a leading servicer and a major originator of residential mortgage loans. Our purpose is to keep the dream of homeownership alive, and we do this by helping mortgage borrowers (our customers) manage what is typically their largest financial asset, and by helping our investors maximize the returns from their portfolios of residential mortgages. We have a track record of significant growth, having expanded our servicing portfolio UPB from \$10 billion in 2009 to \$870 billion as of December 31, 2022. We believe this track record reflects our strong operating capabilities, strong loss mitigation skills, a commitment to compliance, a customer-centric culture, a demonstrated ability to retain customers, growing origination capabilities, and significant investment in technology.

Our strategy to position the Company for continued, sustainable long-term growth includes initiatives to improve profitability and generate a return on tangible equity of 12% or higher. Key strategic initiatives include the following:

- Strengthen our balance sheet by building capital and liquidity, and managing interest rate and other forms of risk;
- Improve efficiency by driving continuous improvement in unit costs for Servicing and Originations segments, as well as by taking corporate actions to eliminate costs throughout the organization;
- Grow our servicing portfolio to \$1 trillion in UPB by acquiring new customers and retaining existing customers;
- Achieve and sustain a refinance recapture rate of 60%;
- Delight our customers and keep Mr. Cooper a great place for our team members to work;

- Reinvent the customer experience by acting as the customer’s advocate and by harnessing technology to deliver digital solutions that are personalized and friction-less;
- Sustain the talent of our people and the culture of our organization; and
- Maintain strong relationships with agencies, investors, regulators, and other counterparties and a strong reputation for compliance and customer service.

Anticipated Trends

In the fourth quarter of 2022, our servicing portfolio grew \$16 billion to \$870 billion, primarily due to MSR acquisitions of \$23 billion in UPB, partially offset by runoff of the existing portfolio. For 2023, we expect to generate strong earnings from lower amortization and higher interest income as we anticipate continued increases in the Federal Funds rate and in turn, elevation in mortgage rates. In the fourth quarter of 2022, our Originations segment roughly broke even as we rightsized capacity. For 2023, we expect Originations to operate above break-even although profitability will be constrained by interest rates.

In 2022, the U.S. Federal Reserve raised the federal funds rate in response to the significant inflationary pressures, and is expected to further increase interest rates in the near term to combat the growth in inflation. Inflationary pressures may limit a borrower's disposable income, which can decrease customers' ability to enter into mortgage transactions. Inflationary pressures, along with supply chain disruptions, may also increase our operating costs. Historically changes in interest rates have a greater impact on our financial results than sustained inflation. While the increase in interest rates have been greatly influenced by changes in the inflation rate during 2022, interest rate fluctuations have not correlated directly in timing or extent to inflationary pressures.

Results of Operations

Table 1. Consolidated Operations

	Year Ended December 31,		
	2022	2021	Change
Revenues - operational ⁽¹⁾	\$ 1,643	\$ 2,897	\$ (1,254)
Revenues - mark-to-market	821	421	400
Total revenues	2,464	3,318	(854)
Total expenses	1,274	1,662	(388)
Total other income, net	24	281	(257)
Income from continuing operations before income tax expense	1,214	1,937	(723)
Less: Income tax expense	291	471	(180)
Net income from continuing operations	\$ 923	\$ 1,466	\$ (543)

⁽¹⁾ Revenues - operational consists of total revenues, excluding mark-to-market.

Income from continuing operations before income tax expense decreased during the year ended December 31, 2022 compared to 2021 primarily due to a decrease in total revenues, partially offset by lower total expenses. The decrease in total revenues was primarily attributable to a decline in revenues from our Originations segment due to lower origination volumes driven by higher mortgage rates in 2022. The decrease in total expenses was primarily driven by lower salaries, wages and benefits in our Originations segment due to lower headcount and lower origination volumes in both the direct-to-consumer and correspondent channels. In 2022, we rightsized our business and eliminated approximately 1,400 positions, including 1,200 positions in our Originations segment, due to the rising interest rate environment and declining demand for originations. The change in total other income, net in 2022 compared to 2021 was primarily due to a \$223 gain recorded in the first quarter of 2022 upon completion of the Sagent Transaction compared to a \$528 gain recorded upon completion of the sale of our title, valuations and field Services businesses in 2021. See further discussions in *Note 3, Dispositions*, in the Notes to the Consolidated Financial Statements and Segment Results section of the MD&A.

Income tax expense on continuing operations decreased in the year ended December 31, 2022 when compared to 2021. The effective tax rate for continuing operations for 2022 decreased to 24.0% from 24.3% in 2021, primarily attributable to a decrease in income from continuing operations before income tax expense.

Segment Results

Our operations are conducted through two segments: Servicing and Originations.

- The Servicing segment performs operational activities on behalf of investors or owners of the underlying mortgages and mortgage servicing rights, including collecting and disbursing borrower payments, investor reporting, customer service, modifying loans where appropriate to help borrowers stay current, and, when necessary, performing collections, foreclosures, and the sale of REO.
- The Originations segment originates residential mortgage loans through our direct-to-consumer channel, which provides refinance options for our existing customers, and through our correspondent channel, which purchases or originates loans from mortgage bankers.

Refer to *Note 20, Segment Information*, in the Notes to Consolidated Financial Statements for a summary of segment results.

Servicing Segment

The Servicing segment's strategy is to generate income by growing the portfolio and maximizing servicing operating income. We believe several competitive strengths have been critical to our long-term growth as a servicer, including our low-cost servicing and subservicing platform that creates operating leverage, our skill in mitigating losses for investors, our commitment to strong customer service and regulatory compliance, our history of successfully boarding new loans, and the ability to retain existing customers by offering attractive refinance options. We believe that our operational capabilities are reflected in our most recent, servicer ratings, which are reflected below.

Table 2. Servicer Ratings

<i>Rating date</i>	Fitch⁽¹⁾	Moody's⁽²⁾	S&P⁽³⁾
	<i>August 2022</i>	<i>April 2022</i>	<i>June 2022</i>
Residential	RPS2	SQ2-	Above Average
Master Servicer	RMS2+	SQ2+	Above Average
Special Servicer	RSS2	SQ2-	Above Average
Subprime Servicer	RPS2	SQ2-	Above Average

(1) Fitch Rating Scale of 1 (Highest Performance) to 5 (Low/No Proficiency)

(2) Moody's Rating Scale of SQ1 (Strong Ability/Stability) to SQ5 (Weak Ability/Stability)

(3) S&P Rating Scale of Strong to Weak

The following table sets forth the results of operations for the Servicing segment:

Table 3. Servicing Segment Results of Operations

	Year Ended December 31,					
	2022		2021		Change	
	Amt	bps ⁽¹⁾	Amt	bps ⁽¹⁾	Amt	bps
Revenues						
Operational	\$ 1,530	19	\$ 1,605	25	\$ (75)	(6)
Amortization, net of accretion	(693)	(9)	(753)	(12)	60	3
Mark-to-market adjustments - Servicing	821	10	421	7	400	3
Total revenues	1,658	20	1,273	20	385	—
Expenses						
Salaries, wages and benefits	324	4	271	4	53	—
General and administrative						
Servicing support fees	76	1	86	1	(10)	—
Corporate and other general and administrative expenses	125	2	116	2	9	—
Foreclosure and other liquidation related expenses (recoveries), net	16	—	(3)	—	19	—
Depreciation and amortization	18	—	32	1	(14)	(1)
Total general and administrative expenses	235	3	231	4	4	(1)
Total expenses	559	7	502	8	57	(1)
Other income (expense)						
Other interest income	208	3	129	2	79	1
Advance interest expense	(31)	(1)	(31)	—	—	(1)
Other interest expense	(190)	(2)	(231)	(4)	41	2
Interest expense	(221)	(3)	(262)	(4)	41	1
Total other (expenses), net	(13)	—	(133)	(2)	120	2
Income from continuing operations before income tax expense	\$ 1,086	13	\$ 638	10	\$ 448	3
Weighted average cost - advance and MSR facilities						
	4.6 %		2.8 %		1.8 %	
Weighted average cost - excess spread financing						
	8.8 %		9.0 %		(0.2)%	

⁽¹⁾ Calculated basis points (“bps”) are as follows: Annual dollar amount/Total average UPB X 10000.

Table 4. Servicing - Revenues

	Year Ended December 31,					
	2022		2021		Change	
	Amt	bps ⁽¹⁾	Amt	bps ⁽¹⁾	Amt	bps
MSR Operational Revenue						
Base servicing fees	\$ 1,227	15	\$ 919	14	\$ 308	1
Modification fees ⁽²⁾	13	—	26	—	(13)	—
Incentive fees ⁽²⁾	—	—	1	—	(1)	—
Late payment fees ⁽²⁾	59	1	59	1	—	—
Other ancillary revenues ⁽²⁾	53	1	625	10	(572)	(9)
Total MSR operational revenue	1,352	17	1,630	25	(278)	(8)
Base subservicing fees and other subservicing revenue ⁽²⁾	283	3	254	4	29	(1)
Total servicing fee revenue	1,635	20	1,884	29	(249)	(9)
MSR financing liability costs	(19)	—	(24)	—	5	—
Excess spread payments and portfolio runoff	(86)	(1)	(255)	(4)	169	3
Total operational revenue	1,530	19	1,605	25	(75)	(6)
Amortization, Net of Accretion						
MSR amortization	(779)	(10)	(1,008)	(16)	229	6
Excess spread accretion	86	1	255	4	(169)	(3)
Total amortization, net of accretion	(693)	(9)	(753)	(12)	60	3
Mark-to-Market Adjustments - Servicing						
MSR MTM	1,328	17	502	8	826	9
MTM Adjustments ⁽³⁾⁽⁴⁾	(365)	(5)	(114)	(2)	(251)	(3)
Excess spread / financing MTM	(142)	(2)	33	1	(175)	(3)
Total MTM adjustments - Servicing	821	10	421	7	400	3
Total revenues - Servicing	\$ 1,658	20	\$ 1,273	20	\$ 385	—

(1) Calculated basis points (“bps”) are as follows: Annual dollar amount/Total average UPB X 10000.

(2) Certain ancillary and other non-base fees related to subservicing operations are separately presented as other subservicing revenues.

(3) MTM Adjustments include the impact of negative modeled cash flows which have been transferred to reserves on advances and other receivables. The negative modeled cash flows relate to advances and other receivables associated with inactive and liquidated loans that are no longer part of the MSR portfolio. The impact of negative modeled cash flows was \$30 and \$35 for the years ended December 31, 2022 and 2021, respectively.

(4) MTM Adjustments also include loss of \$332 and \$86 from MSR hedging activities during the years ended December 31, 2022 and 2021, respectively.

Servicing Segment Revenues

The following provides the changes in revenues for the Servicing segment:

Servicing - Operational revenue decreased during the year ended December 31, 2022 compared to 2021, primarily due to a decrease in other ancillary revenue from early-buyouts driven by lower re-delivery volume and a decrease in re-delivery gain on sale margin due to the rapid rise in interest rates in 2022. The decrease was partially offset by an increase in base servicing fees primarily due to a larger servicing UPB portfolio in 2022.

MSR amortization decreased for the year ended December 31, 2022 as compared to 2021, primarily due to lower prepayments driven by higher mortgage rates in 2022, partially offset by higher average MSR UPB and higher average MSR fair value.

The change in MSR MTM and excess spread and financing MTM during the year ended December 31, 2022 compared to 2021, was primarily due to an increase in mortgage rates in 2022 compared to 2021, which lowered prepayment speeds and resulted in an increased MSR fair value on the overall portfolio.

Subservicing - Subservicing fees increased during the year ended December 31, 2022 as compared to 2021, primarily due to an increase in average subservicing loan count.

Servicing Segment Expenses

Total expenses increased during the year ended December 31, 2022 as compared to 2021, primarily driven by an increase in salaries, wages and benefits and the change in foreclosure and other liquidation related expenses (recoveries), net, partially offset by lower depreciation and amortization. The increase in salaries, wages and benefits was primarily due to higher headcount-related costs due to growth in our servicing portfolio. The change in foreclosure and other liquidation related expenses (recoveries), net in 2022 as compared to 2021 was primarily driven by non-recurring trailing expenses associated with the sale of the reverse portfolio in 2021.

Servicing Segment Other (Expenses), net

Total other expenses, net decreased during the year ended December 31, 2022 as compared to 2021, primarily due to higher other interest income driven by higher interest income earned on custodial balances attributable to rising interest rates and a decrease in other interest expense due to lower compensating interest expense and excess spread financing. The decrease in 2022 as compared to 2021 was partially offset by higher interest expense from MSR financing and lower interest income earned on lower early-buyout balances in mortgage loans held for sale.

Table 5. Servicing Portfolio - Unpaid Principal Balances

	Year Ended December 31,					
	2022	2021				
Average UPB						
MSRs	\$ 383,809	\$ 299,483				
Subservicing and other ⁽¹⁾	425,255	350,365				
Total average UPB	<u>\$ 809,064</u>	<u>\$ 649,848</u>				
	December 31, 2022		December 31, 2021			
	UPB	Fair Value	bps	UPB	Fair Value	bps
MSRs						
Agency	\$ 380,502	\$ 6,322	166	\$ 302,851	\$ 3,859	127
Non-agency	30,880	332	108	36,357	364	100
Total MSRs	411,382	6,654	162	339,208	4,223	124
Subservicing and other⁽¹⁾						
Agency	437,491	N/A		353,660	N/A	
Non-agency	21,562	N/A		16,860	N/A	
Total subservicing and other	459,053	N/A		370,520	N/A	
Total ending balance	<u>\$ 870,435</u>	<u>\$ 6,654</u>		<u>\$ 709,728</u>	<u>\$ 4,223</u>	
				December 31,	December 31,	
				2022	2021	
MSRs UPB Encumbrance						
MSRs - unencumbered				\$ 327,598	\$ 212,472	
MSRs - encumbered ⁽²⁾				83,784	126,736	
Total MSRs UPB				<u>\$ 411,382</u>	<u>\$ 339,208</u>	

(1) Subservicing and other includes (i) loans we service for others, (ii) residential mortgage loans originated but have yet to be sold, and (iii) agency REO balances for which we own the mortgage servicing rights.

(2) The encumbered MSRs consist of residential mortgage loans included within our excess spread financing transactions and MSR financing liability. The decrease in encumbered MSRs as of December 31, 2022 is primarily due to the fact that in June 2022, we entered into an assignment agreement with an investor to repurchase excess spread liabilities for a total purchase price of \$277.

The following table provides a rollforward of our MSR and subservicing and other portfolio UPB:

Table 6. Servicing and Subservicing and Other Portfolio UPB Rollforward

	Year Ended December 31,					
	2022			2021		
	MSR	Subservicing and Other	Total	MSR	Subservicing and Other	Total
Balance - beginning of year	\$ 339,208	\$ 370,520	\$ 709,728	\$ 271,189	\$ 336,513	\$ 607,702
Additions:						
Originations	27,381	—	27,381	79,599	4,996	84,595
Acquisitions / Increase in subservicing ⁽¹⁾	101,654	216,576	318,230	76,594	170,258	246,852
Deductions:						
Dispositions	(1,085)	(76,944)	(78,029)	(1,226)	(16,075)	(17,301)
Principal reductions and other	(16,525)	(13,132)	(29,657)	(11,718)	(13,608)	(25,326)
Voluntary reductions ⁽²⁾	(38,444)	(37,754)	(76,198)	(74,500)	(111,457)	(185,957)
Involuntary reductions ⁽³⁾	(608)	(213)	(821)	(437)	(107)	(544)
Net changes in loans serviced by others	(199)	—	(199)	(293)	—	(293)
Balance - end of year	\$ 411,382	\$ 459,053	\$ 870,435	\$ 339,208	\$ 370,520	\$ 709,728

(1) Includes transfers to/from Subservicing and other.

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

(3) Involuntary reductions refer to loan chargeoffs.

The table below summarizes the overall performance of the servicing and subservicing portfolio:

Table 7. Key Performance Metrics - Servicing and Subservicing Portfolio⁽¹⁾

	December 31, 2022	December 31, 2021
Loan count ⁽²⁾	4,149,116	3,561,051
Average loan amount ⁽³⁾	\$ 209,284	\$ 195,512
Average coupon - agency	3.6 %	3.6 %
Average coupon - non-agency	4.5 %	4.4 %
60+ delinquent (% of loans) ⁽⁴⁾	2.6 %	3.1 %
90+ delinquent (% of loans) ⁽⁴⁾	2.2 %	2.8 %
120+ delinquent (% of loans) ⁽⁴⁾	2.0 %	2.6 %

	Year Ended December 31,	
	2022	2021
Total prepayment speed (12-month constant prepayment rate)	9.6 %	25.6 %

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

(2) As of December 31, 2022 and 2021, loan count includes 40,327 and 54,462, respectively, of loans in forbearance related to the CARES Act.

(3) Average loan amount is presented in whole dollar amounts.

(4) Loan delinquency is based on the current contractual due date of the loan. In the case of a completed loan modification, delinquency is based on the modified due date of the loan. Loan delinquency includes loans in forbearance.

Delinquency is an assumption in determining the mark-to-market adjustment and is a key indicator of MSR portfolio performance. Delinquent loans contribute to lower MSR values due to higher costs to service and increased carrying costs of advances. Delinquency rates have decreased from 2021 as the COVID-19 pandemic's effect on the macroeconomic environment declines.

Table 8. MSRs Loan Modifications and Workout Units

	Year Ended December 31,		Change
	2022	2021	
Modifications ⁽¹⁾	42,131	67,664	(25,533)
Workouts ⁽²⁾	47,559	70,028	(22,469)
Total modification and workout units	89,690	137,692	(48,002)

⁽¹⁾ Modifications consist of agency programs, including forbearance options under the CARES Act, designed to adjust the terms of the loan (e.g., reduced interest rates).

⁽²⁾ Workouts consist of other loss mitigation options designed to assist borrowers and keep them in their homes, but do not adjust the terms of the loan. Workouts exclude loans that did not miss a contractual payment during forbearance related to the CARES Act.

Total modifications during the year ended December 31, 2022 decreased compared to 2021 primarily due to a decrease in modifications related to loans impacted by the COVID-19 pandemic and rising mortgage rates. Total workouts during the year ended December 31, 2022 decreased compared to 2021 primarily due to a decrease in customers who were exiting forbearance plans, as there were fewer customers in forbearance.

Servicing Portfolio and Liabilities

The following table sets forth the activities of MSRs:

Table 9. MSRs - Fair Value Rollforward

	Year Ended December 31,	
	2022	2021
Fair value - beginning of year	\$ 4,223	\$ 2,703
Additions:		
Servicing retained from mortgage loans sold	554	1,077
Purchases of servicing rights	1,595	948
Dispositions:		
Sales of servicing assets	(294)	(55)
Changes in fair value:		
Due to changes in valuation inputs or assumptions used in the valuation model (MSR MTM):		
Agency	1,316	342
Non-agency	12	160
Changes in valuation due to amortization:		
Scheduled principal payments	(176)	(123)
Prepayments		
Voluntary prepayments		
Agency	(556)	(818)
Non-agency	(38)	(63)
Involuntary prepayments		
Agency	(9)	(4)
Non-agency	—	—
Other changes ⁽¹⁾	27	56
Fair value - end of year	\$ 6,654	\$ 4,223

⁽¹⁾ Amounts primarily represent negative fair values reclassified from the MSR asset to reserves as underlying loans are removed from the MSR and other reclassification adjustments.

See *Note 4, Mortgage Servicing Rights and Related Liabilities* and *Note 17, Fair Value Measurements*, in the Notes to Consolidated Financial Statements, for additional information regarding the range of assumptions and sensitivities related to the fair value measurement of MSRs as of December 31, 2022 and 2021.

Excess Spread Financing

As further disclosed in *Note 4, Mortgage Servicing Rights and Related Liabilities*, in the Notes to Consolidated Financial Statements, we have entered into sale and assignment agreements treated as financing arrangements whereby the acquirer has the right to receive a specified percentage of the excess cash flow generated from an MSR. During 2022, the Company entered into an assignment agreement to repurchase excess spread liabilities for a total purchase price of \$277, which is included in the repayments line in the rollforward below.

The servicing fees associated with an MSR can be segregated into (i) a base servicing fee and (ii) an excess servicing fee. The base servicing fee, along with ancillary income and other revenues, is designed to cover costs incurred to service the specified pool plus a reasonable margin. The remaining servicing fee is considered excess. We sell a percentage of the excess fee, as a method for efficiently financing acquired MSRs and the purchase of loans. We do not currently utilize these transactions as a primary source of financing due to the availability of lower cost sources of funding.

Excess spread financings are recorded at fair value, and the impact of fair value adjustments on future revenues and capital resources varies primarily due to prepayment speeds and discounts rates. See *Note 4, Mortgage Servicing Rights and Related Liabilities* and *Note 17, Fair Value Measurements*, in the Notes to Consolidated Financial Statements, for additional information regarding the range of assumptions and sensitivities related to the fair value measurement of the excess spread financing liability as of December 31, 2022 and 2021.

The following table sets forth the change in the excess spread financing:

Table 10. Excess Spread Financing - Rollforward

	Year Ended December 31,	
	2022	2021
Fair value - beginning of year	\$ 768	\$ 934
Additions:		
New financings	—	—
Deductions:		
Repayments	(293)	(4)
Settlements	(99)	(152)
Changes in fair value:		
Agency	113	(20)
Non-Agency	20	10
Fair value - end of year	\$ 509	\$ 768

Originations Segment

The strategy of our Originations segment is to originate or acquire new loans for the servicing portfolio at a more attractive cost than purchasing MSRs in bulk transactions and to retain or recapture our existing customers by providing them with attractive refinance and purchase options. The Originations segment plays a strategically important role because its profitability is typically counter cyclical to that of the Servicing segment. Furthermore, by originating or acquiring loans at a more attractive cost than bulk MSR acquisitions, the Originations segment improves our overall profitability and cash flow. Our Originations segment is one way that we help underserved consumers access the financial markets. In 2022, our total originations included loans for 42,283 customers with low FICOs (<660), 33,124 customers with income below the U.S. median household income, 19,711 first-time homebuyers, and 8,080 veterans. The originations during this period included 28,078 Ginnie Mae loans, which are designed for first-time homebuyers, low- and moderate-income borrowers, and veterans, comprising \$7 billion in total proceeds. Once these loans are originated, these formerly underserved borrowers become our servicing customers.

The Originations segment includes two channels:

- Our direct-to-consumer (“DTC”) lending channel relies on our call centers, website and mobile apps, specially trained teams of licensed mortgage originators, predictive analytics and modeling utilizing proprietary data from our servicing portfolio to reach our existing customers who may benefit from a new mortgage. Depending on borrower needs and eligibility, purchase and refinance loans are available in conventional, government or non-agency products. Through lead campaigns and direct marketing, the direct-to-consumer channel seeks to convert leads into loans in a cost-efficient manner.
- Our correspondent lending channel acquires newly originated residential mortgage loans that have been underwritten to investor guidelines. This includes both conventional and government-insured loans that qualify for inclusion in securitizations that are guaranteed by the GSEs. Our correspondent lending channel enables us to replenish servicing portfolio run-off typically at a better rate of return than traditional bulk or flow acquisitions.

The following table sets forth the results of operations for the Originations segment:

Table 11. Originations Segment Results of Operations

	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Revenues				
Service related, net - Originations ⁽¹⁾	\$ 98	\$ 176	\$ (78)	(44)%
Net gain on mortgage loans held for sale				
Net gain on loans originated and sold ⁽²⁾	139	731	(592)	(81)%
Capitalized servicing rights ⁽³⁾	493	952	(459)	(48)%
Total net gain on mortgage loans held for sale	632	1,683	(1,051)	(62)%
Total revenues	730	1,859	(1,129)	(61)%
Expenses				
Salaries, wages and benefits	329	608	(279)	(46)%
General and administrative				
Loan origination expenses	59	100	(41)	(41)%
Corporate and other general and administrative expenses	54	65	(11)	(17)%
Marketing and professional service fees	33	52	(19)	(37)%
Depreciation and amortization	16	24	(8)	(33)%
Total general and administrative	162	241	(79)	(33)%
Total expenses	491	849	(358)	(42)%
Other income (expenses)				
Interest income	53	102	(49)	(48)%
Interest expense	(43)	(88)	45	(51)%
Total other income, net	10	14	(4)	(29)%
Income before income tax expense	\$ 249	\$ 1,024	\$ (775)	(76)%
Weighted average note rate - mortgage loans held for sale				
	4.2 %	3.0 %	1.2 %	40 %
Weighted average cost of funds - warehouse facilities (excluding facility fees)				
	3.6 %	1.9 %	1.7 %	89 %

(1) Service related, net - Originations refers to fees collected from customers for originated loans and from other lenders for loans purchased through the correspondent channel, and includes loan application, underwriting, and other similar fees.

(2) Net gain on loans originated and sold represents the unrealized and realized gains and losses from the origination, purchase, and sale of loans as well as the unrealized and realized gains and losses from related derivative instruments. Gains from the origination and sale of loans are affected by the volume and margin of our originations activity which can vary based upon mortgage interest rates.

(3) Capitalized servicing rights represent the fair value attributed to mortgage servicing rights at the time in which they are retained in connection with the sale of loans during the period.

Table 12. Originations - Key Metrics

	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Key Metrics				
Consumer direct lock pull through adjusted volume ⁽¹⁾	\$ 14,823	\$ 36,624	\$ (21,801)	(60)%
Other locked pull through adjusted volume ⁽¹⁾	10,067	39,810	(29,743)	(75)%
Total pull through adjusted lock volume	\$ 24,890	\$ 76,434	\$ (51,544)	(67)%
Funded volume ⁽²⁾	\$ 28,250	\$ 84,463	\$ (56,213)	(67)%
Volume of loans sold	\$ 33,138	\$ 93,549	\$ (60,411)	(65)%
Recapture percentage ⁽³⁾	31.8 %	31.4 %	0.4 %	1 %
Refinance recapture percentage ⁽⁴⁾	58.7 %	40.0 %	18.7 %	47 %
Purchase as a percentage of funded volume	33.0 %	23.3 %	9.7 %	42 %
Value of capitalized servicing on retained settlements	191 bps	132 bps	59 bps	45 %
Originations Margin				
Revenue	\$ 730	\$ 1,859	\$ (1,129)	(61)%
Pull through adjusted lock volume	\$ 24,890	\$ 76,434	\$ (51,544)	(67)%
Revenue as a percentage of pull through adjusted lock volume ⁽⁵⁾	2.93 %	2.43 %	0.50 %	21 %
Expenses ⁽⁶⁾	\$ 481	\$ 835	\$ (354)	(42)%
Funded volume	\$ 28,250	\$ 84,463	\$ (56,213)	(67)%
Expenses as a percentage of funded volume ⁽⁷⁾	1.70 %	0.99 %	0.71 %	72 %
Originations Margin	1.23 %	1.44 %	(0.21) %	(15)%

(1) Pull through adjusted volume represents the expected funding from locks taken during the period.

(2) Funded volume for the period could include pull through adjusted lock volume from prior periods.

(3) Recapture percentage includes new loan originations from both purchase and refinance transactions where borrower retention and/or property retention occurs as a result of a loan payoff from our servicing portfolio. Excludes loans we are contractually unable to solicit.

(4) Refinance recapture percentage includes new loan originations from refinance transactions where borrower retention and property retention occurs as a result of a loan payoff from our servicing portfolio. Excludes loans we are contractually unable to solicit.

(5) Calculated on pull-through adjusted lock volume as revenue is recognized at the time of loan lock.

(6) Expenses include total expense and total other income (expenses), net.

(7) Calculated on funded volume as expenses are incurred based on closing of the loan.

Originations Segment Revenues

Total revenues decreased for the year ended December 31, 2022 compared to 2021 primarily driven by a decline in net gain on loans originated and sold and a decrease in capitalized servicing rights. Revenues from net gain on loans originated and sold decreased in connection with lower funded volume and total pull through adjusted lock volume due to a higher interest rate environment in 2022. Additionally, the decrease in capitalized servicing rights was primarily driven by lower originations volumes, partially offset by an increase in value of capitalized servicing retained on settlements due to higher mortgage rates in 2022. Revenues in 2022 also decreased as compared to 2021, due to unfavorable mark-to-market adjustments on mortgage derivative instruments and hedges, partially offset by a lower unfavorable mark-to-market on interest rate locks and loan commitments and fair value adjustment on loans held for sale.

Originations Segment Expenses

Total expenses for the year ended December 31, 2022 decreased when compared to 2021 primarily due to a decline in salaries, wages and benefits expense, and loan origination expenses. Salaries, wages and benefits expense declined in 2022 primarily due

to decreased headcount and lower origination volumes in both the direct-to-consumer and correspondent channels. During the year ended December 31, 2022, we rightsized our Originations business, and eliminated approximately 1,200 positions due to rising interest rate environment and lower demand for originations. Loan origination expenses declined in 2022 primarily due to cost reduction initiatives in connection with decreased origination volumes.

Originations Segment Other Income, Net

Interest income relates primarily to mortgage loans held for sale. Interest expense is associated with the warehouse facilities utilized to finance newly originated loans. Due to decreased originations volume, both interest income and interest expense declined, partially offset by higher interest rates, resulting in immaterial changes for total other income, net, during the year ended December 31, 2022 as compared to 2021.

Originations Margin

The Originations Margin for the year ended December 31, 2022 decreased as compared to 2021 primarily due to a higher ratio of expenses as a percentage of funded volume driven by lower funded volume due to higher mortgage rates in 2022, partially offset by a shift in channel mix from correspondent to direct-to-consumer. Direct-to-consumer channel mix was 60% and 48% for the years ended December 31, 2022, and 2021, respectively.

Corporate/Other

Corporate/Other includes the results of Xome's operations, the Company's unallocated overhead expenses (which include the costs of executive management and other corporate functions that are not directly attributable to our operating segments), changes in equity investments and interest expense on our unsecured senior notes. In addition, Corporate/Other includes eliminations related to intersegment hedge fair value changes.

The following tables set forth the selected financial results for Corporate/Other:

Table 13. Corporate/Other Selected Financial Results

	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Corporate/Other - Operations				
Total revenues	\$ 76	\$ 186	\$ (110)	(59)%
Total expenses	224	311	(87)	(28)%
Interest expense	160	128	32	25 %
Other income (expense), net	187	528	(341)	(65)%
Key Metrics				
Average exchange inventory under management	19,663	15,039	4,624	31 %

Total revenues and total expenses decreased during the year ended December 31, 2022 as compared to 2021 primarily due to the sale of our title, valuations and field services businesses in 2021.

Interest expense increased in the year ended December 31, 2022 as compared to 2021 primarily due to the issuance of the unsecured senior notes due 2031 in the fourth quarter of 2021.

The change in other income (expense), net, in the year ended December 31, 2022 as compared to 2021 was primarily due to a gain of \$223 that was recorded in 2022 upon completion of the Sagent Transaction as compared to a gain of \$528 that was recorded in 2021 upon completion of the sale of our title, valuations and field services businesses.

Liquidity and Capital Resources

We measure liquidity by unrestricted cash and availability of borrowings on our MSR and other facilities. We held cash and cash equivalents on hand of \$527 as of December 31, 2022 compared to \$895 as of December 31, 2021. During the year ended December 31, 2022, we generated net cash of \$3,767 from operating activities and bought back 5.4 million shares of our outstanding common stock for a total cost of \$239 as part of our stock repurchase program. We have sufficient borrowing capacity

to support our operations. As of December 31, 2022, total available borrowing capacity for advance, warehouse, and MSR facilities was \$10,600 of which \$7,704 was immediately available. During the year ended December 31, 2022, we increased capacity on our MSR facilities by \$1,590. For more information on our advance and warehouse facilities, see *Note 12, Indebtedness*, in the Notes to Consolidated Financial Statements.

Sources and Uses of Cash

Our primary sources of funds for liquidity include: (i) servicing fees and ancillary revenues; (ii) advance and warehouse facilities, other secured borrowings and unsecured senior notes; (iii) payments received in connection with the sale of excess spread.

Our primary uses of funds for liquidity include: (i) funding of servicing advances; (ii) originations of loans; (iii) payment of interest expenses; (iv) payment of operating expenses; (v) repayment of borrowings and repurchases or redemptions of outstanding indebtedness; (vi) payments for acquisitions of MSRs; (vii) payment of our technology expenses.

We believe that our cash flows from operating activities, as well as capacity through existing facilities, provide adequate resources to fund our anticipated ongoing cash requirements. We rely on these facilities to fund operating activities. As the facilities mature, we anticipate renewal of these facilities will be achieved. Future debt maturities will be funded with cash and cash equivalents, cash flow from operating activities and, if necessary, future access to capital markets. We continue to optimize the use of balance sheet cash to avoid unnecessary interest carrying costs.

In addition, derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates related to originations and servicing. As part of the Company's economic hedging strategy, the Company hedges interest rate risk related to the pipeline in Originations (comprised of IRLCs and newly originated mortgage loans held for sale) and MSR portfolio in Servicing primarily using third-party derivative instruments. See Note 11, Derivative Financial Instruments, in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data, which is incorporated herein for a summary of our derivative transactions.

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities ("SPEs") determined to be variable interest entities ("VIEs"), which primarily consist of securitization trusts established for a limited purpose. Generally, these SPEs are formed for the purpose of securitization transactions in which we transfer assets to an SPE, which then issues to investors various forms of debt obligations supported by those assets. In these securitization transactions, we typically receive cash and/or other interests in the SPE as proceeds for the transferred assets. See *Note 13, Securitizations and Financings*, in the Notes to Consolidated Financial Statements in Item 8, *Financial Statements and Supplementary Data*, which is incorporated herein for a summary of our transactions with VIEs and unconsolidated balances, and details of their impact on our consolidated financial statements.

Cash Flows

The table below presents cash flows information:

Table 14. Cash Flows

	Year Ended December 31,		\$ Change	% Change
	2022	2021		
Net cash attributable to:				
Operating activities	\$ 3,767	\$ 2,632	\$ 1,135	43 %
Investing activities	(1,322)	1,192	(2,514)	(211)%
Financing activities	(2,784)	(3,696)	912	(25)%
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (339)	\$ 128	\$ (467)	(365)%

Operating activities

Cash generated from operating activities increased to \$3,767 during the year ended December 31, 2022 from \$2,632 in 2021. The increase was primarily related to continuing operations, driven by cash generated from changes in working capital of \$201 in 2022 compared to cash used of \$353 in 2021, and by the decrease of \$7,089 in cash used for the repurchases of loan assets out of Ginnie Mae securitizations, partially offset by a decrease of \$6,615 in cash generated from originations net sales activities.

Investing activities

Our investing activities used cash of \$1,322 during the year ended December 31, 2022 compared to cash generated of \$1,192 in 2021. The change was primarily related to discontinued operations and the sale of businesses in 2021, driven by \$1,629 of proceeds from sale of the reverse servicing portfolio and \$465 in cash proceeds from the sale of our title, valuations, and field services businesses, net of cash divested. Additionally, cash used for the purchase of mortgage servicing rights increased by \$673 in 2022.

Financing activities

Cash used from financing activities decreased to \$2,784 during the year ended December 31, 2022 from \$3,696 in 2021. The decrease was driven by \$2,226 in financing activities from discontinued operations in 2021, partially offset by an increase of \$841 in cash used for repayment on our advance and warehouse facilities related to continuing operations in 2022.

Capital Resources

Capital Structure and Debt

We require access to external financing resources from time to time depending on our cash requirements, assessments of current and anticipated market conditions and after-tax cost of capital. If needed, we believe additional capital could be raised through a combination of issuances of equity, corporate indebtedness, asset-backed acquisition financing and/or cash from operations. Our access to capital markets can be impacted by factors outside our control, including economic conditions.

Financial Covenants

Our credit facilities contain various financial covenants which primarily relate to required tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements, which are measured at our operating subsidiary, Nationstar Mortgage, LLC. As of December 31, 2022, we were in compliance with our required financial covenants.

Seller/Service Financial Requirements

We are also subject to net worth, liquidity and capital ratio requirements established by the Federal Housing Finance Agency (“FHFA”) for Fannie Mae and Freddie Mac (“Enterprises”) Seller/Service, and Ginnie Mae for single family issuers, as summarized below. These requirements apply to our operating subsidiary, Nationstar Mortgage, LLC.

Minimum Net Worth

- FHFA - a net worth base of \$2.5 plus 25 basis points of outstanding UPB for total loans serviced.
- Ginnie Mae - a net worth equal to the sum of base of \$2.5 plus 35 basis points of the issuer’s total single-family effective outstanding obligations.

Minimum Liquidity

- FHFA - 3.5 basis points of total Agency Mortgage Servicing UPB plus incremental 200 basis points of total nonperforming Agency, measured at 90+ delinquencies, servicing in excess of 6% total Agency servicing UPB.
- Ginnie Mae - the greater of \$1 or 10 basis points of our outstanding single-family MBS.

Minimum Capital Ratio

- FHFA and Ginnie Mae - a ratio of Tangible Net Worth to Total Assets greater than 6%.

Secured Debt to Gross Tangible Asset Ratio

- Ginnie Mae - a secured debt to gross tangible asset ratios no greater than 60%.

As of December 31, 2022, we were in compliance with our seller/service financial requirements for FHFA and Ginnie Mae.

In 2022, the FHFA and Ginnie Mae revised its Seller/Service and single-family issuers minimum financial eligibility

requirements. All revisions are effective in 2023 or 2024, as summarized below. The Company is currently evaluating the impact of the revised requirements.

Minimum Net Worth (effective September 30, 2023)

- FHFA – a net worth base of \$2.5 plus a dollar amount equal to or exceeding the sum of (i) 25 basis points of the sellers/servicer’s residential first lien mortgage servicing UPB, serviced for the Enterprises, plus (ii) 25 basis points of non-agency serviced UPB, plus (iii) 35 basis points of the sellers/servicer’s residential first lien mortgage servicing UPB serviced for Ginnie Mae.
- Ginnie Mae – a net worth equal to the sum of \$2.5, plus (i) 35 basis points of the issuer’s total effective Ginnie Mae single-family outstanding obligations, plus (ii) 25 basis points of the issuer’s total Enterprises single family outstanding servicing portfolio balance, plus (iii) 25 basis points of the issuer’s total non-agency single family servicing portfolio.

Minimum Liquidity Requirements (effective September 30, 2023)

- FHFA - a base Liquidity of eligible assets equal to or exceeding:
 - 7 basis points of sellers/servicer’s residential first lien mortgage servicing UPB serviced for the Enterprises, if the seller/servicer remits (or an Enterprise draws) interest or principal, or both, as scheduled, regardless of whether principal or interest has been collected from the borrower, plus
 - 3.5 basis points of the sellers/servicer’s residential first lien mortgage servicing UPB serviced for the Enterprises, if the seller/servicer remits (or an Enterprise draws) the interest and principal only as actually collected from the borrower, plus
 - 3.5 basis points of the seller/servicer’s non-agency servicing UPB, plus
 - 10 basis points of the seller/servicer’s residential first lien mortgage servicing UPB serviced for Ginnie Mae.
 - In addition, an origination liquidity equal to or exceeding 50 basis points of the sum of the following (*effective December 31, 2023*):
 - i. Residential first lien mortgages held for sale, at lower of cost or market
 - ii. Residential first lien mortgages held for sale, at fair value, plus
 - iii. UPB of interest rate lock commitments after fallout adjustments
 - Supplemental liquidity at all time equal to or exceeding the sum of (*effective December 31, 2023*):
 - i. 2 basis points of the sellers/servicer’s residential mortgage servicing UPB serviced for the Enterprises, plus
 - ii. 5 basis points of the sellers/servicer’s residential mortgage servicing UPB serviced for Ginnie Mae
- Ginnie Mae – the greater of \$1 or the sum of:
 - 10 basis points of the issuer’s outstanding Ginnie Mae single-family servicing UPB, plus
 - 3.5 basis points of the issuer’s outstanding Enterprises single family servicing UPB, if the issuer remits (or the Enterprise draws) the principal and interest only as actually collected from the borrower, plus
 - 7 basis points of the Issuer’s outstanding Enterprises single-family servicing UPB, if the issuer remits (or the Enterprise draws) the principal or interest, or both, as scheduled, regardless of whether principal or interest has been collected from the borrower, plus
 - 3.5 basis points of the issuer’s outstanding non-agency single-family servicing UPB.

- Ginnie Mae - issuers that originated more than \$1 billion in UPB of any residential first mortgage in the recent four-quarter period must have liquid assets equal to the greater of at least \$1 or the sum of the points listed immediately above, plus (effective December 31, 2023):
 - 50 basis points of loans held for sale, plus
 - 50 basis points of the issuer’s UPB of IRLCs after fallout adjustments

Capital Requirements (effective December 31, 2024)

- Ginnie Mae – a Risk-based Capital Ratio (“RBCR”) of at least 6%. RBCR is adjusted net worth less excess MSRs divided by total risk-based assets.

Financial Reporting Requirements (effective December 31, 2023)

- FHFA – must obtain an assessment of the seller/servicer’s performance and creditworthiness by a qualified, independent third party on an annual basis and meet the following criteria:
 - One primary servicer rating or master servicer rating, as applicable for large non-depository institutions that have greater than or equal to \$50 billion in servicing UPB, and
 - One primary servicer rating or master servicer rating, as applicable, and one third party long-term senior unsecured debt rating or long-term corporate family rating, for large non-depository institutions that have greater than \$100 billion in servicing UPB, and
 - One primary servicer rating or master servicer rating, as applicable, and issued by two rating agencies, each of which must issue either a third party long-term unsecured debt rating or long-term corporate family rating for large non-depository institutions that have greater than or equal to \$150 billion in servicing UPB.

Since our Ginnie Mae single-family servicing portfolio exceeds \$75 billion in UPB, we are also required to obtain an external primary servicer rating and issuer credit ratings from two different rating agencies and receive a minimum rating of a B or its equivalent. We met this requirement for all financial periods presented.

In addition, Fannie Mae or Freddie Mac may require capital ratios in excess of stated requirements. Refer to *Note 18, Capital Requirements*, in the Notes to Consolidated Financial Statements for additional information.

Table 15. Debt

	December 31, 2022	December 31, 2021
Advance facilities principal amount	\$ 669	\$ 614
Warehouse facilities principal amount	817	4,125
MSR facilities principal amount	1,410	270
Unsecured senior notes principal amount	2,700	2,700

Advance Facilities

As part of our normal course of business, we borrow money to fund servicing advances. Our servicing agreements require that we advance our own funds to meet contractual principal and interest payments for certain investors, and to pay taxes, insurance, foreclosure costs and various other items that are required to preserve the assets being serviced. Delinquency rates and prepayment speeds affect the size of servicing advance balances, and we exercise our ability to stop advancing principal and interest where the pooling and servicing agreements permit, where the advance is deemed to be non-recoverable from future proceeds. These servicing requirements affect our liquidity. We rely upon several counterparties to provide us with financing facilities to fund a portion of our servicing advances. As of December 31, 2022, we had a total borrowing capacity of \$1,125, of which we could borrow an additional \$456. The maturity dates of our advance facilities range from December 2023 to November 2024. As of December 31, 2022, we had \$40 of borrowings outstanding under facilities maturing within less than one year and \$629 of borrowings outstanding under facilities maturing within the next three years.

Warehouse and MSR Facilities

Loan origination activities generally require short-term liquidity in excess of amounts generated by our operations. The loans we originate are financed through several warehouse lines on a short-term basis. We typically hold the loans for approximately 30 days and then sell or place the loans in government securitizations in order to repay the borrowings under the warehouse lines. Our ability to fund current operations depends upon our ability to secure these types of short-term financings on acceptable terms and to renew or replace the financings as they expire. As of December 31, 2022, we had a total borrowing capacity of \$6,775 and \$2,700 for warehouse and MSR facilities, of which we could borrow an additional \$5,958 and \$1,290, respectively. The maturity dates for our warehouse facilities range from April 2023 to September 2024. As of December 31, 2022, we had \$803 of borrowings outstanding under warehouse facilities maturing within less than one year and \$14 of borrowings outstanding under warehouse facilities maturing within the next three years. Our MSR facilities provide financing for our servicing portfolio and investments. The maturity dates for our MSR facilities range from April 2023 to November 2024. As of December 31, 2022, we had \$405 of borrowings under MSR facilities maturing within less than one year and \$1,005 of borrowings outstanding under MSR facilities maturing within the next two years.

Unsecured Senior Notes

In 2020 and 2021, we completed offerings of unsecured senior notes with maturity dates ranging from 2027 to 2031. We pay interest semi-annually to the holders of these notes at interest rates ranging from 5.125% to 6.000%. We are scheduled to pay a total of \$1,029 of interest payments from these notes over the next nine years, of which \$151 is due within less than one year.

As of December 31, 2022, the expected maturities of our unsecured senior notes based on contractual maturities are presented below:

Table 16. Contractual Maturities - Unsecured Senior Notes

<u>Year Ending December 31,</u>	<u>Amount</u>
2023 through 2026	\$ —
2027	600
Thereafter	2,100
Unsecured senior notes principal amount	2,700
Unamortized debt issuance costs	(27)
Unsecured senior notes, net	<u>\$ 2,673</u>

Other contractual obligations

Our operating lease obligations were primarily incurred for office space and equipment. The average lease terms are generally for 1 to 8 years. As of December 31, 2022, the total future minimum lease payments for our operating lease obligations was \$124, of which \$22 is due within less than a year. For more information regarding lease obligations, see *Note 8, Leases*, in the Notes to Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, we have identified the following policies that, due to the judgment, estimates and assumptions inherent in those policies, are critical to an understanding of our consolidated financial statements. These policies relate to fair value measurements, particularly those determined to be Level 3 as discussed in *Note 17, Fair Value Measurements*, in Notes to Consolidated Financial Statements and valuation and realization of deferred tax assets. We believe that the judgment, estimates and assumptions used in the preparation of our consolidated financial statements are appropriate given the factual circumstances at the time. However, given the sensitivity of our consolidated financial statements to these critical accounting policies, the use of other judgments, estimates and assumptions could result in material differences in our results of operations or financial condition. Fair value measurements considered to be Level 3 representing estimated values based on significant unobservable inputs include (i) the valuation of MSRs, (ii) the valuation of excess spread financing and (iii) the valuation of interest rate lock commitments (“IRLCs”).

MSRs at Fair Value

We generally retain the servicing rights for existing residential mortgage loans transferred to a third party. We recognize MSRs recorded on the balance sheet in such transfers that meet the accounting requirements for sale treatment at fair value. Additionally,

we may acquire the rights to service residential mortgage loans from third parties. We have elected to measure all MSRMs at fair value subsequent to capitalization or acquisition, with all changes in fair value recorded within “revenues - service related, net” in the consolidated statements of operations. We estimate the fair value of these MSRMs using a discounted cash flow model, which incorporates prepayment speeds, discount rate, costs to service, delinquencies, ancillary revenues, recapture rates and other assumptions that management believes are consistent with the assumptions that other similar market participants use in valuing the MSRMs. The key assumptions to determine fair value include prepayment speeds, discount rate and cost to service. However, the discounted cash flow model is complex and uses asset-specific collateral data and market inputs for interest and discount rates. In addition, the modeling requirements of MSRMs are complex because of the high number of variables that drive cash flows associated with MSRMs. We obtain third-party valuations, industry surveys and other available market data quarterly to assess the reasonableness of the fair value calculated by the cash flow model. For the impact of changes in estimates on MSRMs at fair value, see Item 7A. Quantitative and Qualitative Disclosures about Market Risk and Note 4, Mortgage Servicing Rights and Related Liabilities, in the Notes to Consolidated Financial Statements.

Excess Spread Financing

In conjunction with the acquisition of certain MSRMs on various pools of residential mortgage loans (the “Portfolios”), we have entered into sale and assignment agreements related to its right to servicing fees, under which we sell to third parties the right to receive a portion of the excess cash flow generated from the Portfolios after receipt of a fixed base servicing fee per loan. We measure these financing arrangements at fair value to accurately represent the future performance of the acquired MSRMs and related excess servicing financing, with all changes in fair value recorded as a charge or credit to “revenues - service related, net” in the consolidated statements of operations. The fair value on excess spread financing is based on the present value of future expected discounted cash flows. The cash flow assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds and discount rate. However, the discounted cash flow model is complex and uses asset-specific collateral data and market inputs. In addition, our total market risk is influenced by a wide variety of factors including market volatility and liquidity of the markets. We obtain a third-party valuation, industry surveys and other available market data quarterly to assess the reasonableness of the fair value calculated by the cash flow model. For the impact of changes in estimates on excess spread financing, see Item 7A. *Quantitative and Qualitative Disclosures about Market Risk* and *Note 4, Mortgage Servicing Rights and Related Liabilities*, in the Notes to Consolidated Financial Statements.

Interest Rate Lock Commitments

IRLCs represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate and loan amount are set prior to funding. The fair values of interest rate lock commitments are subject to changes in mortgage interest rates from the date of the commitment through the sale of the loan into the secondary market. As a result, we are exposed to interest rate risk during the period from the date of the lock commitment through the lock commitment cancellation or expiration date or the date of sale into the secondary mortgage market. IRLCs are considered freestanding derivatives and are recorded at fair value at inception, which includes the inherent value of servicing. Loan commitments generally range between 30 days and 90 days, and we typically sell mortgage loans within 30 days of origination. IRLCs are subsequently recorded at fair value primarily based on secondary market prices for underlying mortgage loans, which is observable data, with adjustments made to such observable data for the inherent value of servicing, which is an unobservable input. The fair value is also subject to adjustments for the estimated pull-through rate. Any changes in fair value are recorded in earnings as a component of “revenues - net gain on mortgage loans held for sale” in the consolidated statements of operations and consolidated statements of cash flows. For the impact of changes in estimates on IRLCs, see Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*.

Realization of Deferred Tax Assets

Our provision for income taxes is calculated using the balance sheet method, which requires the recognition of deferred income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and certain changes in the valuation allowance. We provide a valuation allowance against deferred tax assets if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the adequacy of the valuation allowance, we consider all forms of evidence, including: (1) historic earnings or losses; (2) anticipated taxable income resulting from the reversal of taxable temporary differences; (3) tax planning strategies; and (4) anticipated future earnings exclusive of the reversal of taxable temporary differences. Of all of the sources of taxable income, we generally rely upon reversals of existing deferred tax liabilities, tax planning strategies, and future taxable income excluding reversing differences. In determining the appropriate amount of valuation allowance required, we consider (1) internal forecasts of our future pre-tax income exclusive of reversing

temporary differences and carryforwards, (2) the nature and timing of future reversals of existing deferred tax assets and liabilities, (3) future originating temporary and permanent differences, and (4) NOL carryforward expiration dates, among others.

Other Matters

Recent Accounting Developments

Below provides recently issued accounting pronouncements applicable to us but not yet effective.

Accounting Standards Update 2020-04, 2021-01 and 2022-06, collectively implemented as Accounting Standards Codification Topic 848 (“ASC 848”), *Reference Rate Reform* provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contract modifications, hedge accounting and other transactions affected by the transitioning away from reference rates that are expected to be discontinued, such as interbank offered rates and the London Inter-Bank Offered Rate (“LIBOR”). If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reasons, interest rates on our floating rate loans, obligation derivatives, and other financial instruments tied to LIBOR rates, may be affected and need renegotiation with its lenders. In January 2021, ASU 2021-01 was issued to clarify that all derivative instruments affected by changes to the interest rates used for discounting, margining alignment due to reference rate reform are in scope of ASC 848. In December 2022, ASU 2022-06 was issued to defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The guidance was effective upon issuance and may be applied prospectively to contract modifications, existing hedging relationships and other impacted transactions through December 31, 2024. The guidance in ASU 2020-04 and ASU 2021-01 is optional and may be elected over time as reference rate reform activities occur. At present, the Company has limited exposure to LIBOR based index rates. Due to the short-term maturities of the Company’s advance and warehouse facilities, substantially all the Company’s facilities have matured and transitioned away from LIBOR to alternative reference rates in 2022 when renewed. The Company does not expect ASU 2020-04 and ASU 2021-01 to have material impact on our consolidated financial statements.

See *Note 1, Nature of Business and Basis of Presentation*, in the Notes to the Consolidated Financial Statements in Item 8 for information on recent accounting guidance adopted in 2022.

GLOSSARY OF TERMS

This Glossary of Terms defines some of the terms that are used throughout this report and does not represent a complete list of all defined terms used.

Advance Facility. A secured financing facility to fund advance receivables which is backed by a pool of mortgage servicing advance receivables made by a servicer to a certain pool of mortgage loans.

Agency. Government entities guaranteeing the mortgage investors that the principal amount of the loan will be repaid; the Federal Housing Administration, the Department of Veterans Affairs, the US Department of Agriculture and Ginnie Mae (and collectively, the “Agencies”).

Agency Conforming Loan. A mortgage loan that meets all requirements (loan type, maximum amount, LTV ratio and credit quality) for purchase by Fannie Mae, Freddie Mac, or insured by the FHA, USDA or guaranteed by the VA or sold into Ginnie Mae.

Asset-Backed Securities (“ABS”). A financial security whose income payments and value is derived from and collateralized (or “backed”) by a specified pool of underlying receivables or other financial assets.

Bulk acquisitions or purchases. MSR portfolio acquired on non-retained basis through an open market bidding process.

Base Servicing Fee. The servicing fee retained by the servicer, expressed in basis points, in an excess MSR arrangement in exchange for the provision of servicing functions on a portfolio of mortgage loans, after which the servicer and the co-investment partner share the excess fees on a pro rata basis.

Client. Owner of the underlying mortgage servicing rights on behalf of whom we service loans.

Conventional Mortgage Loans. A mortgage loan that is not guaranteed or insured by the FHA, the VA or any other government agency. Although a conventional loan is not insured or guaranteed by the government, it can still follow the guidelines of GSEs and be sold to the GSEs.

Correspondent lender, lending channel or relationship. A correspondent lender is a lender that funds loans in their own name and then sells them off to larger mortgage lenders. A correspondent lender underwrites the loans to the standards of an investor and provides the funds at close.

Customer. Residential mortgage borrower.

Delinquent Loan. A mortgage loan that is 30 or more days past due from its contractual due date.

Department of Veterans Affairs (“VA”). The VA is a cabinet-level department of the U.S. federal government, which guarantees certain home loans for qualified borrowers eligible for securitization with GNMA.

Direct-to-consumer originations (“DTC”). A type of mortgage loan origination pursuant to which a lender markets refinancing and purchase money mortgage loans directly to selected consumers through telephone call centers, the Internet or other means.

Excess Servicing Fees. In an excess MSR arrangement, the servicing fee cash flows on a portfolio of mortgage loans after payment of the base servicing fee.

Excess Spread. MSRs with a co-investment partner where the servicer receives a base servicing fee and the servicer and co-investment partner share the excess servicing fees. This co-investment strategy reduces the required upfront capital from the servicer when purchasing or investing in MSRs.

Exchange inventory. Consists of Xome’s residential real estate inventory ranging from pre-foreclosure to bank-owned properties.

Federal National Mortgage Association (“Fannie Mae” or “FNMA”). FNMA was federally chartered by the U.S. Congress in 1938 to support liquidity, stability, and affordability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold. Fannie Mae buys mortgage loans from lenders and resells them as mortgage-backed securities in the secondary mortgage market.

Federal Housing Administration (“FHA”). The FHA is a U.S. federal government agency within the Department of Housing and Urban Development (HUD). It provides mortgage insurance on loans made by FHA-approved lenders in compliance with FHA guidelines throughout the United States.

Federal Housing Finance Agency (“FHFA”). A U.S. federal government agency that is the regulator and conservator of Fannie Mae and Freddie Mac and the regulator of the 12 Federal Home Loan Banks.

Federal Home Loan Mortgage Corporation (“Freddie Mac” or “FHLMC”). Freddie Mac was chartered by Congress in 1970 to stabilize the nation’s residential mortgage markets and expand opportunities for homeownership and affordable rental housing. Freddie Mac participates in the secondary mortgage market by purchasing mortgage loans and mortgage-related securities for investment and by issuing guaranteed mortgage-related securities.

Forbearance. An agreement between the mortgage servicer or lender and borrower for a temporary postponement of mortgage payments. It is a form of repayment relief granted by the lender or creditor in lieu of forcing a property into foreclosure.

Government National Mortgage Association (“Ginnie Mae” or “GNMA”). GNMA is a self-financing, wholly owned U.S. Government corporation within HUD. Ginnie Mae guarantees the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans - mainly loans insured by the FHA or guaranteed by the VA. Ginnie Mae securities are the only MBS to carry the full faith and credit guarantee of the U.S. federal government.

Government-Sponsored Enterprise (“GSE”). Certain entities established by the U.S. Congress to provide liquidity, stability and affordability in residential housing. These agencies are Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks.

Interest Rate Lock Commitments (“IRLC”). Agreements under which the interest rate and the maximum amount of the mortgage loan are set prior to funding the mortgage loan.

Investors. Our investors include agency investors and non-agency investors. Agency investors primarily consist of Government National Mortgage Association (“Ginnie Mae” or “GNMA”) and the GSEs, Federal National Mortgage Association (“Fannie Mae” or “FNMA”) and Federal Home Loan Mortgage Corp (“Freddie Mac” or “FHLMC”). Non-agency investors consist of investors in private-label securitizations.

Loan Modification. Temporary or permanent modifications to loan terms with the borrower, including the interest rate, amortization period and term of the borrower’s original mortgage loan. Loan modifications are usually made to loans that are in default, or in imminent danger of defaulting.

Loan-to-Value Ratio (“LTV”). The unpaid principal balance of a mortgage loan as a percentage of the total appraised or market value of the property that secures the loan. An LTV over 100% indicates that the UPB of the mortgage loan exceeds the value of the property.

Lock period. A set of periods of time that a lender will guarantee a specific rate is set prior to funding the mortgage loan.

Loss Mitigation. The range of servicing activities provided by a servicer in an attempt to minimize the losses suffered by the owner of a defaulted mortgage loan. Loss mitigation techniques include short-sales, deed-in-lieu of foreclosures and loan modifications, among other options.

Mortgage-Backed Securities (“MBS”). A type of asset-backed security that is secured by a group of mortgage loans.

Mortgage Servicing Right (“MSRs”). The right and obligation to service a loan or pool of loans and to receive a servicing fee as well as certain ancillary income. MSRs may be bought and sold, resulting in the transfer of loan servicing obligations. MSRs are designated as such when the benefits of servicing the loans are expected to more than adequately compensate the servicer for performing the servicing.

MSR Facility. A line of credit backed by mortgage servicing rights that is used for financing purposes. In certain cases, these lines may be a sub-limit of another warehouse facility or alternatively exist on a stand-alone basis. These facilities allow for same or next day draws at the request of the borrower.

Non-Conforming Loan. A mortgage loan that does not meet the standards of eligibility for purchase or securitization by Fannie Mae, Freddie Mac or Ginnie Mae.

Originations. The process through which a lender provides a mortgage loan to a borrower.

Pull through adjusted lock volume. Represents the expected funding from locks taken during the period.

Prepayment Speed. The rate at which voluntary mortgage prepayments occur or are projected to occur. The statistic is calculated on an annualized basis and expressed as a percentage of the outstanding principal balance.

Primary Servicer. The servicer that owns the right to service a mortgage loan or pool of mortgage loans. This differs from a subservicer, which has a contractual agreement with the primary servicer to service a mortgage loan or pool of mortgage loans in exchange for a subservicing fee based upon portfolio volume and characteristics.

Prime Mortgage Loan. Generally, a high-quality mortgage loan that meets the underwriting standards set by Fannie Mae or Freddie Mac and is eligible for purchase or securitization in the secondary mortgage market. Prime Mortgage loans generally have lower default risk and are made to borrowers with excellent credit records and a monthly income at least three to four times greater than their monthly housing expenses (mortgage payments plus taxes and other debt payments) as well as significant other assets. Mortgages not classified as prime mortgage loans are generally called either sub-prime or Alt-A.

Private Label Securitizations (“PLS”). Securitizations that do not meet the criteria set by Fannie Mae, Freddie Mac or Ginnie Mae.

Real Estate Owned (“REO”). Property acquired by the servicer on behalf of the owner of a mortgage loan or pool of mortgage loans, usually through foreclosure or a deed-in-lieu of foreclosure on a defaulted loan. The servicer or a third-party real estate management firm is responsible for selling the REO. Net proceeds of the sale are returned to the owner of the related loan or loans. In most cases, the sale of REO does not generate enough to pay off the balance of the loan underlying the REO, causing a loss to the owner of the related mortgage loan.

Recapture. Voluntarily prepaid loans that are expected to be refinanced by the related servicer.

Refinancing. The process of working with existing borrowers to refinance their mortgage loans. By refinancing loans for borrowers we currently service, we retain the servicing rights, thereby extending the longevity of the servicing cash flows.

Servicing. The performance of contractually specified administrative functions with respect to a mortgage loan or pool of mortgage loans. Duties of a servicer typically include, among other things, collecting monthly payments, maintaining escrow accounts, providing periodic monthly statements to the borrower and monthly reports to the loan owners or their agents, managing insurance, monitoring delinquencies, executing foreclosures (as necessary), and remitting fees to guarantors, trustees and service providers. A servicer is generally compensated with a specific fee outlined in the contract established prior to the commencement of the servicing activities.

Servicing Advances. In the course of servicing loans, servicers are required to make advances that are reimbursable from collections on the related mortgage loan or pool of loans. There are typically three types of servicing advances: P&I Advances, T&I Advances and Corporate Advances.

(i) P&I Advances cover scheduled payments of principal and interest that have not been timely paid by borrowers. P&I Advances serve to facilitate the cash flows paid to holders of securities issued by the residential MBS trust. The servicer is not the insurer or guarantor of the MBS and thus has the right to cease the advancing of P&I, when the servicer deems the next advance nonrecoverable.

(ii) T&I Advances pay specified expenses associated with the preservation of a mortgaged property or the liquidation of defaulted mortgage loans, including but not limited to property taxes, insurance premiums or other property-related expenses that have not been timely paid by borrowers in order for the lien holder to maintain its interest in the property.

(iii) Corporate Advances pay costs, fees and expenses incurred in foreclosing upon, preserving defaulted loans and selling REO, including attorneys’ and other professional fees and expenses incurred in connection with foreclosure and liquidation or other legal proceedings arising in the course of servicing the defaulted mortgage loans.

Servicing Advances are reimbursed to the servicer if and when the borrower makes a payment on the underlying mortgage loan at the time the loan is modified or upon liquidation of the underlying mortgage loan but are primarily the responsibility of the investor/owner of the loan. The types of servicing advances that a servicer must make are set forth

in its servicing agreement with the owner of the mortgage loan or pool of mortgage loans. In some instances, a servicer is allowed to cease Servicing Advances, if those advances will not be recoverable from the property securing the loan.

Subservicing. Subservicing is the process of outsourcing the duties of the primary servicer to a third-party servicer. The third-party servicer performs the servicing responsibilities for a fee and is typically not responsible for making servicing advances, which are subsequently reimbursed by the primary servicer. The primary servicer is contractually liable to the owner of the loans for the activities of the subservicer.

Unpaid Principal Balance (“UPB”). The amount of principal outstanding on a mortgage loan or a pool of mortgage loans. UPB is used together with the servicing fees and ancillary incomes as a means of estimating the future revenue stream for a servicer.

U.S. Department of Agriculture (“USDA”). The USDA is a cabinet-level department of the U.S. federal government, which guarantees certain home loans for qualified borrowers.

Warehouse Facility. A type of line of credit facility used to temporarily finance mortgage loan originations to be sold in the secondary market. Pursuant to a warehouse facility, a loan originator typically agrees to transfer to a counterparty certain mortgage loans against the transfer of funds by the counterpart, with a simultaneous agreement by the counterpart to transfer the loans back to the originator at a date certain, or on demand, against the transfer of funds from the originator.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

Our principal market exposure is to interest rate risk due to the impact on our mortgage-related assets and commitments.

Interest Rate Risk

Changes in interest rates negatively affect our operations primarily as follows:

Servicing Segment

- a decrease in mortgage rates may increase prepayment speeds which may impact earnings through (i) increased amortization expense; (ii) decrease in servicing fees; and (iii) decrease in the fair value of our MSR's;
- a decrease in interest rates could reduce our earnings from our custodial deposit accounts;
- an increase in interest rates would increase the cost of servicing our outstanding debt, including our ability to finance servicing advances and for borrowing for acquisitions;
- an increase in interest rates, together with an increase in monthly payments when an adjustable mortgage loan's interest rate adjusts upward from an initial fixed rate or a low introductory rate, may cause increased delinquency, default and foreclosure. Increased mortgage defaults and foreclosures may adversely affect our business as they increase our expenses and reduce the number of mortgages we service;
- an increase in interest rates could also adversely affect our redelivery margins on EBO loans and consequently reduce the volume of EBO repurchases.

Originations Segment

- an increase in interest rates could adversely affect our loan originations volume because refinancing an existing loan would be less attractive for homeowners and qualifying for a purchase money loan may be more difficult for consumers;
- an increase in interest rates could also adversely affect our production margins due to increased competition among originators;

Our management-level Investment Committee establishes and maintains policies that govern our risk appetite and associated hedging programs. Factors considered include such factors as market volatility, duration and interest rate sensitivity measures, limits, targeted hedge ratios, the type of hedge instruments used in our hedging activities and our liquidity risk profile. Management actively manages interest rate exposure associated with the MSR portfolio and the pipeline through the usage of

hedge instruments in accordance with the Investment Committee policies, which specify that the MSR portfolio and the pipeline should be hedged separately. Hedge instruments permitted by our aggregate hedge strategy include highly liquid market instruments such as Forward MBS trades, Swap futures, and Treasury futures. See *Note 11, Derivative Financial Instruments* to the Consolidated Financial Statements for additional information regarding our use of derivatives.

MSR Hedging Strategy

MSRs are measured at fair value with changes in fair value being recorded in earnings in the period in which the changes occur. The MSR hedge strategy is focused on mitigating interest-rate risk associated with the MSR portfolio excluding PLS MSRs (referred to herein as “MSR portfolio exposure”).

Our MSR hedge strategy’s objective is to provide partial hedge coverage of our MSR portfolio exposure, considering market and liquidity conditions. The hedge coverage ratio defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) is targeted at 25% of the MSR portfolio modeled interest rate risk, subject to change at the discretion of the Investment Committee. Accordingly, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. We periodically evaluate the coverage ratio to determine if it warrants adjustment based on market conditions and the symmetry of interest rate risk exposure and liquidity impacts of the hedge and asset profile under shock scenarios. In addition, while DV01 measures remain within the range of our hedging strategy’s objective, actual changes in fair value of the derivatives and MSR portfolio may not offset to the same extent, due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and hedging instruments. We continuously evaluate the use of hedging instruments to strive to enhance the effectiveness of our interest rate hedging strategy.

The changes in value on the derivative instruments associated with the MSR hedging strategy are recorded in earnings as a component of “revenues - service related, net” on the consolidated statements of operations within the Servicing segment and in “loss (gain) on MSR hedging activities” on the consolidated statements of cash flows.

Pipeline Hedging Strategy - Loans Held For Sale and IRLCs

We are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market for both the Originations segment for newly originated mortgage loans and the Servicing segment related to repurchased EBO mortgage loans held for sale. IRLCs generally range to 90 days and mortgage loans held for sale are generally funded and sold within 30 days. The objective of the pipeline hedging strategy is to economically hedge the entire pipeline interest rate exposure of both IRLCs and mortgage loans held for sale within certain hedge coverage tolerance levels. The net daily market risk position of net pull-through adjusted IRLCs and mortgage loans held for sale is monitored daily and its tolerance is +/- 10% of the estimated base value risk.

The changes in value on the derivative instruments associated with the pipeline hedging strategy are recorded in earnings as a component of “revenues - net gain on mortgage loans held for sale” on the consolidated statements of operations and consolidated statements of cash flows within the Originations and Servicing segments.

Sensitivity Analysis

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on fair values based on hypothetical changes (increases and decreases) in interest rates.

We use a duration-based model in determining the impact of interest rate shifts on our loan portfolio, certain other interest-bearing liabilities measured at fair value and interest rate derivatives portfolios. The primary assumption used in these models is that an increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

We utilize a discounted cash flow analysis to determine the fair value of MSRs and the impact of parallel interest rate shifts on MSRs. The discounted cash flow model incorporates prepayment speeds, discount rate, costs to service, delinquencies, ancillary revenues, recapture rates and other assumptions that management believes are consistent with the assumptions that other similar market participants use in valuing the MSRs. The key assumptions to determine fair value include prepayment speed, discount rate and cost to service. However, this analysis ignores the impact of interest rate changes on certain material variables, such as the benefit or detriment on the value of future loan originations, non-parallel shifts in the spread relationships between MBS, swaps and U.S. Treasury rates and changes in primary and secondary mortgage market spreads. For mortgage loans, IRLCs, forward delivery commitments on MBS and treasury futures, we rely on a model in determining the impact of interest rate shifts.

In addition, the primary assumption used for IRLCs, is the borrower's propensity to close their mortgage loans under the commitment.

Our total market risk is influenced by a wide variety of factors including market volatility and the liquidity of the markets. There are certain limitations inherent in the sensitivity analysis presented, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

We used December 31, 2022 market rates on our instruments to perform the sensitivity analysis. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative purposes only. 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.

The following table summarizes the estimated change in the fair value of our assets and liabilities sensitive to interest rates as of December 31, 2022 given hypothetical instantaneous parallel shifts in the yield curve. Actual results could differ materially.

Table 17. Change in Fair Value

	December 31, 2022	
	Down 25 bps	Up 25 bps
Increase (decrease) in assets		
Mortgage servicing rights at fair value	\$ (130)	\$ 122
Mortgage loans held for sale at fair value	3	(4)
Derivative financial instruments:		
Interest rate lock commitments	5	(6)
Forward MBS trades	(8)	9
Total change in assets	(130)	121
Increase (decrease) in liabilities		
Mortgage servicing rights liabilities at fair value	(2)	2
Excess spread financing at fair value	(2)	2
Derivative financial instruments:		
Interest rate lock commitments	(2)	2
Forward MBS trades	(5)	5
Treasury futures	(21)	21
Total change in liabilities	(32)	32
Total, net change	\$ (98)	\$ 89

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Mr. Cooper Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mr. Cooper Group Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2023 expressed an unqualified opinion thereon.

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 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. 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Forward Mortgage Servicing Rights and the Excess Spread Financing Liability

Description of the Matter

The estimated fair values of mortgage servicing rights (MSRs) and the excess spread financing liability were \$6.7 billion and \$0.5 billion, respectively, as of December 31, 2022. The excess spread financing liability is accounted for as a secured borrowing whereby the Company sold to third parties the right to receive a portion of excess cash flow generated from various pools of MSRs. As described in Note 2 and 4 to the consolidated financial statements, the Company measures MSRs and the excess spread financing liability at fair value on a recurring basis with changes in fair value recorded in the statement of operations. Such fair values are based on the present value of future cash flows from servicing the underlying loans. The significant unobservable assumptions used to estimate the fair value of MSRs are prepayment speeds, discount rate, and cost to service. The significant unobservable assumptions used to estimate the fair value of the excess spread financing liability are prepayment speeds and discount rate.

Auditing management's estimate of the fair value of MSRs and the excess spread financing liability is complex and required judgment due to the subjectivity of the significant unobservable assumptions utilized in the calculation of the fair value. Changes to any of these assumptions could have a material impact on the fair value of the MSRs and the excess spread financing liability.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's internal controls over the development of the significant unobservable assumptions and determination of the fair value of MSR's and the excess spread financing liability. This included, among others, testing internal controls over management's review of: 1) historical results and market-based information considered in developing these assumptions; 2) comparing independent fair value ranges and assumptions obtained from third-party valuation firms to the internally developed fair value estimate and assumptions; 3) the completeness and accuracy of data used in determining the assumptions and the fair value estimate.

To test the fair value of the MSR's and the excess spread financing liability, our audit procedures included, among others, testing the reasonableness of the significant unobservable assumptions and the fair value estimate. We tested the reasonableness of the assumptions by comparing to historical Company results and independent, market-based information. We tested the completeness and accuracy of the data underlying the assumptions and historical results. We utilized an internal valuation specialist to assist in testing management's assumptions and the fair value estimate and to identify potential sources of corroborating and contrary information. We also compared the significant unobservable assumptions and the fair value estimate developed by management to those from the third-party valuation firms utilized by management and evaluated the competence and objectivity of these firms.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Dallas, Texas
February 16, 2023

MR. COOPER GROUP INC.

CONSOLIDATED BALANCE SHEETS

(millions of dollars, except share data)

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 527	\$ 895
Restricted cash	175	146
Mortgage servicing rights at fair value	6,654	4,223
Advances and other receivables, net of reserves of \$137 and \$167, respectively	1,019	1,228
Mortgage loans held for sale at fair value	893	4,381
Property and equipment, net of accumulated depreciation of \$122 and \$122, respectively	65	98
Deferred tax assets, net	703	991
Other assets	2,740	2,242
Total assets	\$ 12,776	\$ 14,204
Liabilities and Stockholders' Equity		
Unsecured senior notes, net	\$ 2,673	\$ 2,670
Advance and warehouse facilities, net	2,885	4,997
Payables and other liabilities	2,633	2,392
MSR related liabilities - nonrecourse at fair value	528	778
Total liabilities	8,719	10,837
Commitments and contingencies (Note 19)		
Common stock at \$0.01 par value - 300 million shares authorized, 93.2 million shares issued	1	1
Additional paid-in-capital	1,104	1,116
Retained earnings	3,802	2,879
Treasury shares at cost - 24.0 million and 19.4 million shares, respectively	(850)	(630)
Total Mr. Cooper stockholders' equity	4,057	3,366
Non-controlling interests	—	1
Total stockholders' equity	4,057	3,367
Total liabilities and stockholders' equity	\$ 12,776	\$ 14,204

See accompanying Notes to Consolidated Financial Statements.

MR. COOPER GROUP INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(millions of dollars, except for earnings per share data)

	Year Ended December 31,		
	2022	2021	2020
Revenues:			
Service related, net	\$ 1,865	\$ 1,067	\$ 379
Net gain on mortgage loans held for sale	599	2,251	2,310
Total revenues	2,464	3,318	2,689
Expenses:			
Salaries, wages and benefits	789	1,036	1,027
General and administrative	485	626	755
Total expenses	1,274	1,662	1,782
Interest income	261	231	158
Interest expense	(424)	(478)	(528)
Other income (expense), net	187	528	(135)
Total other income (expenses), net	24	281	(505)
Income from continuing operations before income tax expense	1,214	1,937	402
Less: Income tax expense	291	471	93
Net income from continuing operations	923	1,466	309
Net loss from discontinued operations	—	(12)	(2)
Net income	923	1,454	307
Less: Net income attributable to non-controlling interests	—	—	2
Net income attributable to Mr. Cooper	923	1,454	305
Less: Undistributed earnings attributable to participating stockholders	—	8	3
Less: Premium on retirement of preferred stock	—	28	—
Net income attributable to common stockholders	\$ 923	\$ 1,418	\$ 302
Earnings from continuing operations per common share attributable to Mr. Cooper:			
Basic	\$ 12.84	\$ 17.39	\$ 3.33
Diluted	\$ 12.50	\$ 16.67	\$ 3.22
Earnings from discontinuing operations per common share attributable to Mr. Cooper:			
Basic	\$ —	\$ (0.15)	\$ (0.02)
Diluted	\$ —	\$ (0.14)	\$ (0.02)
Earnings per common share attributable to Mr. Cooper:			
Basic	\$ 12.84	\$ 17.24	\$ 3.31
Diluted	\$ 12.50	\$ 16.53	\$ 3.20

See accompanying Notes to Consolidated Financial Statements.

MR. COOPER GROUP INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(millions of dollars, except share data)

	Preferred Stock		Common Stock				Retained Earnings	Treasury Shares Amount	Total Mr. Cooper Stockholders' Equity	Non-controlling Interests	Total Stockholders' Equity
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Additional Paid-in Capital						
Balance at January 1, 2020	1,000	\$ —	91,118	\$ 1	\$ 1,109	\$ 1,122	\$ —	\$ 2,232	\$ (1)	\$ 2,231	
Shares issued / (surrendered) under incentive compensation plan	—	—	923	—	(5)	—	—	(5)	—	(5)	
Share-based compensation	—	—	—	—	22	—	—	22	—	22	
Cumulative effect adjustments pursuant to the adoption of CECL - related accounting guidance	—	—	—	—	—	7	—	7	—	7	
Repurchase of common stock	—	—	(2,584)	—	—	(58)	(58)	(58)	—	(58)	
Net income	—	—	—	—	—	305	—	305	2	307	
Balance at December 31, 2020	1,000	—	89,457	1	1,126	1,434	(58)	2,503	1	2,504	
Shares issued / (surrendered) under incentive compensation plan	—	—	1,244	—	(20)	—	—	(20)	—	(20)	
Share-based compensation	—	—	—	—	29	—	—	29	—	29	
Repurchase of common stock	—	—	(16,924)	—	—	(572)	(572)	(572)	—	(572)	
Retirement of preferred stock	(1,000)	—	—	—	(19)	(9)	—	(28)	—	(28)	
Net income	—	—	—	—	—	1,454	—	1,454	—	1,454	
Balance at December 31, 2021	—	—	73,777	1	1,116	2,879	(630)	3,366	1	3,367	
Shares issued / (surrendered) under incentive compensation plan	—	—	906	—	(41)	—	19	(22)	—	(22)	
Share-based compensation	—	—	—	—	29	—	—	29	—	29	
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1)	(1)	
Repurchase of common stock	—	—	(5,417)	—	—	(239)	(239)	(239)	—	(239)	
Net income	—	—	—	—	—	923	—	923	—	923	
Balance at December 31, 2022	—	\$ —	69,266	\$ 1	\$ 1,104	\$ 3,802	\$ (850)	\$ 4,057	\$ —	\$ 4,057	

See accompanying Notes to Consolidated Financial Statements.

MR. COOPER GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of dollars)

	Year Ended December 31,		
	2022	2021	2020
Operating Activities			
Net income	\$ 923	\$ 1,454	\$ 307
Less: Net loss from discontinued operations	—	(12)	(2)
Net income from continuing operations	923	1,466	309
Adjustments to reconcile net income to net cash attributable to operating activities:			
Deferred tax expense	289	351	4
Net gain on mortgage loans held for sale	(599)	(2,251)	(2,310)
Provision for servicing and non-servicing reserves	30	34	22
Fair value changes in mortgage servicing rights	(549)	506	1,667
Fair value changes in MSR related liabilities	142	(33)	(198)
Depreciation and amortization for property and equipment and intangible assets	37	57	73
Gain on sale of business	—	(528)	—
Gain on disposition of assets	(223)	—	—
Loss (gain) on MSR hedging activities	332	86	(41)
Loss on redemption of unsecured senior notes	—	—	138
Other operating activities	96	58	60
Repurchases of loan assets out of Ginnie Mae securitizations	(3,067)	(10,156)	(4,822)
Mortgage loans originated and purchased for sale, net of fees	(28,309)	(84,684)	(63,233)
Sales proceeds and loan payment proceeds for mortgage loans held for sale	34,464	97,454	68,302
Changes in assets and liabilities:			
Advances and other receivables	153	(380)	(48)
Other assets	278	286	86
Payables and other liabilities	(230)	(259)	(625)
Net cash attributable to operating activities - continuing operations	3,767	2,007	(616)
Net cash attributable to operating activities - discontinued operations	—	625	947
Net cash attributable to operating activities	3,767	2,632	331
Investing Activities			
Sale of business, net of cash divested	—	465	—
Property and equipment additions, net of disposals	(17)	(41)	(57)
Purchase of mortgage servicing rights	(1,595)	(922)	(130)
Proceeds on sale of servicing rights	290	61	53
Other investing activities	—	2	—
Net cash attributable to investing activities - continuing operations	(1,322)	(435)	(134)
Net cash attributable to investing activities - discontinued operations	—	1,627	—
Net cash attributable to investing activities	(1,322)	1,192	(134)
Financing Activities			
(Decrease) increase in advance and warehouse facilities	(2,113)	(1,272)	1,861
Proceeds from issuance of excess spread financing	—	—	24
Settlements and repayment of excess spread financing	(392)	(156)	(207)
Issuance of unsecured senior debt	—	600	2,100
Redemption and repayment of unsecured senior notes and notes payable	—	—	(2,508)
Repurchase of common stock	(239)	(572)	(58)

	Year Ended December 31,		
	2022	2021	2020
Retirement of preferred stock	—	(28)	—
Other financing activities	(40)	(42)	(55)
Net cash attributable to financing activities - continuing operations	(2,784)	(1,470)	1,157
Net cash attributable to financing activities - discontinued operations	—	(2,226)	(1,053)
Net cash attributable to financing activities	(2,784)	(3,696)	104
Net (decrease) increase in cash, cash equivalents and restricted cash	(339)	128	301
Cash, cash equivalents and restricted cash - beginning of period	1,041	913	612
Cash, cash equivalents and restricted cash - end of period ⁽¹⁾	\$ 702	\$ 1,041	\$ 913

Supplemental Disclosures of Cash Activities

Cash paid for interest expense	\$ 152	\$ 118	\$ 206
Net cash paid for income taxes	17	159	76

Supplemental Disclosures of Non-cash Investing Activities

Equity consideration received from disposition of assets	\$ 250	\$ —	\$ —
Equity consideration received from sale of business	—	58	—
Mortgage servicing rights sales price holdback	15	2	—
Purchase of mortgage servicing rights	11	6	5

⁽¹⁾ The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the consolidated balance sheets.

	December 31, 2022	December 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 527	\$ 895	\$ 695
Restricted cash	175	146	135
Restricted cash within assets of discontinued operations	—	—	83
Total cash, cash equivalents and restricted cash	\$ 702	\$ 1,041	\$ 913

See accompanying Notes to Consolidated Financial Statements.

MR. COOPER GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(millions of dollars, unless otherwise stated)

1. Nature of Business and Basis of Presentation

Nature of Business

Mr. Cooper Group Inc. collectively with its consolidated subsidiaries, (“Mr. Cooper,” the “Company,” “we,” “us” or “our”) provides servicing, origination and transaction-based services related to single family residences throughout the United States with operations under its primary brands: Mr. Cooper® and Xome®. Mr. Cooper is one of the largest home loan servicers and originators in the country focused on delivering a variety of servicing and lending products, services and technologies. The Company has provided a glossary of terms, which defines certain industry-specific and other terms that are used herein, in Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, of this Form 10-K.

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The significant accounting policies described below, together with the other notes that follow, are an integral part of the consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, other entities in which the Company has a controlling financial interest, and those variable interest entities (“VIE”) where the Company’s wholly owned subsidiaries are the primary beneficiaries. Assets and liabilities of VIEs and their respective results of operations are consolidated from the date that the Company became the primary beneficiary through the date the Company ceases to be the primary beneficiary. The Company applies the equity method of accounting to investments where it is able to exercise significant influence, but not control, over the policies and procedures of the entity and owns less than 50% of the voting interests. Investments in certain companies over which the Company does not exert significant influence are recorded at fair value, or at cost upon election of measurement alternative, at the end of each reporting period. Intercompany balances and transactions on consolidated entities have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates, and such differences could be material, due to factors such as adverse changes in the economy, changes in interest rates, secondary market pricing for loans held for sale and derivatives, strength of underwriting and servicing practices, changes in prepayment assumptions, declines in home prices or discrete events adversely affecting specific borrowers.

Reclassifications

Certain reclassifications have been made in the 2021 and 2020 consolidated financial statements to conform to 2022 presentation. Such reclassifications were not material and did not affect total revenues or net income.

Recent Accounting Guidance Adopted

The Company did not adopt any accounting guidance during the year ended December 31, 2022 that had a material impact on its consolidated financial statements or disclosures.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash on hand and other interest-bearing investments with original maturity dates of 90 days or less.

Restricted Cash

Restricted cash includes collected funds pledged to certain advance and warehouse facilities, collected fees payable to third parties, and certain contractual escrow funds.

Mortgage Servicing Rights (“MSR”)

The Company recognizes the rights to service mortgage loans for others, or MSRs, whether acquired or as a result of the sale of loans the Company originates with servicing retained, as assets. The Company initially records all MSRs at fair value. The Company has elected to subsequently measure MSRs at fair value.

The fair value of the MSRs is based upon the present value of the expected future net cash flows related to servicing the underlying loans. The Company determines the fair value of the MSRs using a discounted cash flow model which incorporates prepayment speeds, discount rate, costs to service, delinquencies, ancillary revenues, recapture rates and other assumptions that management believes are consistent with the assumptions that other similar market participants use in valuing the MSRs. The key assumptions to determine fair value include prepayment speeds, discount rate and cost to service. The credit quality and stated interest rates of the loans underlying the MSRs affect the assumptions used in the cash flow models. The Company obtains third-party valuations quarterly to assess the reasonableness of the fair value calculated by the cash flow model. Fair value adjustments are recorded within “revenues - service related, net” in the consolidated statements of operations.

Advances and Other Receivables, Net

The Company advances funds to or on behalf of the investors when the borrower fails to meet contractual payments (e.g., principal, interest, property taxes, insurance) in accordance with terms of its servicing agreements. Other receivables consist of advances funded to maintain and market underlying loan collateral through foreclosure and ultimate liquidation on behalf of the investors. Advances are recovered from borrowers for performing loans and from the investors and loan proceeds for non-performing loans.

The Company may also acquire servicer advances in connection with the acquisition of MSRs through asset acquisitions or business combinations. These advances are recorded at their relative fair value amounts upon acquisition. The Company records receivables upon determining that collection of amounts due from loan proceeds, investors, mortgage insurers, or prior servicers is probable. Reserves related to recoverability of advances and other receivables are discussed below in Reserves for Servicing Activity.

Mortgage Loans Held for Sale

The Company originates prime residential mortgage loans with the intention of selling such loans on a servicing-retained basis in the secondary market. As these loans are originated with intent to sell, the loans are classified as held for sale and the Company has elected to measure these loans held for sale at fair value. The Company estimates fair value of mortgage loans held for sale using a market approach by utilizing either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. In connection with the Company’s election to measure originated mortgage loans held for sale at fair value, the Company records the loan origination fees when earned, net of direct loan origination costs associated with these loans. Loan origination fees and underwriting fees are recorded in “revenues - service related, net” in the consolidated statements of operations. Gains or losses recognized upon sale of loans and fair value adjustments are recorded in “revenues - net gain on mortgage loans held for sale” in the consolidated statements of operations.

From time to time, the Company exercises this right to repurchase individual delinquent loans in GNMA securitization pools to minimize interest spread losses, re-pool into new GNMA securitizations or otherwise sell to third-party investors. The majority of GNMA repurchased loans are repurchased in connection with loan modifications and loan resolution activity with the intent to re-pool into new GNMA securitizations upon re-performance of the loan or otherwise sell to third-party investors. Therefore, the Company classifies such loans as loans held for sale and has elected to measure these repurchased loans at fair value.

Loans Subject to Repurchase from Ginnie Mae

For certain loans originated and sold into GNMA mortgage-backed securities, the Company, as servicer/transferor, has the unilateral right to repurchase, without GNMA’s prior authorization, any individual loan in a GNMA securitization pool if that

loan meets certain criteria, including payment not being received from the borrower for greater than 90 days (“delinquent status”). For loans in delinquent status, the Company must recognize in its consolidated balance sheets the right to repurchase the loan and a corresponding repurchase liability, regardless of whether the Company intends to repurchase the loan. The Company records these rights to repurchase in “other assets” at the unpaid principal balance and a corresponding liability in “payables and other liabilities” in its consolidated balance sheets.

MSR Related Liabilities - Nonrecourse

Excess Spread Financing

In conjunction with the acquisition of certain MSRs on various pools of residential mortgage loans (the “Portfolios”), the Company entered into sale and assignment agreements related to its right to servicing fees, under which the Company sells to third parties the right to receive a portion of the excess cash flow generated from the Portfolios after receipt of a fixed base servicing fee per loan. The excess cash flow payments to third parties are considered counterparty payments, which are recorded as an adjustment to “revenues - service related, net” in the consolidated statements of operations. The agreements consist of two components - current excess spread, or remittance of a percentage of excess spread on currently serviced loans, and future excess spread, or the obligation to transfer currently serviced loans that have been refinanced into current excess spread or a replacement loan of similar economic characteristics into the Portfolios. The new or replacement loan will be governed by the same terms set forth in the sale and assignment agreement described above. The sale of these rights is accounted for as a secured borrowing under Accounting Standards Codification (“ASC”) 860, with the total proceeds received being recorded as a component of “MSR related liabilities - nonrecourse at fair value” in the consolidated balance sheets. The Company determines the effective interest rate on these liabilities and allocates total repayments between interest expense and the outstanding liability.

The Company has elected to measure the outstanding financings related to the excess spread financing agreements at fair value with all changes in fair value recorded to “revenues - service related, net” in the consolidated statements of operations. The fair value on excess spread financing is based on the present value of future expected discounted cash flows. The cash flow assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds and discount rate.

Changes to excess spread financing other than payments and fair value measurements include accretion, which results from changes in the portfolio. Changes related to accretion are recorded to “revenues - service related, net” with an offset to excess spread financing liability on the balance sheet.

Mortgage Servicing Rights Financing

The Company has historically entered into transactions with third parties to sell a contractually specified base fee component of certain MSRs and servicer advances under specified terms. The Company evaluates these transactions to determine if they were sales or secured borrowings. When a transaction qualifies for sale treatment, the Company derecognizes the transferred assets in its consolidated balance sheets. If the Company determines that the related MSRs sales are contingent on the receipt of consents from various third parties, for accounting purposes, legal ownership of the MSRs continues to reside with the Company. The Company continues to account for the MSRs in its consolidated balance sheets. In addition, the Company records an MSR financing liability associated with this financing transaction. The Company continues to account for the sold specified base fee cash flows within MSRs in its consolidated balance sheets. Counterparty payments related to this financing arrangement are recorded as an adjustment to the Company’s “revenues - service related, net” in the consolidated statements of operations.

The Company has elected to measure the mortgage servicing rights financing liabilities at fair value with all changes in fair value recorded to “revenues - service related, net” in the consolidated statements of operations. The fair value on mortgage servicing right financings is based on the present value of future expected discounted cash flows. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being advance financing rates and advance recovery rates.

Property and Equipment, Net

Property and equipment is comprised of furniture, fixtures, leasehold improvements, computer software, and computer hardware. These assets are stated at cost less accumulated depreciation. Repairs and maintenance are expensed as incurred which is included in “expenses - general and administrative” in the consolidated statements of operations. Depreciation, which includes depreciation and amortization on finance leases, is recorded using the straight-line method over the estimated useful lives of the related assets. Cost and accumulated depreciation applicable to assets retired or sold are eliminated from the accounts, and any resulting gains

or losses are recognized at such time through a charge or credit to “expenses - general and administrative”. Costs to internally developed computer software are capitalized during the development stage and include internal and external costs incurred to develop software.

Long-lived assets shall be tested for recoverability whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. The Company performs a quarterly evaluation to determine whether such events have occurred. If events and circumstances indicate the carrying values exceed the fair value of the fixed assets, the Company will proceed with impairment testing. Impairment loss shall be recognized only if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. The impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Leases

If the Company determines an arrangement contains a lease or lease components, then the lease will be accounted for under ASC 842 and classified as either a finance or operating lease. At the lease commencement date, the Company recognizes a leased right-of-use (“ROU”) asset and corresponding lease liability based on the present value of the lease payments over the lease term. Leased ROU assets are tested for impairment in accordance with ASC 360, *Property, Plant, and Equipment*. The Company did not have material finance leases for the periods presented.

ASC 842 provides for two policy elections. The first refers to leases with a term of 12 months or less and the second relates to separating lease components from non-lease components. The Company elected not to recognize lease assets and lease liabilities for leases with a term of 12 months or less and not to separate lease components from non-lease components.

Leases primarily consist of various corporate and other office facilities. Operating leases in which the Company is the lessee are recorded as operating lease ROU assets and operating lease liabilities, which are included in “other assets” and “payables and other liabilities”, respectively, on the consolidated balance sheets. Operating lease ROU assets represent the Company’s right to use an underlying asset during the lease term and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company’s incremental borrowing rate at the lease commencement date, as most of the Company’s leases do not provide an implicit rate. ROU assets are further adjusted for lease incentives. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in “expenses - general and administrative” in the consolidated statements of operations. Operating lease activity is included in operating activities within the consolidated statements of cash flows.

Derivative Financial Instruments

Derivative instruments are used as part of the overall strategy to manage exposure to interest rate risks related to the pipeline (including mortgage loans held for sale and interest rate lock commitments (“IRLCs”)) and the MSR portfolio. The Company recognizes all derivatives at fair value on a recurring basis in “other assets” and “payables and other liabilities” on its consolidated balance sheets. The Company treats all of its derivative instruments as economic hedges, therefore none of its derivative instruments are designated as accounting hedges.

Derivative instruments utilized by the Company primarily include IRLCs, loan purchase commitments (“LPCs”), forward Mortgage Backed Securities (“MBS”), Treasury futures, interest rate swap agreements and interest rate caps.

IRLCs represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. The fair values of mortgage loans held for sale, which are held in inventory awaiting sale into the secondary market, and interest rate lock commitments, are subject to changes in mortgage interest rates from the date of the commitment through the sale of the loan into the secondary market. As a result, the Company is exposed to interest rate risk during the period from the date of the lock commitment through (i) the lock commitment cancellation or expiration date; or (ii) the date of sale into the secondary mortgage market. IRLCs are considered freestanding derivatives and are recorded at fair value at inception inclusive of the inherent value of servicing. Loan commitments generally range between 30 days and 90 days, and the Company typically sells mortgage loans within 30 days of origination. Changes in fair value subsequent to inception are based on changes in the fair value of the underlying loan, and adjustments for the estimated pull-through rate. Any changes in fair value are recorded in earnings as a component of “revenues - net gain on mortgage loans

held for sale” on the consolidated statements of operations and consolidated statements of cash flows.

The Company uses other derivative financial instruments to manage exposure to interest rate risk. These derivative financial instruments are measured at fair value based upon dealer market and exchange prices. The changes in value on derivatives designated as pipeline hedges are recorded as a charge or credit to “revenues - net gain on mortgage loans held for sale” on the consolidated statements of operations and consolidated statements of cash flows. The changes in fair value of derivatives designated as MSR hedges are recorded in “revenues - service related, net” on the consolidated statements of operations and “loss (gain) on MSR hedging activities” on the consolidated statements of cash flows. For segment reporting purposes, the Company established an intersegment hedge to transfer the risks and allocate the associated fair value changes in forward MBS between Servicing and Originations. The intersegment hedge fair value changes are eliminated in the consolidated financial statements and not material.

The Company also purchases interest rate swaps and Treasury futures to mitigate exposure to interest rate risk related to cash flows on securitized mortgage borrowings.

Intangible Assets

Intangible assets primarily consist of customer relationships and technology acquired through business combinations. Those intangible assets are deemed to have finite useful lives and are amortized either on a straight-line basis over their estimated useful lives (trade name, technology and internally developed software), or on a basis more representative of the time pattern over which the benefit is derived (customer relationships). Intangible assets are recorded at their estimated fair value at the date of acquisition.

Intangible assets with finite useful lives are tested for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for intangible assets, the carrying value of the asset is reduced to the estimated fair value.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate. Goodwill is not amortized but is instead subject to impairment testing. The Company evaluates its goodwill for impairment annually as of October 1 of each year or more frequently if impairment indicators arise in accordance with ASC 350, *Intangibles - Goodwill and Other*. When testing goodwill for impairment, the Company may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value.

During a qualitative analysis, the Company considers the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors, and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If the qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, the Company performs a quantitative analysis. In a quantitative test, the carrying value of the reporting unit is compared to its estimated fair value.

In a quantitative test, the fair value of a reporting unit is determined based on a discounted cash flow analysis and further analyzed using other methods of valuation. A discounted cash flow analysis requires the Company to make various assumptions, including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on the Company’s long-term projections by reporting unit. In addition, an assumed terminal value is used to project future cash flows beyond base years. Assumptions used in the Company’s impairment testing are consistent with its internal forecasts and operating plans. The discount rate is based on the Company’s debt and equity balances, adjusted for current market conditions and investor expectations of return on the Company’s equity. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, the Company compares the fair value of the reporting unit with its carrying amount. To the extent the carrying amount of the reporting unit exceeds its fair value, a write-down of the reporting unit’s goodwill would be necessary.

Investment in Unconsolidated Entities

The Company accounts for investments in unconsolidated entities using the equity method when the Company holds a significant, but less than controlling, ownership interest and has the ability to exercise significant influence over operating and financial decisions of the investee. These investments include our investment in Sagent M&C, LLC (“Sagent”). Under the equity method

of accounting, investments are initially recorded at cost and thereafter adjusted for additional investments, distributions and the proportionate share of earnings or losses of the investee. The Company evaluates the equity method investments for impairment when events or changes in circumstances indicate that an other-than-temporary decline in value may have occurred. See *Note 3, Dispositions*, for more information on our investment in Sagent.

Revenue Recognition

ASC 606, *Revenue from Contracts with Customers*, establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers as performance obligations are satisfied in an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for those goods or services. The majority of the Company's revenue-generating transactions in the Servicing and Originations segments, including revenue generated from financial instruments, such as the Company's loans and derivatives, as well as revenue related to the Company's mortgage servicing activities, are not within the scope of ASC 606 as these activities are subject to other GAAP discussed elsewhere within the Company's disclosures. All revenues from Xome fall within the scope of ASC 606.

The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers as performance obligations are satisfied in an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for those goods or services.

Revenues from Servicing Activities

- "Revenues, service related, net", primarily include contractually specified servicing fees, late charges, prepayment penalties, fair value adjustments, and other ancillary revenues. The servicing fees are based on a contractual percentage of the outstanding principal balance and recognized as revenue as earned during the life of the loan. Corresponding loan servicing costs are charged to expense as incurred. The Company recognizes ancillary revenues and earnings on float as they are earned.

In addition, the Company receives various fees in the course of providing servicing on its various portfolios. These fees include modification fees for modifications performed outside of government programs, modification fees for modifications pursuant to various government programs, and incentive fees for servicing performance on specific government-sponsored entities ("GSE") portfolios. Fees recorded on modifications of mortgage loans serviced by the Company for others are recognized on collection and are recorded as a component of "revenues - service related, net". Fees recorded on modifications pursuant to various government programs are recognized based upon completion of all necessary steps by the Company and the minimum loan performance time frame to establish eligibility for the fee. Revenue earned on modifications pursuant to various government programs is included as a component of "revenues - service related, net". Incentive fees for servicing performance on specific GSE portfolios are recognized as various incentive standards are achieved and are recorded as a component of "revenues - service related, net".

Fair value adjustments related to MSRs, excess spread financing and MSRs financing are recorded as component of "revenues - service related, net".

The Company also acts as a servicer for certain parties that own the underlying servicing rights and receives subservicing fees, which are typically a stated monthly fee per loan that varies based on types of loans. Fees related to the subserviced portfolio are accrued in the period the services are performed.

- "Revenues - net gain on mortgage loans held for sale", within the Servicing segment is comprised of the realized and unrealized gains and losses on sales of mortgage loans held for sale, including loans that are repurchased out of GNMA securities and subsequently modified and re-securitized, and any other repurchased loans.

Revenues from Origination Activities

- "Revenues - servicing related, net", within the Originations segment is comprised of loan origination and other loan fees which generally represent flat, per-loan fee amounts and are recognized as revenue at the time the loans are funded.
- "Revenues - net gain on mortgage loans held for sale", includes the realized and unrealized gains and losses on sales of newly originated mortgage loans, as well as the changes in fair value of all pipeline-related derivatives, including IRLCs.

Revenue from Xome Activities

- Xome consists of REO auction exchange, which is a proprietary digital exchange for selling foreclosed property. Revenue is recognized when the performance obligation is completed, which is at the closing of real estate transactions and there is transfer of ownership to the buyer. Xome's business is included in Corporate/Other.

Repurchase Reserves for Origination Activity

The Company accrues reserves for the repurchase of loans from GSEs, GNMA, and third-party investors primarily due to origination defect and are initially recorded upon sale of the loan to a third party with subsequent reserves recorded based on repurchase demands. The repurchase reserves are included within "payables and accrued liabilities" in the consolidated balance sheets and the provision for repurchase reserves is a component of "revenues - net gain on mortgage loans held for sale" in the consolidated statements of operations.

During each reporting period, the Company utilizes an internal model to estimate repurchase reserves for loan origination activities based upon its expectation of future defects and historical loss rates. The estimate for the repurchase reserve is based on judgments and assumptions which can be influenced by many factors and may change over the life of the underlying loans, including: (i) historical loss rate, (ii) secondary market pricing of loans; (iii) home prices and the levels of home equity; (iv) the quality of Company's underwriting procedures; (v) borrower delinquency and default patterns; and (vi) other Company-specific and macro-economic factors. On a quarterly basis, management corroborates these assumptions using third-party data, where applicable.

Reserves for Servicing Activity

In connection with loan servicing activities, the Company records reserves primarily for the recoverability of advances, interest claims, and mortgage insurance claims. Reserves for advances and other receivables associated with loans in the MSR portfolio are considered within the MSR valuation, and the provision expense for such advances is recorded in the mark-to-market adjustment in "revenues - service related, net" in the consolidated statements of operations. Such valuation considers the expected cash outflows and inflows for advances and other receivables in accordance with the fair value framework. Reserves for advances and other receivables on loans transferred out of the MSR portfolio are established within "advances and other receivables, net". As loans serviced transfer out of the MSR portfolio, any negative MSR value or any GNMA loan fallout value associated with the loans transferred is reclassified from the MSR to the reserve within "advances and other receivables, net", to the extent such reserves continue to be required for balances remaining on the consolidated balance sheets. Management evaluates reserves for sufficiency each reporting period and any additional reserve requirements are recorded as a provision in "expenses - general and administrative", as needed.

The Company records reserves for advances and other receivables and evaluates the sufficiency of such reserves through internal models considering expected recovery rates on claims filed with government agencies, government sponsored enterprises, vendors, prior servicer and other counterparties. Key assumptions used in the models include but are not limited to expected recovery rates by loan types, which are derived from historical recovery rates, and aging of the receivable. Recovery of advances and other receivables is subject to judgment and estimates based on the Company's assessment of its compliance with servicing guidelines, its ability to produce the necessary documentation to support claims, its ability to support amounts from prior servicers and to effectively negotiate settlements, as needed. Management reviews recorded advances and other receivables, and upon determination that no further recourse for recovery is available from all means known to management, the recorded balances associated with these receivables are written off against the reserve.

Credit Loss Reserves

ASC 326, *Financial Instruments – Credit Losses* requires expected credit losses for financial instruments held at the reporting date to be measured based on historical experience, current conditions and reasonable and supportable forecasts, which is referred to as the current expected credit loss, or CECL, methodology. The new standard reflects management's best estimate of all expected credit losses for the Company's financial assets that are recognized at amortized cost. The CECL methodology considers expected lifetime loss rates calculated from historical data using a weighted average life to determine the current expected credit loss required.

The Company determined that "advances and other receivables, net", and certain financial instruments included in "other assets" are within the scope of ASC 326.

For “advances and other receivables, net”, the Company determined that the majority of estimated losses are due to servicing operational errors, and credit-related losses are not significant because of the contractual relationships with the government and government sponsored agencies. The Company determined that the credit-related risk associated with certain applicable financial instruments can increase with the passage of time. The CECL reserve methodology considers these financial instruments collectible to a point in time of 39 months. Any projected remaining balance at the end of the collection period is considered a loss and factors into the overall CECL loss rate required.

For “other assets”, primarily trade receivables and service fees earned but not received, the Company determined that these are short-term in nature (less than one year), and the estimated credit-related losses over the life of these receivables are similar to those resulting from the Company’s existing loss reserve process. The Company monitors the financial status of customers to determine if any specific loss considerations are required.

Variable Interest Entities

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

The Company evaluates its interests in each SPE for classification as a Variable Interest Entity (“VIE”). When an SPE meets the definition of a VIE and the Company determines that the Company is the primary beneficiary, the Company includes the SPE in its consolidated financial statements.

The Company consolidates certain SPEs connected with mortgage activities. See *Note 13, Securitizations and Financings*, for more information on Company SPEs, and *Note 12, Indebtedness*, for certain debt activity connected with SPEs.

Securitizations and Asset-Backed Financing Arrangements

The Company and its subsidiaries have been a transferor in connection with a number of securitizations and asset-backed financing arrangements. The Company has continuing involvement with the financial assets of the securitizations and the asset-backed financing arrangements. The Company has aggregated these transactions into two groups: (1) securitizations of residential mortgage loans accounted for as sales and (2) financings of advances on loans serviced for others accounted for as secured borrowings.

Securitizations Treated as Sales

The Company’s continuing involvement typically includes acting as servicer for the mortgage loans held by the trust and holding beneficial interests in the trust. The Company’s responsibilities as servicer include, among other things, collecting monthly payments, maintaining escrow accounts, providing periodic reports and managing insurance in exchange for a contractually specified servicing fee. The beneficial interests held consist of both subordinate and residual securities that were retained at the time of securitization. These securitizations generally do not result in consolidation of the VIE as the beneficial interests that are held in the unconsolidated securitization trusts have no value and no potential for significant cash flows in the future. In addition, at December 31, 2022, the Company had no other significant assets in its consolidated financial statements related to these trusts. The Company has no obligation to provide financial support to unconsolidated securitization trusts and has provided no such support. The creditors of the trusts can look only to the assets of the trusts themselves for satisfaction of the debt issued by the trusts and have no recourse against the assets of the Company. The general creditors of the Company have no claim on the assets of the trusts. The Company’s exposure to loss as a result of its continuing involvement with the trusts is limited to the carrying values, if any, of its investments in the residual and subordinate securities of the trusts, the MSR that are related to the trusts and the advances to the trusts. The Company considers the probability of loss arising from its advances to be remote because of their position ahead of most of the other liabilities of the trusts. See *Note 4, Mortgage Servicing Rights and Related Liabilities*, and *Note 5, Advances and Other Receivables*, for additional information regarding MSR and advances.

Financings Accounted as Secured Borrowing

The Company transfers advances on loans serviced for others to SPEs in exchange for cash. The Company consolidates these

SPEs because the Company is the primary beneficiary of the VIE.

These VIEs issue debt supported by collections on the transferred advances. The Company made these transfers under the terms of its advance facility agreements. The Company classifies the transferred advances on its consolidated balance sheets as advances and classifies the related liabilities as advance facilities and other nonrecourse debt. The SPEs use collections of the pledged advances to repay principal and interest and to pay the expenses of the entity. Holders of the debt issued by these entities can look only to the assets of the entities themselves for satisfaction of the debt and have no recourse against the Company.

Interest Income

Interest income is recognized on mortgage loans held for sale for the period from loan funding to sale, which is typically within 30 days. Loans are placed on non-accrual status when any portion of the principal or interest is greater than 90 days past due. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible. For individual loans that have been modified, a period of six timely payments is required before the loan is returned to an accrual basis. Interest income also includes interest earned on custodial cash deposits associated with the servicing portfolio.

Interest Expense

Interest expense primarily includes interest incurred on advance and warehouse facilities, unsecured senior notes, excess spread financing and compensating bank balances, as well as bank fees. The Company incurred interest expense related to advance and warehouse facilities, unsecured senior notes and excess spread financing of \$361, \$370 and \$409 for the years ended December 31, 2022, 2021 and 2020, respectively.

Share-Based Compensation

Equity based awards include restricted stock units (“RSUs”) granted to employees of the Company and non-employee directors and performance-based stock awards (“PSUs”) granted to certain executive officers. The RSUs are valued at the fair market value of the Company’s common stock on the grant date and recognized as an expense over the requisite employee service period on a straight-line basis using an accelerated attribution model. The PSUs are valued using a model that incorporates the market condition of the grants and expensed on a straight-line basis over the requisite employee service period. The Company applies a dynamic forfeiture rate and records share-based compensation in “expenses - salaries, wages and benefits” within the consolidated statements of operations.

Advertising Costs

Advertising costs are expensed as incurred and are included as part of “expenses - general and administrative” within the consolidated statements of operations. The Company incurred advertising costs of \$37, \$40 and \$38 for the years ended December 31, 2022, 2021 and 2020, respectively.

Income Taxes

The Company is subject to the income tax laws of the U.S. and its states and municipalities. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities.

Deferred income taxes are determined using the balance sheet method. Deferred taxes are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date.

The Company regularly reviews the carrying amount of its deferred tax assets to determine if the establishment of a valuation allowance is necessary. If based on the available evidence, it is more likely than not that all or a portion of the Company’s deferred tax assets will not be realized in future periods, a deferred tax valuation allowance is established. Consideration is given to various positive and negative evidence that could affect the realization of the deferred tax assets. In evaluating this available evidence, management considers, among other things, historical financial performance, expectation of future earnings, length of statutory carryforward periods, experience with operating tax loss and tax credit carryforwards which may expire unused, the use of tax planning strategies and the timing of reversals of temporary differences. The Company’s evaluation is based on current tax laws as well as management’s expectations of future performance.

The Company initially recognizes tax positions in the consolidated financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority, assuming the tax authority has full knowledge of the position and all relevant facts. In establishing a provision for income tax expense, the Company makes judgments and interpretations about the application of these inherently complex tax laws. The Company recognizes interest and penalties related to uncertain tax positions as a component of provisions for income taxes in accordance with ASC 740.

Earnings Per Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Series A Preferred Stock is considered participating securities because it has dividend rights determined on an as-converted basis in the event of Company's declaration of a dividend or distribution for common shares. In the third quarter of 2021, the Company retired its preferred shares. As of December 31, 2022 and 2021, the Company had 10 million preferred shares authorized at \$0.00001, with zero shares issued and outstanding and aggregate liquidation preference of zero dollars.

Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share is computed by dividing net income available to common stockholders by the sum of the weighted average number of common shares outstanding and any dilutive securities for the period.

3. Dispositions

Sale of Mortgage Servicing Platform

On March 31, 2022, the Company completed the sale of certain assets and liabilities of its servicing and subservicing technology platform for performing and non-performing mortgage loans (the "Mortgage Servicing Platform") to Sagent, in exchange for Class A-1 Common Units equal to 19.9% ownership of Sagent, and the sale of certain tangible personal property of the Company used in the conduct of the Mortgage Servicing Platform in exchange for \$9.9 in cash, for total consideration of \$260 (the "Sagent Transaction"). In connection with the Sagent Transaction, the Company recorded a gain of \$223, which was included in "other income, net" within the consolidated statements of operations, and recorded \$4 transaction costs during the year ended December 31, 2022. The net carrying amount of assets and liabilities transferred in connection with the Sagent Transaction was \$31 and reported under Corporate/Other.

The Company accounted for the equity interest under the equity method of accounting, as the Company has the ability to exercise significant influence over Sagent's operating and financial decisions but does not own a majority equity interest or otherwise control the respective entity. Under the equity method of accounting, the investment is initially stated at cost and subsequently adjusted for additional investments and the Company's proportionate share of Sagent's earnings or losses and distributions. The initial cost of the equity interest recorded was \$250, which represented the fair value as of March 31, 2022. The Company recorded a \$13 loss during the year ended December 31, 2022 related to the Company's proportionate share of net loss of Sagent. The Company's investment in Sagent was \$237 as of December 31, 2022.

Sale of Reverse Servicing Portfolio

In 2021, the Company completed the sale of its reverse servicing portfolio, operating under Champion Mortgage brand ("Champion"), to Mortgage Assets Management, LLC and its affiliates ("MAM") for total consideration of \$1,640. Upon close of the transaction, MAM assumed Champion's reverse portfolio and related operations. The Company recorded total transaction costs of \$4 for the year ended December 31, 2021. The carrying amounts of assets and liabilities associated with the reverse servicing operation were reported under the Servicing segment. The sale of business represents a strategic shift in the Company's operations. Therefore, the sale of the reverse servicing portfolio qualifies for reporting as discontinued operations, and the related results of operations are reported as discontinued operations in the consolidated statements of operations for prior periods presented.

As part of the transaction, the Company entered into a transitional servicing agreement with MAM, under which the Company was compensated for continuing to subservice the reverse loans through the date that the loans were transferred out of Company's

servicing system. The transfer of the loans out of the Company's servicing system was completed on April 1, 2022. In addition, the Company retained certain loans, primarily related to previously liquidated loans. As of December 31, 2022, the retained total assets and total liabilities were \$36 and \$27, respectively. As of December 31, 2021, the retained total assets and total liabilities were \$55 and \$39, respectively. The retained assets and liabilities are included in "other assets", and "payables and other liabilities", respectively, on the consolidated balance sheets.

The following table sets forth the consolidated statements of operations data for discontinued operations for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
	2021	2020
Revenue - service related, net	\$ 26	\$ 44
Salaries, wages and benefits expense	(30)	(41)
General and administrative expense	21	(8)
Interest income	137	176
Interest expense	(105)	(174)
Loss on classification as discontinued operations	(65)	—
Loss from discontinued operations before income tax benefit	(16)	(3)
Less: Income tax benefit	(4)	(1)
Net loss from discontinued operations	<u>\$ (12)</u>	<u>\$ (2)</u>

4. Mortgage Servicing Rights and Related Liabilities

The following table sets forth the carrying value of the Company's MSR's and the related liabilities. In estimating the fair value of all mortgage servicing rights and related liabilities, the impact of the current environment was considered in the determination of key assumptions.

MSR's and Related Liabilities	December 31, 2022	December 31, 2021
MSR's - fair value	<u>\$ 6,654</u>	<u>\$ 4,223</u>
Excess spread financing at fair value	\$ 509	\$ 768
Mortgage servicing rights financing at fair value	19	10
MSR related liabilities - nonrecourse at fair value	<u>\$ 528</u>	<u>\$ 778</u>

Mortgage Servicing Rights

The Company owns and records at fair value the rights to service traditional residential mortgage loans for others either as a result of purchase transactions or from the retained servicing associated with the sales and securitizations of loans originated. MSR's are comprised of servicing rights of both agency and non-agency loans.

The following table sets forth the activities of MSR's:

MSR's - Fair Value	Year Ended December 31,	
	2022	2021
Fair value - beginning of year	\$ 4,223	\$ 2,703
Additions:		
Servicing retained from mortgage loans sold	554	1,077
Purchases of servicing rights	1,595	948
Dispositions:		
Sales of servicing assets	(294)	(55)
Changes in fair value:		
Changes in valuation inputs or assumptions used in the valuation model (MSR MTM)	1,328	502
Changes in valuation due to amortization	(779)	(1,008)

Other changes ⁽¹⁾		27	56
Fair value - end of year	\$	6,654	\$ 4,223

(1) Amounts primarily represent negative fair values reclassified from the MSR asset to reserves as underlying loans are removed from the MSR and other reclassification adjustments.

From time to time, the Company sells its ownership interest in certain MSRs and is retained as the servicer for the sold assets. The Company has evaluated the sale accounting requirements related to these transactions, including the Company's continued involvement as the servicer, and concluded that these transactions qualify for sale accounting treatment. During the years ended December 31, 2022 and 2021, the Company sold \$20,902 and \$5,163 in unpaid principal balance of MSRs, of which \$19,817 and \$3,937 was retained by the Company as servicer, respectively.

MSRs are segregated between investor type into agency and non-agency pools (referred to herein as "investor pools") based upon contractual servicing agreements with investors at the respective balance sheet date to evaluate the MSR portfolio and fair value of the portfolio. Agency investors primarily consist of Government National Mortgage Association ("Ginnie Mae" or "GNMA") and the GSEs, Federal National Mortgage Association ("Fannie Mae" or "FNMA") and Federal Home Loan Mortgage Corp ("Freddie Mac" or "FHLMC"). Non-agency investors consist of investors in private-label securitizations.

The following table provides a breakdown of UPB and fair value for the Company's MSRs:

MSRs - UPB and Fair Value Breakdown by Investor Pools	December 31, 2022		December 31, 2021	
	UPB	Fair Value	UPB	Fair Value
Agency	\$ 380,502	\$ 6,322	\$ 302,851	\$ 3,859
Non-agency	30,880	332	36,357	364
Total	\$ 411,382	\$ 6,654	\$ 339,208	\$ 4,223

Refer to *Note 17, Fair Value Measurements*, for further discussion on key weighted-average inputs and assumptions used in estimating the fair value of MSRs.

The following table shows the hypothetical effect on the fair value of the Company's MSRs when applying certain unfavorable variations of key assumptions to these assets for the dates indicated:

MSRs - Hypothetical Sensitivities	Discount Rate		Total Prepayment Speeds		Cost to Service per Loan	
	100 bps	200 bps	10%	20%	10%	20%
	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
December 31, 2022						
Mortgage servicing rights	\$ (266)	\$ (511)	\$ (136)	\$ (264)	\$ (61)	\$ (122)
December 31, 2021						
Mortgage servicing rights	\$ (141)	\$ (272)	\$ (148)	\$ (286)	\$ (46)	\$ (93)

These hypothetical sensitivities should be evaluated with care. The effect on fair value of an adverse change in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects.

Excess Spread Financing

In order to finance the acquisition of certain MSRs on various portfolios, the Company previously entered into sale and assignment agreements with third parties and sold to these entities the right to receive a specified percentage of the excess cash flow generated from the portfolios in excess of a fixed base servicing fee per loan. The Company retains all the base servicing fees, ancillary income and interest float earnings on principal along with interest payments and escrow, and also incurs costs to service the specified pool. The Company is the legal owner and the servicer of the portfolios and provides all servicing and advancing functions.

In connection with the above transactions, the Company entered into refinanced loan obligations with third parties that require the Company to transfer the new loan or a replacement loan of similar economic characteristics into the respective portfolio if the Company refinances any loan in the portfolio. The new or replacement loan will be governed by the same terms set forth in the sale and assignment agreement described above.

The Company had excess spread financing liability of \$509 and \$768, with UPB of \$83,706 and \$126,103 as of December 31, 2022 and 2021, respectively. Refer to *Note 17, Fair Value Measurements*, for further discussion on key weighted-average inputs and assumptions used in the valuation of excess spread financing. In June 2022, the Company entered into an assignment agreement with an investor to repurchase excess spread liabilities for a total purchase price of \$277.

The following table shows the hypothetical effect on the Company's excess spread financing fair value when applying certain unfavorable variations of key assumptions to these liabilities for the dates indicated:

Excess Spread Financing - Hypothetical Sensitivities	Discount Rate		Prepayment Speeds	
	100 bps Adverse Change	200 bps Adverse Change	10% Adverse Change	20% Adverse Change
December 31, 2022				
Excess spread financing	\$ 19	\$ 40	\$ 11	\$ 22
December 31, 2021				
Excess spread financing	\$ 26	\$ 54	\$ 28	\$ 58

These hypothetical sensitivities should be evaluated with care. The effect on fair value of an adverse change in assumptions generally cannot be determined because the relationship of the change in assumptions to the fair value may not be linear. Additionally, the impact of a variation in a particular assumption on the fair value is calculated while holding other assumptions constant. In reality, changes in one factor may lead to changes in other factors, which could impact the above hypothetical effects. Also, a positive change in the above assumptions would not necessarily correlate with the corresponding decrease in the net carrying amount of the excess spread financing. Excess spread financing's cash flow assumptions that are utilized in determining fair value are based on the related cash flow assumptions used in the financed MSR's. Any fair value change recognized in the financed MSR's attributable to related cash flows assumptions would inherently have an inverse impact on the carrying amount of the related excess spread financing.

Mortgage Servicing Rights Financing

The Company had MSR financing liability of \$19 and \$10 as of December 31, 2022 and 2021, respectively. Refer to *Note 2, Significant Accounting Policies*, for further discussion on MSR financing, and *Note 17, Fair Value Measurements*, for further discussion on key weighted-average inputs and assumptions used in the valuation of the MSR financing liability.

Revenues - Service Related, net

The following table sets forth the items comprising total "revenues - service related, net":

Revenues - Service Related, net	Year Ended December 31,		
	2022	2021	2020
Contractually specified servicing fees ⁽¹⁾	\$ 1,458	\$ 1,122	1,141
Other service-related income - Servicing ⁽¹⁾	105	72	68
Incentive and modification income ⁽¹⁾	29	51	39
Servicing late fees ⁽¹⁾	76	71	83
Mark-to-market adjustments - Servicing ⁽²⁾⁽³⁾	821	421	(609)
Amortization, net of accretion ⁽⁴⁾	(693)	(753)	(510)
Originations service fees ⁽⁵⁾	98	176	105
Corporate/Xome related service fees	76	186	433
Other ⁽⁶⁾	(105)	(279)	(371)
Total Revenues - Service Related, net	\$ 1,865	\$ 1,067	\$ 379

- (1) The Company recognizes revenue on an earned basis for services performed. Amounts include subservicing related revenues. Amounts also include servicing fees from loans sold with servicing retained of \$661, \$495 and \$374 for the years ended December 31, 2022, 2021 and 2020, respectively.
- (2) Mark-to-market (“MTM”) adjustments - Servicing include fair value adjustments on MSR, excess spread financing and MSR financing liabilities. The amount of MSR MTM includes the impact of negative modeled cash flows which have been transferred to reserves on advances and other receivables. The negative modeled cash flows relate to advances and other receivables associated with inactive and liquidated loans that are no longer part of the MSR portfolio. The impact of negative modeled cash flows was \$30, \$35 and \$28 for the years ended December 31, 2022, 2021 and 2020, respectively.
- (3) MTM Adjustments - Servicing includes loss of \$332, loss of \$86 and gain of \$41 from MSR hedging activities during the years ended December 31, 2022, 2021 and 2020, respectively.
- (4) Amortization for the Company is net of excess spread accretion of \$86, \$255 and \$338 for the years ended December 31, 2022, 2021 and 2020, respectively.
- (5) Amounts include fees collected from customers for originated loans and from other lenders for loans purchased through the correspondent channel, and includes loan application, underwriting, and other similar fees.
- (6) Other represents the excess servicing fee that the Company pays to the counterparties under the excess spread financing arrangements, portfolio runoff and the payments made associated with MSR financing arrangements.

5. Advances and Other Receivables

Advances and other receivables, net consists of the following:

Advances and Other Receivables, Net	December 31, 2022	December 31, 2021
Servicing advances, net of \$12 and \$19 purchase discount, respectively	\$ 1,053	\$ 1,263
Receivables from agencies, investors and prior servicers, net of \$7 and \$12 purchase discount, respectively	103	132
Reserves	(137)	(167)
Total advances and other receivables, net	\$ 1,019	\$ 1,228

The Company, as loan servicer, is contractually responsible to advance funds on behalf of the borrower and investor primarily for loan principal and interest, property taxes, hazard insurance, and foreclosure costs. Advances are primarily recovered through reimbursement from the investor, proceeds from sale of loan collateral, or mortgage insurance claims. Reserves for advances and other receivables on loans transferred out of the MSR portfolio are established within advances and other receivables.

The following table sets forth the activities of the servicing reserves for advances and other receivables:

Reserves for Advances and Other Receivables	Year Ended December 31,	
	2022	2021
Balance - beginning of year	\$ 167	\$ 208
Provision and other additions ⁽¹⁾	66	75
Write-offs	(96)	(116)
Balance - end of year	\$ 137	\$ 167

- (1) The Company recorded a provision of \$30 and \$35 through the MTM adjustments in “revenues - service related, net”, in the consolidated statements of operations during the years ended December 31, 2022 and 2021, respectively, for inactive and liquidated loans that are no longer part of the MSR portfolio. Other additions represent reclassifications of required reserves provisioned within other balance sheet accounts as associated serviced loans become inactive or liquidate.

Purchase Discount for Advances and Other Receivables

The following table sets forth the activities of the purchase discount for advances and other receivables:

Purchase Discount for Advances and Other Receivables	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Servicing Advances	Receivables from Agencies, Investors and Prior Servicers	Servicing Advances	Receivables from Agencies, Investors and Prior Servicers
Balance - beginning of year	\$ 19	\$ 12	\$ 72	\$ 21
Utilization of purchase discounts	(7)	(5)	(53)	(9)
Balance - end of year	\$ 12	\$ 7	\$ 19	\$ 12

Credit Loss for Advances and Other Receivables

During the years ended December 31, 2022 and 2021, the Company added \$10 and \$9 to the CECL reserve, respectively. In addition, the Company wrote-off \$5 and \$16 of the CECL reserve during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the total CECL reserve was \$36, of which \$29 and \$7 were recorded in reserves and purchase discount for advances and other receivables, respectively. As of December 31, 2021, the total CECL reserve was \$31, of which \$21 and \$10 were recorded in reserves and purchase discount for advances and other receivables, respectively.

The Company determined that the credit-related risk associated with applicable financial instruments typically increase with the passage of time. The CECL reserve methodology considers these financial instruments collectible to a point in time of 39 months. Any projected remaining balance at the end of the collection period is considered a loss and factors into the overall CECL loss rate required.

6. Mortgage Loans Held for Sale

Mortgage Loans Held for Sale

The Company maintains a strategy of originating and purchasing residential mortgage loan products primarily for the purpose of selling to GSEs or other third-party investors in the secondary market on a servicing-retained basis. The Company purchases closed loans through its correspondent channel and assists customers currently in the Company's servicing portfolio with refinancing of loans or new home purchases through its direct-to-consumer channel. Generally, all newly originated mortgage loans held for sale are securitized and transferred to GSEs or delivered to third-party purchasers shortly after origination on a servicing-retained basis.

Mortgage loans held for sale are recorded at fair value as set forth below:

Mortgage Loans Held for Sale	Year Ended December 31,	
	2022	2021
Mortgage loans held for sale - UPB	\$ 921	\$ 4,257
Mark-to-market adjustment ⁽¹⁾	(28)	124
Total mortgage loans held for sale	\$ 893	\$ 4,381

- (1) The mark-to-market adjustment includes net change in unrealized gain/loss, premium on correspondent loans and fees on direct-to-consumer loans. The mark-to-market adjustment is recorded in "revenues - net gain on mortgage loans held for sale" in the consolidated statements of operations.

The following table sets forth the activities of mortgage loans held for sale:

Mortgage Loans Held for Sale	Year Ended December 31,	
	2022	2021
Balance - beginning of year	\$ 4,381	\$ 5,720
Loans sold	(34,731)	(96,077)
Mortgage loans originated and purchased, net of fees	28,309	84,684
Repurchase of loans out of Ginnie Mae securitizations ⁽¹⁾	3,067	10,156
Net change in unrealized (loss) on retained loans held for sale	(132)	(107)
Net transfers of mortgage loans held for sale ⁽²⁾	(1)	5
Balance - end of year	\$ 893	\$ 4,381

- (1) The Company has the right to repurchase any individual loan in a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. The majority of Ginnie Mae repurchased loans are repurchased in connection with loan modifications and loan resolution activity, with the intent to re-pool into new Ginnie Mae securitizations upon re-performance of the loan or to otherwise sell to third-party investors. Therefore, these loans are classified as held for sale.

- (2) Amount reflects transfers to other assets for loans transitioning into REO status and transfers to advances and other receivables, net, for claims made on certain government insurance mortgage loans. Transfers out are net of transfers in upon receipt of proceeds from an REO sale or claim filing.

For the years ended December 31, 2022 and 2021, the Company received proceeds of \$34,464 and \$97,454, respectively, on the sale of mortgage loans held for sale, resulting in loss of \$267 and gain of \$1,377, respectively.

The Company accrues interest income as earned and places loans on non-accrual status after any portion of principal or interest has been delinquent for more than 90 days. Accrued interest is recorded as “interest income” in the consolidated statements of operations.

The total UPB of mortgage loans held for sale on non-accrual status was as follows:

Mortgage Loans Held for Sale	December 31, 2022		December 31, 2021	
	UPB	Fair Value	UPB	Fair Value
Non-accrual ⁽¹⁾	\$ 102	\$ 87	\$ 104	\$ 94

⁽¹⁾ Non-accrual includes \$90 and \$94 of UPB related to Ginnie Mae repurchased loans as of December 31, 2022 and 2021, respectively.

The total UPB of mortgage loans held for sale for which the Company has begun formal foreclosure proceedings was \$65 and \$16 as of December 31, 2022 and 2021, respectively.

7. Property and Equipment

The composition of property and equipment, net, and the corresponding ranges of estimated useful lives were as follows:

Property and Equipment, Net	December 31, 2022	December 31, 2021	Estimated Useful Life
Furniture, fixtures, and equipment	\$ 55	\$ 57	5 years
Capitalized software costs	87	98	3 - 5 years
Software in development and other	12	26	
Leasehold improvements	27	31	3 - 5 years
Long-term finance leases - computer equipment	6	8	3 - 5 years
Property and equipment	187	220	
Less: Accumulated depreciation	(122)	(122)	
Property and equipment, net	\$ 65	\$ 98	

The Company recorded depreciation expense on property and equipment of \$31 and \$45 for the years ended December 31, 2022 and 2021, respectively. The Company has entered into various lease agreements for computer equipment, which are classified as finance leases. See *Note 8, Leases*, for more information.

The Company recorded immaterial impairment charges during years ended December 31, 2022 and 2021.

8. Leases

The Company’s leases primarily relate to office space and equipment, with remaining lease terms of generally 1 to 8 years. Certain lease arrangements contain extension options, which typically range from 1 to 7 years, at the then fair market rental rates. As of December 31, 2022 and 2021, operating lease ROU assets were \$96 and \$111, respectively, and liabilities were \$111 and \$122, respectively, which were included in “other assets”, and “payables and other liabilities”, respectively, on the consolidated balance sheets. The Company does not currently have any significant finance leases in which it is the lessee.

The table below summarizes the Company’s net lease cost:

Net Lease Cost	Year Ended December 31,	
	2022	2021
Operating lease cost	\$ 26	\$ 31
Sublease income	(3)	(4)
Total net lease cost	\$ 23	\$ 27

The table below summarizes other information related to the Company’s operating leases:

Operating Leases - Other Information	Year Ended December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 23	\$ 27
Leased assets obtained in exchange for new operating lease liabilities	\$ 15	\$ 46
Weighted average remaining lease term - operating leases, in years	6.0	6.3
Weighted average discount rate - operating leases	3.8 %	3.8 %

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year Ending December 31,	Operating Leases
2023	\$ 22
2024	20
2025	19
2026	19
2027	18
Thereafter	26
Total future minimum lease payments	124
Less: imputed interest	13
Total operating lease liabilities	\$ 111

9. Loans Subject to Repurchase from Ginnie Mae

Loans are sold to Ginnie Mae in conjunction with the issuance of mortgage-backed securities. The Company, as the issuer of the mortgage-backed securities, has the unilateral right to repurchase any individual loan in a Ginnie Mae securitization pool if that loan meets certain criteria, including payments not being received from borrowers for greater than 90 days. Once the Company has the unilateral right to repurchase a delinquent loan, it has effectively regained control over the loan and recognizes these rights to the loan on its consolidated balance sheets and establishes a corresponding repurchase liability regardless of the Company's intention to repurchase the loan. The Company had loans subject to repurchase from Ginnie Mae of \$1,865 and \$1,496 as of December 31, 2022 and 2021, respectively, which are included in both "other assets" and "payables and other liabilities" in the consolidated balance sheets. Loans subject to repurchase from Ginnie Mae as of December 31, 2022 and 2021 included \$1,661 and \$1,301, respectively, of loans in forbearance related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") whereby no payments have been received from borrowers for greater than 90 days.

10. Goodwill and Intangible Assets

Goodwill

Goodwill was \$120 as of December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, the Company performed a quantitative assessment of its three reporting units (Servicing, Originations and Xome) and determined that no impairment of goodwill existed. As of December 31, 2022 and 2021, \$80, \$28 and \$12 of the goodwill is associated with the Servicing, Originations and Xome reporting units, respectively. The goodwill associated with the Xome reporting unit is included in Corporate/Other. Goodwill is recorded in "other assets" within the consolidated balance sheets.

Intangible Assets

The following tables present the composition of intangible assets:

Intangible Assets	December 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life in Years
Customer relationships	\$ 74	\$ (67)	\$ 7	5.6
Technology	25	(25)	—	—
Trade name	7	(6)	1	0.6

Total intangible assets	\$ 106	\$ (98)	\$ 8	5.1
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Intangible Assets	December 31, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life in Years
Customer relationships	\$ 74	\$ (62)	\$ 12	5.6
Technology ⁽¹⁾	25	(25)	—	2.1
Trade name	7	(5)	2	1.6
Total intangible assets	\$ 106	\$ (92)	\$ 14	4.9

⁽¹⁾ Technology intangible assets' net carrying amount as of December 31, 2021 is less than \$1.

Intangible assets are recorded in “other assets” within the consolidated balance sheets. The Company recognized \$6 and \$12 of amortization expense related to intangible assets during the years ended December 31, 2022 and 2021, respectively. The Company expects to record amortization expense for existing amortizable intangible assets of \$4 in the year ending December 31, 2023, and \$1 for each of the years ending December 31, 2024 to 2027. No impairment on intangible assets was recorded during the years ended December 31, 2022 and December 31, 2021.

11. Derivative Financial Instruments

Derivative instruments are used as part of the overall strategy to manage exposure to interest rate risks related to the pipeline (including mortgage loans held for sale and IRLCs) and the MSR portfolio. The Company economically hedges the pipeline separately from the MSR portfolio primarily using third-party derivative instruments. Such derivative instruments utilized by the Company include IRLCs, LPCs, forward MBS, Treasury futures and Swap futures. The changes in value on the derivative instruments associated with pipeline hedging are recorded in earnings as a component of “revenues - net gain on mortgage loans held for sale” on the consolidated statements of operations and consolidated statements of cash flows, while changes in the value of derivative instruments associated with the MSR portfolio fair value are recorded in “revenues - service related, net” on the consolidated statements of operations and in “loss (gain) on MSR hedging activities” on the consolidated statements of cash flows.

The following table provides the outstanding notional balances, fair values of outstanding positions and recorded gains/(losses) for the derivative financial instruments. Gains/(losses) include both realized and unrealized gains/(losses) of each derivative financial instrument.

Derivative Financial Instruments	Expiration	December 31, 2022		Year Ended
		Outstanding	Fair	December 31, 2022
Gains/(Losses)				
Assets				
Mortgage loans held for sale				
Loan sale commitments	2023	\$ 354	\$ 10	\$ (15)
Derivative financial instruments				
IRLCs	2023	755	22	(112)
LPCs	2023	145	1	(2)
Treasury futures	2023	—	—	4
Forward MBS trades	2023	1,143	8	569
Total derivative financial instruments - assets		\$ 2,043	\$ 31	\$ 459
Liabilities				
Derivative financial instruments				
IRLCs	2023	\$ 15	\$ —	\$ —
LPCs	2023	209	1	1
Forward MBS trades	2023	681	9	(56)
Treasury futures	2023	892	14	(277)

Total derivative financial instruments - liabilities	\$	1,797	\$	24	\$	(332)
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Derivative Financial Instruments	Expiration	December 31, 2021		Year Ended
		Outstanding	Fair	December 31, 2021
Gains/(Losses)				
Assets				
Mortgage loans held for sale				
Loan sale commitments	2022	\$ 1,051	\$ 25	\$ (77)
Derivative financial instruments				
IRLCs	2022	5,237	134	(280)
LPCs	2022	487	3	(35)
Forward MBS trades	2022	3,569	7	272
Total derivative financial instruments - assets		\$ 9,293	\$ 144	\$ (43)
Liabilities				
Derivative financial instruments				
IRLCs	2022	\$ 10	\$ —	\$ —
LPCs	2022	646	2	(1)
Forward MBS trades	2022	4,091	8	(110)
Treasury futures	2022	923	6	(6)
Swap futures	2022	—	—	(14)
Total derivative financial instruments - liabilities		\$ 5,670	\$ 16	\$ (131)

As of December 31, 2022 the Company held \$49 and \$1 in collateral deposits and collateral obligations on derivative instruments, respectively. As of December 31, 2021, the Company held \$27 in collateral deposits on derivative instruments. Collateral deposits and collateral obligations are recorded in “other assets” and “payables and other liabilities”, respectively, on the Company’s consolidated balance sheets. The Company does not offset fair value amounts recognized for derivative instruments with amounts collected or deposited on derivative instruments in the consolidated balance sheets.

12. Indebtedness

Advance and Warehouse Facilities

	Maturity Date	Collateral	Capacity Amount	December 31, 2022		December 31, 2021	
				Outstanding	Collateral Pledged	Outstanding	Collateral Pledged
Advance Facilities							
\$350 advance facility	October 2024	Servicing advance receivables	\$ 350	\$ 150	\$ 189	\$ 234	\$ 318
\$350 advance facility ⁽¹⁾	January 2024	Servicing advance receivables	350	171	209	160	197
\$350 advance facility ⁽²⁾	November 2024	Servicing advance receivables	350	308	410	162	190
\$75 advance facility	December 2023	Servicing advance receivables	75	40	45	58	89
Advance facilities principal amount				669	853	614	794
Warehouse Facilities							
\$1,500 Warehouse Facility	June 2023	Mortgage loans or	1,500	206	272	1,224	1,341
\$1,500 Warehouse Facility	June 2023	Mortgage loans or	1,500	135	133	356	345
\$750 Warehouse Facility	October 2023	Mortgage loans or	750	202	209	991	1,024
\$750 Warehouse Facility ⁽³⁾	October 2022	Mortgage loans or	—	—	—	256	270
\$500 Warehouse Facility ⁽⁴⁾	September 2024	Mortgage loans or	500	14	17	409	425
\$500 Warehouse Facility	June 2023	Mortgage loans or	500	76	80	39	39
\$500 Warehouse Facility	August 2023	Mortgage loans or	500	31	32	38	39

	Maturity Date	Collateral	Capacity Amount	December 31, 2022		December 31, 2021	
				Outstanding	Collateral Pledged	Outstanding	Collateral Pledged
Advance Facilities							
\$450 Warehouse Facility	April 2023	Mortgage loans or	450	—	—	87	89
\$300 Warehouse Facility	August 2023	Mortgage loans or	300	115	117	419	430
\$250 Warehouse Facility	April 2023	Mortgage loans or	250	—	—	5	6
\$200 Warehouse Facility	April 2023	Mortgage loans or	200	19	28	46	58
\$200 Warehouse Facility	June 2023	Mortgage loans or	200	18	21	188	194
\$125 Warehouse Facility	December 2023	Mortgage loans or	125	1	1	67	67
\$30 Warehouse Facility ⁽⁵⁾	January 2022	Mortgage loans or	—	—	—	—	—
Warehouse facilities principal amount				817	910	4,125	4,327
MSR Facilities							
\$1,050 Warehouse	November 2024	MSR	1,050	260	2,284	260	1,107
\$600 Warehouse Facility	April 2023	MSR	600	380	927	—	838
\$500 Warehouse Facility ⁽⁴⁾	September 2024	MSR	500	380	1,482	—	745
\$500 Warehouse Facility	June 2024	MSR	500	365	732	—	—
\$50 Warehouse Facility	November 2023	MSR	50	25	74	10	124
MSR facilities principal amount				1,410	5,499	270	2,814
Advance, warehouse and MSR facilities principal amount				2,896	\$ 7,262	5,009	\$ 7,935
Unamortized debt issuance costs				(11)		(12)	
Total advance and warehouse facilities, net				\$ 2,885		\$ 4,997	

(1) The capacity decreased in January 2023 to \$250.

(2) Total capacity for this facility is \$1,400, of which \$350 and \$1,050 are internally allocated for advance financing and MSR financing, respectively; capacity is fully fungible and is not restricted by these allocations.

(3) This facility was terminated in October 2022.

(4) The capacity amount for this facility is \$1,000, of which \$500 is a sublimit for MSR financing.

(5) This facility was terminated in January 2022.

The weighted average interest rate for advance facilities was 4.1% and 2.8% for the year ended December 31, 2022 and 2021, respectively. The weighted average interest rate for warehouse and MSR facilities was 4.0% and 2.0% for the year ended December 31, 2022 and 2021, respectively.

Unsecured Senior Notes

Unsecured senior notes consist of the following:

Unsecured Senior Notes	December 31, 2022	December 31, 2021
\$850 face value, 5.500% interest rate payable semi-annually, due August 2028	\$ 850	\$ 850
\$650 face value, 5.125% interest rate payable semi-annually, due December 2030	650	650
\$600 face value, 6.000% interest rate payable semi-annually, due January 2027	600	600
\$600 face value, 5.750% interest rate payable semi-annually, due November 2031	600	600
Unsecured senior notes principal amount	2,700	2,700
Unamortized debt issuance costs and discount, net of premium	(27)	(30)
Unsecured senior notes, net	\$ 2,673	\$ 2,670

The ratios included in the indentures for the unsecured senior notes are incurrence-based compared to the customary ratio covenants that are often found in credit agreements that require a company to maintain a certain ratio. The incurrence-based covenants limit the issuer(s) and restricted subsidiaries ability to incur additional indebtedness, pay dividends, make certain investments, create liens, consolidate, merge or sell substantially all of their assets or enter into certain transactions with affiliates. The indentures contain certain events of default, including (subject, in some cases, to customary cure periods and materiality thresholds) defaults based on (i) the failure to make payments under the applicable indenture when due, (ii) breach of covenants, (iii) cross-defaults to certain other indebtedness, (iv) certain bankruptcy or insolvency events, (v) material judgments and (vi) invalidity of material guarantees.

The indentures provide that on or before certain fixed dates, the Company may redeem up to 40% of the aggregate principal amount of the unsecured senior notes with the net proceeds of certain equity offerings at fixed redemption prices, plus accrued and unpaid interest, to the redemption dates, subject to compliance with certain conditions. In addition, the Company may redeem all or a portion of the unsecured senior notes at any time on or after certain fixed dates at the applicable redemption prices set forth in the indentures plus accrued and unpaid interest, to the redemption dates. No notes were repurchased or redeemed during the year ended December 31, 2022 and 2021.

As of December 31, 2022, the expected maturities of the Company's unsecured senior notes based on contractual maturities are as follows:

Year Ending December 31,	Amount
2023 through 2026	\$ —
2027	600
Thereafter	2,100
Total unsecured senior notes principal amount	<u>\$ 2,700</u>

Financial Covenants

The Company's credit facilities contain various financial covenants, which primarily relate to required tangible net worth amounts, liquidity reserves, leverage requirements, and profitability requirements, which are measured at the Company's operating subsidiary, Nationstar Mortgage LLC. The Company was in compliance with its required financial covenants as of December 31, 2022.

13. Securitizations and Financings

Variable Interest Entities

In the normal course of business, the Company enters into various types of on- and off-balance sheet transactions with SPEs determined to be VIEs, which primarily consist of securitization trusts established for a limited purpose. Generally, these SPEs are formed for the purpose of securitization transactions in which the Company transfers assets to an SPE, which then issues to investors various forms of debt obligations supported by those assets.

The Company has determined that the SPEs created in connection with certain advance facilities trusts should be consolidated as the Company is the primary beneficiary of each of these entities.

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

	December 31, 2022	December 31, 2021
	Transfers Accounted for as Secured Borrowings	Transfers Accounted for as Secured Borrowings
Consolidated Transactions with VIEs		
Assets		
Restricted cash	\$ 78	\$ 50
Advances and other receivables, net	398	387
Total assets	<u>\$ 476</u>	<u>\$ 437</u>
Liabilities		
Advance facilities ⁽¹⁾	\$ 321	\$ 322
Payables and other liabilities	1	1
Total liabilities	<u>\$ 322</u>	<u>\$ 323</u>

⁽¹⁾ Refer to advance facilities in *Note 12, Indebtedness*, for additional information.

The following table shows a summary of the outstanding collateral and certificate balances for securitization trusts for which the Company was the transferor, including any retained beneficial interests and MSRs, that were not consolidated by the Company:

Unconsolidated Securitization Trusts	December 31, 2022	December 31, 2021
Total collateral balances - UPB	\$ 976	\$ 1,122
Total certificate balances	\$ 949	\$ 1,112

The Company has not retained any variable interests in the unconsolidated securitization trusts that were outstanding as of December 31, 2022, and 2021, and therefore does not have a significant maximum exposure to loss related to these unconsolidated VIEs.

A summary of mortgage loans transferred by the Company to unconsolidated securitization trusts that are 60 days or more past due are presented below:

Principal Amount of Transferred Loans 60 Days or More Past Due	December 31, 2022	December 31, 2021
Unconsolidated securitization trusts	\$ 119	\$ 138

14. Stockholders' Equity and Employee Benefit Plans

Share-based awards under the 2019 Omnibus Incentive Plan (the "2019 Plan") include (i) restricted stock units ("RSUs") granted to employees of the Company, consultants, and non-employee directors and (ii) performance stock units ("PSUs") granted to certain executive officers.

Restricted Stock Units

The RSUs are valued at the fair market value of the Company's common stock on the grant date as defined in the 2019 Plan. The stock awards for employees generally vest in equal installments on each of the first three anniversaries of the awards, provided that the participant remains continuously employed with the Company during that time. If the participant's employment has terminated by reason of retirement, or upon death or disability, the unvested shares of an award will vest. The stock awards for non-employee directors generally vest the earlier of (a) the first anniversary of the grant date or (b) the date of the next annual stockholders meeting following the grant date. In addition, upon death or disability, the unvested shares of an award will vest. Any forfeiture of restricted stock awards before vesting has been achieved, results in a reduction in the balance of outstanding common shares.

Performance Stock Units

The PSUs are valued at the fair market value of the Company's common stock on the grant date as defined in the 2019 Plan. In March 2020, March 2021, and March 2022, certain executives of the Company were granted 0.5 million PSUs (the "2020 PSUs"), 0.3 million PSUs (the "2021 PSUs"), and 0.1 million PSUs (the "2022 PSUs"), respectively. The 2020, 2021 and 2022 PSUs are eligible to vest and be settled into shares of common stock in an amount between 0% and 200% of a target award based on achievement of total shareholder return performance vesting criteria over a period of three years beginning March 1, 2020, 2021 and 2022, respectively, with one-third of the units also eligible to vest based on performance through March 1, 2021, 2022 and 2023, respectively.

Share-Based Award Activities

The following table summarizes the Company's share-based awards:

Share-based Awards	Shares (or Units) (in thousands)	Weighted-Average Grant Date Fair Value, per Share (or Unit)
Share-based awards outstanding as of December 31, 2021	3,285	\$ 18.11
Granted	639	52.52
Vested	(1,354)	19.02
Forfeited	(222)	29.12
Share-based awards outstanding as of December 31, 2022	<u>2,348</u>	<u>25.91</u>

The Company recorded \$29, \$29 and \$22 of expenses related to share-based awards during the years ended December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, unrecognized compensation expense totaled \$28 related to non-vested stock award payments that are expected to be recognized over a weighted average period of 0.7 years.

The Company is eligible to receive a tax benefit when the vesting date fair value of an award exceeds the value used to recognize compensation expense at the date of grant. The excess tax benefit resulting from tax deductions in excess of the compensation cost recognized by the Company was \$11 and \$9 for the years ended December 31, 2022 and 2021, respectively. The excess tax deficiency resulting from tax deductions exceeding the compensation cost recognized by the Company was immaterial for the year ended December 31, 2020.

Employee Benefit Plans

The Company sponsors a defined contribution plan (401(k) plan) that covers all full-time employees. The Company matches 100% of participant contributions up to 2% of their total eligible annual base compensation and matches 50% of contributions for the next 4% of each participant's total eligible annual base compensation. Matching contributions by the Company totaled \$18 and \$26 for the years ended December 31, 2022 and 2021, respectively.

15. Earnings per Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Series A Preferred Stock is considered participating securities because it has dividend rights determined on an as-converted basis in the event of Company's declaration of a dividend or distribution for common shares. In 2021, the Company repurchased a total of 14.8 million shares of its common stock from affiliates of Kohlberg Kravis Roberts & Co. L.P., ("KKR") a related party of the Company. In addition, in August 2021, the Company repurchased 1.0 million shares of its Series A Preferred Stock from affiliates of KKR. After giving effect to the transaction, KKR no longer held any equity interests in the Company.

The following table sets forth the computation of basic and diluted net income (loss) per common share (amounts in millions, except per share amounts):

Computation of Earnings Per Share	Year Ended December 31,		
	2022	2021	2020
Net income from continuing operations	\$ 923	\$ 1,466	\$ 309
Less: Net income attributable to non-controlling interests	—	—	2
Less: Undistributed earnings from continuing operations attributable to participating stockholders	—	8	3
Less: Premium on retirement of preferred stock	—	28	—
Net income from continuing operations attributable to Mr. Cooper common stockholders	\$ 923	\$ 1,430	\$ 304
Net loss from discontinued operations	\$ —	\$ (12)	\$ (2)
Less: Undistributed earnings from discontinued operations attributable to participating stockholders	—	—	—
Net loss from discontinued operations attributable to Mr. Cooper common stockholders	\$ —	\$ (12)	\$ (2)
Net income	\$ 923	\$ 1,454	\$ 307
Less: Net income attributable to non-controlling interests	—	—	2
Net income attributable to Mr. Cooper	\$ 923	\$ 1,454	\$ 305
Less: Undistributed earnings attributable to participating stockholders	—	8	3
Less: Premium on retirement of preferred stock	—	28	—
Net income attributable to common stockholders	\$ 923	\$ 1,418	\$ 302
Earnings from continuing operations per common share attributable to Mr. Cooper:			
Basic	\$ 12.84	\$ 17.39	\$ 3.33
Diluted	\$ 12.50	\$ 16.67	\$ 3.22

Earnings from discontinued operations per common share attributable to Mr. Cooper:

Basic	\$	—	\$	(0.15)	\$	(0.02)
Diluted	\$	—	\$	(0.14)	\$	(0.02)

Earnings per common share attributable to Mr. Cooper:

Basic	\$	12.84	\$	17.24	\$	3.31
Diluted	\$	12.50	\$	16.53	\$	3.20

Weighted average shares of common stock outstanding (in thousands):

Basic	71,885	82,247	91,312
Dilutive effect of stock awards	1,933	3,067	2,343
Dilutive effect of participating securities	—	492	839
Diluted	73,818	85,806	94,494

16. Income Taxes

The components of income tax expense for continuing operations were as follows:

Total Income Tax Expense on continuing operations	Year Ended December 31,		
	2022	2021	2020
Current Income Taxes			
Federal	\$ (6)	\$ 7	\$ (3)
State	8	113	92
Total current income taxes	2	120	89
Deferred Income Taxes			
Federal	245	376	87
State	44	(25)	(83)
Total deferred income taxes	289	351	4
Total income tax expense	\$ 291	\$ 471	\$ 93

The provision for income taxes for 2021 and 2020 does not reflect the tax effects of the sale of the Company's reverse servicing portfolio reported as discontinued operations.

The following table presents a reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the actual effective tax rate:

Reconciliation of the Income Tax Provision	Year Ended December 31,					
	2022		2021		2020	
Tax Expense at Federal Statutory Rate	\$ 255	21.0 %	\$ 407	21.0 %	\$ 84	21.0 %
Effect of:						
State taxes, net of federal benefit	39	3.2 %	70	3.6 %	8	1.7 %
Deferred adjustments	2	0.2 %	(6)	(0.3)%	(5)	(1.1)%
Nondeductible items	—	— %	2	0.1 %	7	1.7 %
Other, net	(5)	(0.4)%	(2)	(0.1)%	(1)	(0.3)%
Total income tax expense	\$ 291	24.0 %	\$ 471	24.3 %	\$ 93	23.0 %

In 2022, 2021 and 2020, the effective tax rate differed from the statutory tax rate primarily due to state tax adjustments and permanent differences such as nondeductible executive compensation and nondeductible penalties.

The Company has federal NOL carryforwards (pre-tax) of approximately \$0.5 billion and \$0.6 billion as of December 31, 2022 and 2021, respectively.

The Company believes it is more likely than not that its deferred tax assets will be realized prior to their expiration except for certain federal 382 limited NOLs that begin to expire with the 2026 tax year, if unused, and immaterial state NOL carryforwards that begin to expire with the 2022 tax year, if unused. Accordingly, the Company has recorded a federal valuation allowance of \$7 as of December 31, 2022 and 2021 related to these NOL carryforwards. The state valuation allowance was immaterial as of December 31, 2022. The Company recorded a state valuation allowance of \$2 as of December 31, 2021. The Company does not expect any future tax loss limitations under Sections 382 and 384 that would impact its utilization of remaining federal NOL carryforwards.

Temporary differences and carryforwards that give rise to deferred tax assets and liabilities are comprised of the following:

Deferred Tax Assets and Liabilities	December 31, 2022	December 31, 2021
Deferred Tax Assets		
Effect of:		
Goodwill and intangible assets	\$ 827	\$ 998
Loss carryforwards (federal, state & capital)	104	134
Loss reserves	84	104
Lease liability	28	30
Accruals	11	16
Other, net	19	20
Total deferred tax assets	1,073	1,302
Deferred Tax Liabilities		
MSR amortization and mark-to-market, net	(269)	(240)
Gain/loss on assets, net	(67)	(14)
Right-of-use assets	(24)	(27)
Depreciation and amortization, net	(2)	(19)
Prepaid assets	(1)	(2)
Total deferred tax liabilities	(363)	(302)
Valuation allowance	(7)	(9)
Deferred tax assets, net	\$ 703	\$ 991

The Company elected to account for the Global Intangible Low-Taxed Income (“GILTI”) tax expense in the period in which it is incurred. As a result, no deferred tax impact of GILTI has been provided in the consolidated financial statements.

The Company files income tax returns in the U.S. federal jurisdiction and numerous U.S. state jurisdictions. With few exceptions, as of December 31, 2022, the Company is no longer subject to U.S. federal and state income tax examinations for tax years prior to 2019.

As of December 31, 2022 and 2021, the Company had no unrecognized tax benefits recorded related to uncertain tax positions.

17. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a three-tiered fair value hierarchy has been established based on the level of observable inputs used in the measurement of fair value (e.g., Level 1 representing quoted prices for identical assets or liabilities in an active market; Level 2 representing values using observable inputs other than quoted prices included within Level 1; and Level 3 representing estimated values based on significant unobservable inputs).

The following describes the methods and assumptions used by the Company in estimating fair values:

Cash and Cash Equivalents, Restricted Cash (Level 1) – The carrying amount reported in the consolidated balance sheets approximates fair value.

Mortgage Loans Held for Sale (Level 2 and Level 3) – The Company originates mortgage loans in the U.S. that it intends to sell into Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the “Agencies”) MBS. Additionally, the Company holds mortgage loans that it intends to sell into the secondary markets via whole loan sales or securitizations. The Company measures newly originated prime residential mortgage loans held for sale at fair value.

Newly originated mortgage loans held for sale are typically pooled together and sold into certain exit markets, depending upon underlying attributes of the loan, such as agency eligibility, product type, interest rate, and credit quality. Those loans are valued on a recurring basis using a market approach by utilizing either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. As these prices are primarily derived from market observable inputs, the Company classifies these valuations as Level 2 in the fair value disclosures.

The Company may also purchase loans out of a Ginnie Mae securitization pool if that loan meets certain criteria, including being delinquent greater than 90 days. The volume of these loans increased significantly in 2021 as the delinquency rate increased during the coronavirus pandemic; however, volumes have declined in 2022 related to the increase in interest rates and commensurate decrease in margins on redelivery of these loans in the secondary market. The Company has elected to carry these loans at fair value on a recurring basis. These loans are valued on a recurring basis using a market approach similar to newly originated loans as mentioned above, with adjustments for assumptions including fail rate, partial claim rate and modification status. As these prices are primarily derived from market observable inputs, the Company classifies these valuations as Level 2 in the fair value disclosures.

The Company may also repurchase loans that are unable to be securitized and sold, and fair value is based upon recent market trades for similar loans adjusted for delinquency rates or broker pricing. Recent market trades or bid pricing represent fair value, but have limited market observability in the current market warranting the transfer of these mortgage loans from Level 2 to Level 3 in the fair value hierarchy. These loans are valued on a recurring basis and as the prices used are not primarily derived from market observable inputs, the Company classifies these valuations as Level 3 in the fair value disclosures.

From time to time, the Company may acquire mortgage loans held for sale from various securitization trusts for which it acts as servicer through the exercise of various clean-up call options as permitted through the respective pooling and servicing agreements. The Company has elected to account for these loans at fair value on a recurring basis and classifies these valuations as Level 3 in the fair value disclosures.

Mortgage Servicing Rights – Fair Value (Level 3) – The Company estimates the fair value of its MSRs on a recurring basis using a process that combines the use of a discounted cash flow model and analysis of current market data to arrive at an estimate of fair value. The cash flow assumptions used in the model are based on a discounted cash flow model which incorporates prepayment speeds, discount rate, costs to service, delinquencies, ancillary revenues, recapture rates and other assumptions, with the key assumptions being mortgage prepayment speeds, discount rates, and cost to service.

The cash flow assumptions and prepayment assumptions are generated and applied based on collateral stratifications including product type, remittance type, geography, delinquency and coupon dispersion. These assumptions require the use of judgment by the Company and can have a significant impact on the fair value of the MSRs. Quarterly, management obtains third-party valuations to assess the reasonableness of the fair value calculations provided by the internal cash flow model. Because of the nature of the valuation inputs, the Company classifies these valuations as Level 3 in the fair value disclosures. See *Note 4, Mortgage Servicing Rights and Related Liabilities*, for more information.

Advances and Other Receivables, Net (Level 3) - Advances and other receivables, net are valued at their net realizable value after taking into consideration the reserves. Advances have no stated maturity. Their net realizable value approximates fair value as the net present value based on discounted cash flow is not materially different from the net realizable value. See *Note 5, Advances and Other Receivables*, for more information.

Equity Investments (Level 1 and Level 3) – The fair value of the common stock received from the previous sale of the title and field services businesses is measured quarterly based on the minimum exit value, which was established at the time of the transaction, and observable market indicators. Because of the nature of the unobservable inputs, the Company classifies these securities as Level 3 in the fair value disclosures.

The fair value of the common stock received from the previous sale of the valuation business is measured using the closing price

reported on an active market in which the securities are traded. As the fair value is based on market observable inputs, the Company classifies these securities as Level 1 in the fair value disclosures.

Derivative Financial Instruments (Level 2 and Level 3) – The Company enters into a variety of derivative financial instruments as part of its hedging strategy and measures these instruments at fair value on a recurring basis in the consolidated balance sheets. These derivatives are exchange-traded or traded within highly active dealer markets. In order to determine the fair value of these instruments, the Company utilizes the exchange price or dealer market price for the particular derivative contract; therefore, these contracts are classified as Level 2. In addition, the Company enters into IRLCs and LPCs with prospective borrowers and other loan originators. IRLCs and LPCs are carried at fair value primarily based on secondary market prices for underlying mortgage loans, which is observable data, with adjustments made to such observable data for the inherent value of servicing, which is an unobservable input. The fair value is also subject to adjustments for the estimated pull-through rate. The impact of the unobservable input to the overall valuation of IRLCs and LPCs is significant and results in a classification of Level 3 in the fair value hierarchy. The Company adjusts the outstanding IRLCs with prospective borrowers based on an expectation that it will be exercised, and the loan will be funded. The Company has entered into Treasury futures and swap futures contracts as part of its hedging strategy. The futures contracts are measured at fair value on a recurring basis and classified as Level 2 in the fair value disclosures as the valuation is based on market observable data. Derivative financial instruments are recorded in other assets and payables and other liabilities within the consolidated balance sheets. See *Note 11, Derivative Financial Instruments*, for more information.

Loans Subject to Repurchase from Ginnie Mae (Level 2) – As the Company has the unilateral right to repurchase these loans at the unpaid principal balance, the carrying amount, which is based on the unpaid principal balance, approximates fair value. See *Note 9, Loans Subject to Repurchase from Ginnie Mae*, for more information.

Advance Facilities and Warehouse Facilities (Level 2) – As the underlying warehouse and advance finance facilities bear interest at a rate that is periodically adjusted based on a market index, the carrying amount reported on the consolidated balance sheets approximates fair value. See *Note 12, Indebtedness*, for more information.

Unsecured Senior Notes (Level 2) – In accordance with ASC 820, the Company periodically reviews the fair value of fair value instruments. As a result of the significant shifts in the market, the quoted prices were determined to now be in a market with limited trading activity. As such, the Company adjusted the fair value classification of unsecured senior notes from Level 1 to Level 2 as of December 31, 2022. See *Note 12, Indebtedness*, for more information.

Excess Spread Financing (Level 3) – The Company estimates fair value on a recurring basis based on the present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions used in the model are based on various factors, with the key assumptions being mortgage prepayment speeds and discount rate. As these prices are derived from a combination of internally developed valuation models and quoted market prices based on the value of the underlying MSRs, the Company classifies these valuations as Level 3 in the fair value disclosures. Excess spread financing is recorded in MSR related liabilities within the consolidated balance sheets. See *Note 2, Significant Accounting Policies*, for more information.

Mortgage Servicing Rights Financing Liability (Level 3) - The Company estimates fair value on a recurring basis based on the present value of future expected discounted cash flows with the discount rate approximating current market value for similar financial instruments. The cash flow assumptions and prepayment assumptions used in the model are based on various factors, with the key assumptions being advance financing rates and annual advance recovery rates. As these assumptions are derived from internally developed valuation models based on the value of the underlying MSRs, the Company classifies these valuations as Level 3 in the fair value disclosures. Mortgage servicing rights financing liability is recorded in MSR related liabilities within the consolidated balance sheets. See *Note 4, Mortgage Servicing Rights and Related Liabilities*, for more information.

The following table presents the estimated carrying amount and fair value of the Company’s financial instruments and other assets and liabilities measured at fair value on a recurring basis:

Fair Value - Recurring Basis	December 31, 2022			
	Total Fair Value	Recurring Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Mortgage loans held for sale	\$ 893	\$ —	\$ 819	\$ 74
Mortgage servicing rights	6,654	—	—	6,654

Equity investments	47	2	—	45
Derivative financial instruments:				
IRLCs	22	—	—	22
Forward MBS trades	8	—	8	—
LPCs	1	—	—	1

Liabilities

Derivative financial instruments:				
Forward MBS trades	9	—	9	—
LPCs	1	—	—	1
Treasury futures	14	—	14	—
Mortgage servicing rights financing	19	—	—	19
Excess spread financing	509	—	—	509

December 31, 2021

Fair Value - Recurring Basis	Total Fair Value	Recurring Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Mortgage loans held for sale	\$ 4,381	\$ —	\$ 4,381	\$ —
Mortgage servicing rights	4,223	—	—	4,223
Equity investments	63	9	—	54
Derivative financial instruments:				
IRLCs	134	—	—	134
Forward MBS trades	7	—	7	—
LPCs	3	—	—	3

Liabilities

Derivative financial instruments:				
Forward MBS trades	8	—	8	—
LPCs	2	—	—	2
Swap futures	6	—	6	—
Mortgage servicing rights financing	10	—	—	10
Excess spread financing	768	—	—	768

The tables below present a reconciliation for all of the Company's Level 3 assets and liabilities measured at fair value on a recurring basis:

Fair Value - Level 3 Assets and Liabilities	Year Ended December 31, 2022					
	Assets				Liabilities	
	Mortgage servicing rights	Mortgage loans held for sale	Equity investments	IRLCs	Excess spread financing	Mortgage servicing rights financing
Balance - beginning of year	\$ 4,223	\$ 76	\$ 54	\$ 134	\$ 768	\$ 10
Changes in fair value included in earnings	549	(3)	(9)	(112)	133	9
Purchases/additions ⁽¹⁾	1,595	130	—	—	—	—
Issuances	554	—	—	—	—	—
Sales/dispositions ⁽¹⁾	(294)	(124)	—	—	—	—
Repayments	—	(2)	—	—	(293)	—
Settlements	—	—	—	—	(99)	—
Other changes	27	(3)	—	—	—	—
Balance - end of year	\$ 6,654	\$ 74	\$ 45	\$ 22	\$ 509	\$ 19

Year Ended December 31, 2021

Fair Value - Level 3 Assets and Liabilities	Assets				Liabilities	
	Mortgage servicing rights	Equity investments	IRLCs	LPCs	Excess spread	Mortgage servicing rights
					financing	financing
Balance - beginning of year	\$ 2,703	\$ —	\$ 414	\$ 38	\$ 934	\$ 33
Changes in fair value included in earnings	(506)	(1)	(280)	(35)	(10)	(23)
Purchases	948	—	—	—	—	—
Equity consideration received	—	55	—	—	—	—
Issuances	1,077	—	—	—	—	—
Sales	(55)	—	—	—	—	—
Repayments	—	—	—	—	(4)	—
Settlements	—	—	—	—	(152)	—
Other changes	56	—	—	—	—	—
Balance - end of year	\$ 4,223	\$ 54	\$ 134	\$ 3	\$ 768	\$ 10

(1) Additions for mortgages loans held for sale include loans that are purchased or transferred in. Dispositions for mortgage loans held for sales include loans that are sold or transferred out.

The Company had LPCs liabilities of \$1 and \$2 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Company had an immaterial change in LPCs liabilities.

The tables below present the quantitative information for significant unobservable inputs used in the fair value measurement of Level 3 assets and liabilities:

Level 3 Inputs	December 31, 2022			December 31, 2021		
	Range		Weighted Average	Range		Weighted Average
	Min	Max		Min	Max	
MSR⁽¹⁾						
Discount rate	10.4 %	13.7 %	11.4 %	9.5 %	13.7 %	10.9 %
Prepayment speed	6.3 %	12.2 %	7.2 %	11.7 %	16.4 %	13.0 %
Cost to service per loan ⁽²⁾	\$ 54	\$ 155	\$ 80	\$ 59	\$ 168	\$ 77
Average life ⁽³⁾	8.1 years			5.8 years		
Mortgage loans held for sale						
Market pricing	37.3 %	114.7 %	77.4 %	N/A	N/A	N/A
IRLCs						
Value of servicing (reflected as a percentage of loan commitment)	(0.6)%	3.9 %	2.3 %	(0.7)%	2.4 %	1.4 %
Excess spread financing						
Discount rate	10.0 %	13.8 %	11.3 %	9.5 %	13.8 %	11.2 %
Prepayment speed	6.9 %	13.3 %	9.2 %	12.8 %	15.2 %	13.4 %
Average life ⁽³⁾	6.6 years			5.4 years		
Mortgage servicing rights financing						
Advance financing and counterparty fee rates	5.2 %	8.6 %	7.1 %	4.5 %	7.9 %	6.5 %
Annual advance recovery rates	15.9 %	20.6 %	17.3 %	19.2 %	22.0 %	21.3 %

(1) The inputs are weighted by investor.

(2) Presented in whole dollar amounts.

(3) Average life is included for informational purposes.

The tables below present a summary of the carrying amount and estimated fair value of the Company's financial instruments not carried at fair value:

Financial Instruments	December 31, 2022			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 527	\$ 527	\$ —	\$ —
Restricted cash	175	175	—	—
Advances and other receivables, net	1,019	—	—	1,019
Loans subject to repurchase from Ginnie Mae	1,865	—	1,865	—
Financial liabilities				
Unsecured senior notes, net	2,673	—	2,209	—
Advance and warehouse facilities, net	2,885	—	2,896	—
Liability for loans subject to repurchase from Ginnie Mae	1,865	—	1,865	—

Financial Instruments	December 31, 2021			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 895	\$ 895	\$ —	\$ —
Restricted cash	146	146	—	—
Advances and other receivables, net	1,228	—	—	1,228
Loans subject to repurchase from Ginnie Mae	1,496	—	1,496	—
Financial liabilities				
Unsecured senior notes, net	2,670	2,737	—	—
Advance and warehouse facilities, net	4,997	—	5,009	—
Liability for loans subject to repurchase from Ginnie Mae	1,496	—	1,496	—

18. Capital Requirements

Fannie Mae, Freddie Mac, Ginnie Mae and certain private label mortgage investors require the Company to maintain minimum net worth ("capital") requirements, as specified in the respective selling and servicing agreements. In addition, these investors may require capital ratios in excess of the stated requirements to approve large servicing transfers. To the extent that these requirements are not met, the Company's secondary market investors may utilize a range of remedies ranging from sanctions, suspension or ultimately termination of the Company's selling and servicing agreements, which would prohibit the Company from further originating or securitizing these specific types of mortgage loans or being an approved servicer. The Company's various capital requirements related to its outstanding selling and servicing agreements are measured based on the Company's operating subsidiary, Nationstar Mortgage LLC. As of December 31, 2022, the Company was in compliance with its selling and servicing capital requirements.

19. Commitments and Contingencies

Litigation and Regulatory

The Company and its subsidiaries are routinely and currently involved in a significant number of legal proceedings, including, but not limited to, judicial, arbitration, regulatory and governmental proceedings related to matters that arise in connection with the conduct of the Company's business. The legal proceedings are at varying stages of adjudication, arbitration or investigation and are generally based on alleged violations of consumer protection, securities, employment, contract, tort, common law fraud and other numerous laws, including, without limitation, the Equal Credit Opportunity Act, Fair Debt Collection Practices Act,

Fair Credit Reporting Act, Real Estate Settlement Procedures Act, National Housing Act, Homeowners Protection Act, Service Member's Civil Relief Act, Telephone Consumer Protection Act, Truth in Lending Act, Financial Institutions Reform, Recovery, and Enforcement Act of 1989, unfair, deceptive or abusive acts or practices in violation of the Dodd-Frank Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Home Mortgage Disclosure Act, Title 11 of the United States Code (aka the "Bankruptcy Code"), False Claims Act, the CARES Act and Making Home Affordable loan modification programs.

In addition, along with others in its industry, the Company is subject to repurchase and indemnification claims and may continue to receive claims in the future, regarding alleged breaches of representations and warranties relating to the sale of mortgage loans, the placement of mortgage loans into securitization trusts or the servicing of mortgage loans securitizations. The Company is also subject to legal actions or proceedings related to loss sharing and indemnification provisions of its various acquisitions. Certain of the pending or threatened legal proceedings include claims for substantial compensatory, punitive and/ or statutory damages or claims for an indeterminate amount of damages.

The Company operates within highly regulated industries on a federal, state and local level. In the normal and ordinary course of its business, the Company is routinely subject to extensive examinations, investigations, subpoenas, inquiries and reviews by various federal, state and local governmental, regulatory and enforcement agencies, including the Consumer Financial Protection Bureau, the Securities and Exchange Commission, the Department of Justice, the Office of the Special Inspector General for the Troubled Asset Relief Program, the U.S. Department of Housing and Urban Development, various State mortgage banking regulators and various State Attorneys General, related to the Company's residential loan servicing and origination practices, its financial reporting and other aspects of its businesses. Any pending or potential future investigations, subpoenas, examinations or inquiries may lead to administrative, civil or criminal proceedings or settlements, and possibly result in remedies including fines, penalties, restitution, or alterations in the Company's business practices, and additional expenses and collateral costs. The Company is cooperating fully in these matters. Responding to these matters requires the Company to devote substantial resources, resulting in higher costs and lower net cash flows. Adverse results in any of these matters could further increase the Company's operating expenses and reduce its revenues, require it to change business practices and limit its ability to grow and otherwise materially and adversely affect its business, reputation, financial condition and results of operation.

The Company seeks to resolve all legal proceedings and other matters in the manner management believes is in the best interest of the Company and contests liability, allegations of wrongdoing and, where applicable, the amount of damages or scope of any penalties or other relief sought as appropriate in each pending matter. The Company has entered into agreements with a number of entities and regulatory agencies that toll applicable limitations periods with respect to their claims.

On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal and regulatory and governmental proceedings utilizing the latest information available. Where available information indicates that it is probable a liability has been incurred, and the Company can reasonably estimate the amount of the loss, an accrued liability is established. The actual costs of resolving these proceedings may be substantially higher or lower than the amounts accrued.

As a legal matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency is not both probable and reasonably estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and reasonably estimable. Once the matter is deemed to be both probable and reasonably estimable, the Company will establish an accrued liability and record a corresponding amount to legal-related expense. The Company will continue to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established. Legal-related expense for the Company, which includes legal settlements and the fees paid to external legal service providers, of \$23 and \$39 for the years ended December 31, 2022 and 2021, respectively, was included in "expenses - general and administrative" on the consolidated statements of operations.

For matters for which a loss is probable or reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, the Company may be able to estimate a range of possible loss. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Company reviews and evaluates its material legal matters on an ongoing basis, in conjunction with any outside counsel handling the matter. Management currently believes the aggregate range of reasonably possible loss is \$2 to \$5 in excess of the accrued liability (if any) related to those matters as of December 31, 2022. This estimated range of possible loss is based upon currently available information and is subject to significant judgment, numerous assumptions and known and unknown uncertainties. The matters underlying the estimated range will change from time to time, and actual results may vary substantially from the current estimate. Those matters for which an estimate is not possible are not included within the estimated range. Therefore, this estimated range of possible loss represents what management believes to be an estimate of possible loss only for certain matters meeting these criteria. It does not represent the Company's maximum

loss exposure and the Company cannot provide assurance that its litigations reserves will not need to be adjusted in the future. Thus, the Company's exposure and ultimate losses may be higher, possibly significantly so, than the amounts accrued or this aggregate amount.

In the Company's experience, legal proceedings are inherently unpredictable. One or more of the following factors frequently contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis or, if permitted to proceed as a class action, how the class will be defined; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental investigations and inquiries, the possibility of fines and penalties); the matter presents meaningful legal uncertainties, including novel issues of law; the Company has not engaged in meaningful settlement discussions; discovery has not started or is not complete; there are significant facts in dispute; predicting possible outcomes depends on making assumptions about future decisions of courts or governmental or regulatory bodies or the behavior of other parties; and there are a large number of parties named as defendants (including where it is uncertain how damages or liability, if any, will be shared among multiple defendants). Generally, the less progress that has been made in the proceedings or the broader the range of potential results, the harder it is for the Company to estimate losses or ranges of losses that is reasonably possible the Company could incur.

Based on current knowledge, and after consultation with counsel, management believes that the current legal accrued liability within payables and accrued liabilities, is appropriate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on the consolidated financial condition of the Company, although the outcome of such proceedings could be material to the Company's operating results and cash flows for a particular period depending, on among other things, the level of the Company's revenues or income for such period. However, in the event of significant developments on existing cases, it is possible that the ultimate resolution, if unfavorable, may be material to the Company's consolidated financial statements.

Other Loss Contingencies

As part of the Company's ongoing operations, it acquires servicing rights of mortgage loans that are subject to indemnification based on the representations and warranties of the seller. From time to time, the Company will seek recovery under these representations and warranties for incurred costs. The Company believes all balances sought from sellers recorded in "advances and other receivables, net" represent valid claims. However, the Company acknowledges that the claims process can be prolonged due to the required time to perfect claims at the loan level. Because of the required time to perfect or remediate these claims, management relies on the sufficiency of documentation supporting the claim, current negotiations with the counterparty and other evidence to evaluate whether a reserve is required for non-recoverable balances. In the absence of successful negotiations with the seller, all amounts claimed may not be recovered. Balances may be written-off and charged against earnings when management identifies amounts where recoverability from the seller is not likely. As of December 31, 2022, the Company believes all recorded balances for which recovery is sought from the seller are valid claims, and no evidence suggests additional reserves are warranted.

Loan and Other Commitments

The Company enters into IRLCs with prospective borrowers whereby the Company commits to lend a certain loan amount under specific terms and interest rates to the borrower. The Company also enters into LPCs with prospective sellers. These loan commitments are treated as derivatives and are carried at fair value. See *Note 11, Derivative Financial Instruments*, for more information.

20. Segment Information

The Company's segments reflect the internal reporting we use to evaluate operating performance and are based upon the Company's organizational structure, which focuses primarily on the services offered. A brief description of our current business segments is as follows:

Servicing: This segment performs operational activities on behalf of investors or owners of the underlying mortgages and mortgage servicing rights, including collecting and disbursing borrower payments, investor reporting, customer service, modifying loans where appropriate to help borrowers stay current, and when necessary performing collections, foreclosures, and the sale of REO.

Originations: This segment originates residential mortgage loans through our direct-to-consumer channel, which provides refinance options for our existing customers, and through our correspondent channel, which purchases or originates loans from mortgage bankers.

Corporate/Other: Functional expenses are allocated to individual segments based on the actual cost of services performed, direct resource utilization, or headcount percentage for shared services. During the fourth quarter of 2022, the Company began allocating shared services based on headcount instead of estimate of percentage use as it changed its segment measures provided to and used by the chief operating decision maker. As a result, all costs for shared services are allocated to individual segments based on headcount. The Company restated segment information for the historical periods presented herein to reflect the allocation method change and to conform to the current presentation. The change affects total expenses for Servicing and Originations segments and Corporate/Other but had no effect on consolidated statements of operations. Facility costs are allocated to individual segments based on cost per headcount for specific facilities utilized. Group insurance costs are allocated to individual segments based on global cost per headcount. Non-allocated corporate expenses include the administrative costs of executive management and other corporate functions that are not directly attributable to the Company's operating segments. Revenues generated on inter-segment services performed are valued based on similar services provided to external parties. Eliminations are included in Corporate/Other.

On March 31, 2022, the Company completed the sale of its Mortgage Servicing Platform to Sagent and recorded a gain of \$223, which was included in "other income, net" within the consolidated statements of operations and reported under Corporate/Other. Refer to *Note 3, Dispositions*, for further details.

The following tables present financial information by segment:

Financial Information by Segment	Year Ended December 31, 2022			
	Servicing	Originations	Corporate/ Other	Consolidated
Revenues				
Service related, net	\$ 1,691	\$ 98	\$ 76	\$ 1,865
Net gain on mortgage loans held for sale	(33)	632	—	599
Total revenues	1,658	730	76	2,464
Total expenses	559	491	224	1,274
Interest income	208	53	—	261
Interest expense	(221)	(43)	(160)	(424)
Other income (expenses), net	—	—	187	187
Total other (expenses) income, net	(13)	10	27	24
Income (loss) from continuing operations before income tax expense (benefit)	\$ 1,086	\$ 249	\$ (121)	\$ 1,214
Depreciation and amortization for property and equipment and intangible assets from continuing operations	\$ 18	\$ 16	\$ 3	\$ 37
Total assets	\$ 10,152	\$ 749	\$ 1,875	\$ 12,776
Financial Information by Segment	Year Ended December 31, 2021			
	Servicing	Originations	Corporate/ Other	Consolidated
Revenues				
Service related, net	\$ 705	\$ 176	\$ 186	\$ 1,067
Net gain on mortgage loans held for sale	568	1,683	—	2,251
Total revenues	1,273	1,859	186	3,318
Total expenses	502	849	311	1,662
Interest income	129	102	—	231
Interest expense	(262)	(88)	(128)	(478)
Other income (expenses), net	—	—	528	528
Total other (expenses) income, net	(133)	14	400	281
Income from continuing operations before income tax expense	\$ 638	\$ 1,024	\$ 275	\$ 1,937
Depreciation and amortization for property and equipment and intangible assets from continuing operations	\$ 32	\$ 24	\$ 1	\$ 57

Total assets	\$	8,733	\$	3,143	\$	2,328	\$	14,204
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Year Ended December 31, 2020

Financial Information by Segment	Servicing	Originations	Corporate/ Other	Consolidated
Revenues				
Service related, net	\$ (159)	\$ 105	\$ 433	\$ 379
Net gain on mortgage loans held for sale	222	2,088	—	2,310
Total revenues	63	2,193	433	2,689
Total expenses	493	745	544	1,782
Interest income	61	95	2	158
Interest expense	(268)	(78)	(182)	(528)
Other (expenses) income, net	—	—	(135)	(135)
Total other (expenses) income, net	(207)	17	(315)	(505)
(Loss) income from continuing operations before income tax (benefit) expense	\$ (637)	\$ 1,465	\$ (426)	\$ 402
Depreciation and amortization for property and equipment and intangible assets from continuing operations	\$ 20	\$ 18	\$ 35	\$ 73
Total assets	\$ 16,173	\$ 5,447	\$ 2,545	\$ 24,165

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of December 31, 2022.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2022, our disclosure controls and procedures are effective. Disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined by Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (“COSO”) in Internal Control-Integrated 2013 Framework. A control system, no matter how well conceived, implemented and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of such inherent limitations, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

Based on our assessment and those criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

Our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2022 as stated in their report, dated February 16, 2023, which appears herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Mr. Cooper Group Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Mr. Cooper Group Inc.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Mr. Cooper Group Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the accompanying consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022 and the related notes and our report dated February 16, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Dallas, Texas
February 16, 2023

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be incorporated by reference from the Company's definitive proxy statement for the 2023 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of the Company's fiscal year-end (the "2023 Proxy Statement").

Item 11. Executive Compensation

Information required by this item will be incorporated by reference from the 2023 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this item will be incorporated by reference from the 2023 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this item will be incorporated by reference from the 2023 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Information required by this item will be incorporated by reference from the 2023 Proxy Statement.

Item 15. Exhibits and Financial Statement Schedules

Documents filed as part of this Annual Report on Form 10-K:

1. Financial Statements:

Our consolidated financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, and the notes thereto, together with the report of the independent registered public accounting firm on those consolidated financial statements are filed within Item 8 in Part II as part of this Annual Report on Form 10-K.

2. Financial Statement Schedules:

No financial statement schedules are presented since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and accompanying notes.

3. Exhibits:

The exhibits to this report are listed in the index to exhibits below.

INDEX TO EXHIBITS

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1+	Stock Purchase Agreement, dated as of March 12, 2021, by and among Title365 Holding Co., Xome Holdings LLC, Blend Labs, Inc. and solely for the purposes set forth therein, the Company	8-K	001-14667	2.1	03/15/2021	
2.2+	Contribution Agreement, dated as of February 10, 2022, by and among Nationstar Mortgage LLC, Sagent M&C, LLC and solely for the purposes set forth therein, Mr. Cooper Group Inc.	8-K	001-14667	2.1	02/11/2022	
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended.	8-K	001-14667	3.1	10/10/2018	
3.2	Amended and Restated Bylaws of the Company	10-Q	001-14667	3.2	11/09/2018	
4.1	Form of Stock Certificate	10-Q	001-14667	4.1	11/01/2019	
4.2	Description of Common Stock					X
4.3	Indenture, dated as of January 16, 2020, among Nationstar Mortgage Holdings Inc. as Issuer, the Company as Parent Guarantor, the guarantors thereto and Wells Fargo Bank, National Association as Trustee	10-K	001-14667	4.14	02/28/2020	
4.4	Indenture, dated as of August 6, 2020, among Nationstar Mortgage Holdings Inc. as Issuer, the Company as Parent Guarantor, the guarantors thereto and Wells Fargo Bank, National Association as Trustee	8-K	001-14667	4.1	08/06/2020	
4.5	Indenture, dated as of December 4, 2020, among Nationstar Mortgage Holdings Inc. as Issuer, the Company as Parent Guarantor, the guarantors thereto and Wells Fargo Bank, National Association as Trustee	8-K	001-14667	4.1	12/04/2020	
4.6	Indenture, dated as of November 4, 2021, among Nationstar Mortgage Holdings Inc. as Issuer, the Company as Parent Guarantor, the guarantors thereto and Computershare Trust Company, N.A. as Trustee	8-K	001-14667	4.1	11/04/2021	
10.1	Mortgage Loan Participation Purchase and Sale Agreement, dated March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.18	03/15/2013	
10.2	Amendment Number One, dated February 29, 2012, to the Mortgage Loan Participation Purchase and Sale Agreement, dated March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.19	03/15/2013	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.3	Amendment Number Two, dated August 28, 2012, to the Mortgage Loan Participation Purchase and Sale Agreement, dated March 25, 2011, among Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.20	03/15/2013	
10.4	Amendment Number Three, dated December 24, 2012, to the Mortgage Loan Participation Purchase and Sale Agreement, dated March 25, 2012, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.21	03/15/2013	
10.5	Amendment Number Four, dated July 18, 2013, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-35449	10.11	11/14/2013	
10.6	Amendment Number Five, dated July 24, 2013, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-35449	10.12	11/14/2013	
10.7	Amendment Number Six, dated September 20, 2013, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-35449	10.13	11/14/2013	
10.8	Amendment Number Seven, dated August 21, 2014, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011 between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-35449	10.3	11/07/2014	
10.9	Amendment Number Eight, dated October 20, 2014, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-35449	10.4	11/07/2014	
10.10	Amendment Number Nine, dated October 19, 2015, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.28	03/01/2016	
10.11	Amendment Number Ten, dated October 17, 2016, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.17	03/09/2017	
10.12	Amendment Number Eleven, dated October 31, 2016, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.18	03/09/2017	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.13	Amendment Number Twelve, dated October 30, 2017, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-35449	10.18	03/02/2018	
10.14	Amendment Number Thirteen, dated March 22, 2018, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-35449	10.1	05/10/2018	
10.15	Amendment Number Fourteen, dated October 24, 2018, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-14667	10.17	03/11/2019	
10.16	Amendment Number Fifteen, dated November 20, 2018, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-K	001-14667	10.18	03/11/2019	
10.17	Amendment Number Sixteen, dated January 28, 2019, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-14667	10.1	05/08/2019	
10.18	Amendment Number Seventeen, dated March 29, 2019, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-14667	10.2	05/08/2019	
10.19	Amendment Number Eighteen, dated April 3, 2019, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011, between Barclays Bank PLC and Nationstar Mortgage LLC	10-Q	001-14667	10.1	08/02/2019	
10.20	Amendment Number Nineteen, dated March 30, 2020, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011 between Barclays Bank PLC, as Agent and Nationstar Mortgage LLC, as Seller	10-K	001-14667	10.22	02/23/2021	
10.21	Amendment Number Twenty, dated September 11, 2020, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011 between Barclays Bank PLC, as Agent and Nationstar Mortgage LLC, as Seller	10-Q	001-14667	10.2	10/29/2020	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.22	Amendment Number Twenty-One, dated December 18, 2020, to the Mortgage Loan Participation Purchase and Sale Agreement, dated as of March 25, 2011 between Barclays Bank PLC, as Agent and Nationstar Mortgage LLC, as Seller	10-K	001-14667	10.24	02/23/2021	
10.23	Amended and Restated Receivables Pooling Agreement, dated January 31, 2013, between Nationstar Agency Advance Funding LLC (depositor) and Nationstar Agency Advance Funding Trust (issuer)	8-K	001-35449	10.5	02/06/2013	
10.24	Amended and Restated Receivables Sale Agreement, dated January 31, 2013, between Nationstar Mortgage LLC (receivables seller and servicer) and Nationstar Agency Advance Funding LLC (depositor)	8-K	001-35449	10.6	02/06/2013	
10.25	Second Amended and Restated Master Repurchase Agreement, dated January 29, 2016, between Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as purchaser, and Nationstar Mortgage LLC, as seller	10-Q	001-35449	10.1	05/05/2016	
10.26	Amendment Number One dated as of June 24, 2016 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as a purchaser, and Nationstar Mortgage LLC, as seller	10-Q	001-35449	10.2	08/09/2016	
10.27	Amendment Number Two dated as of October 17, 2016 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as a purchaser, and Nationstar Mortgage LLC, as seller	10-K	001-35449	10.21	03/09/2017	
10.28	Amendment Number Three dated as of October 31, 2016 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as a purchaser, and Nationstar Mortgage LLC, as seller	10-K	001-35449	10.22	03/09/2017	
10.29	Amendment Number Four dated as of October 30, 2017 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, Sutton Funding LLC, as a purchaser, and Nationstar Mortgage LLC, as seller	10-K	001-35449	10.23	03/02/2018	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.30	Amendment Number Five dated as of March 22, 2018 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-Q	001-35449	10.2	05/10/2018	
10.31	Amendment Number Six dated as of May 29, 2018 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent and Nationstar Mortgage LLC, as seller	10-Q	001-35449	10.1	08/03/2018	
10.32	Amendment Number Seven dated as of October 24, 2018 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-K	001-14667	10.26	03/11/2019	
10.33	Amendment Number Eight dated as of November 20, 2018 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-K	001-14667	10.27	03/11/2019	
10.34	Amendment Number Nine dated as of January 28, 2019 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.3	05/08/2019	
10.35	Amendment Number Ten dated as of March 29, 2019 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.4	05/08/2019	
10.36	Amendment Number Eleven, dated as of April 3, 2019 to the Second Amended and Restated Master Repurchase Agreement, dated January 29, 2016, among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.2	08/02/2019	
10.37	Amendment Number Twelve dated as of October 25, 2019 to the Second Amended and Restated Master Repurchase Agreement dated January 29, 2016 among Barclays Bank PLC, as purchaser and agent, and Nationstar Mortgage LLC, as seller	10-K	001-14667	10.34	02/28/2020	
10.38	Amendment Number Thirteen dated March 30, 2020 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.3	04/30/2020	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.39	Amendment Number Fourteen dated September 11, 2020 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.1	10/29/2020	
10.40	Amendment Number Fifteen dated October 26, 2020 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-K	001-14667	10.40	02/23/2021	
10.41	Amendment Number Sixteen dated December 18, 2020 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-K	001-14667	10.41	02/23/2021	
10.42	Amendment Number Seventeen dated July 9, 2021 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.1	10/28/2021	
10.43	Amendment Number Eighteen dated September 30, 2021 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.2	10/28/2021	
10.44	Amendment Number Nineteen dated June 3, 2022 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.7	07/27/2022	
10.45	Amendment Number Twenty dated September 30, 2022 to the Second Amended and Restated Master Repurchase Agreement dated as of January 29, 2016 between Barclays Bank PLC, as agent and Nationstar Mortgage LLC, as seller	10-Q	001-14667	10.1	10/26/2022	
10.46	Mortgage Loan Participation Sale Agreement dated as of August 30, 2016 between JPMorgan Chase Bank, National Association, as purchaser and Nationstar Mortgage LLC, as seller, conformed through Amendment No. 7	10-Q	001-14667	10.1	07/27/2022	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.47	Omnibus Amendment, Consent and Acknowledgment Agreement, effective as of February 1, 2019 to Mortgage Loan Participation Sale Agreement dated as of August 30, 2016 by and between JPMorgan Chase Bank, National Association, as Purchaser and Nationstar Mortgage LLC (successor by merger to Pacific Union Financial, LLC), as seller	10-Q	001-14667	10.2	07/27/2022	
10.48	Master Repurchase Agreement dated as of May 17, 2019 among Nationstar Sub 1J LLC and Nationstar REO Sub 1J LLC, as seller parties, Nationstar Mortgage LLC, as guarantor and JPMorgan Chase Bank, National Association, as buyer, conformed through Amendment No. 9	10-Q	001-14667	10.3	07/27/2022	
10.49	Loan and Security Agreement dated as of August 20, 2020 among Nationstar Mortgage LLC, as borrower, Morgan Stanley Bank, N.A., as initial lender and Morgan Stanley Mortgage Capital Holdings LLC, as administrative agent	10-Q	001-14667	10.4	07/27/2022	
10.50	Amendment No. 1 dated as of September 17, 2021 to Loan and Security Agreement dated as of August 20, 2020 among Nationstar Mortgage LLC, as borrower, Morgan Stanley Bank, N.A., as initial lender and Morgan Stanley Mortgage Capital Holdings LLC, as administrative agent	10-Q	001-14667	10.5	07/27/2022	
10.51	Amendment No. 2 dated as of August 3, 2022 to Loan and Security Agreement dated as of August 20, 2020 among Nationstar Mortgage LLC, as borrower, Morgan Stanley Bank, N.A., as lender and Morgan Stanley Mortgage Capital Holdings LLC, as administrative agent	10-Q	001-14667	10.2	10/26/2022	
10.52	Third Amended and Restated Master Repurchase Agreement, entered into as of August 31, 2020 by and between Bank of America, N.A., as buyer and Nationstar Participation Sub 1BM LLC, as seller, and acknowledged, guaranteed and agreed to by Nationstar Mortgage LLC, as guarantor or pledgor	10-Q	001-14667	10.6	07/27/2022	
10.53	Conformed Amendments through Amendment Number 3, dated August 12, 2022, to Third Amended and Restated Master Repurchase Agreement, entered into as of August 31, 2020 by and between Bank of America, N.A., as buyer and Nationstar Participation Sub 1BM LLC, as seller, and acknowledged, guaranteed and agreed to by Nationstar Mortgage LLC, as guarantor or pledgor	10-Q	001-14667	10.3	10/26/2022	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.54	Amendment Number 4, dated October 21, 2022, to Third Amended and Restated Master Repurchase Agreement, entered into as of August 31, 2020 by and between Bank of America, N.A., as buyer and Nationstar Participation Sub 1BM LLC, as seller, and acknowledged, guaranteed and agreed to by Nationstar Mortgage LLC, as guarantor or pledgor					X
10.55**	Offer Letter, dated as of December 11, 2018 by and between the Company and Christopher Marshall	8-K	001-14667	10.1	12/12/2018	
10.56**	Offer Letter and Acceptance, dated January 15, 2020, between the Company and Mike Rawls	10-Q	001-14667	10.3	10/29/2020	
10.57**	Offer Letter and Acceptance, dated February 12, 2021, between the Company and Kurt Johnson					X
10.58**	Offer Letter and Acceptance, dated as of April 21, 2022 by and between the Company and Jaime Gow	10-Q	001-14667	10.4	04/28/2022	
10.59**	Nationstar Mortgage Holdings Inc. Second Amended and Restated 2012 Incentive Compensation Plan	8-K	001-35449	10.1	05/12/2016	
10.60**	Amendment to the Nationstar Mortgage Holdings Inc. Second Amended and Restated 2012 Incentive Compensation Plan	8-K	001-14667	10.2	08/01/2018	
10.61**	Form of Restricted Stock Unit Agreement for Employees under the Amended and Restated 2012 Incentive Compensation Plan	10-Q	001-35449	10.5	05/07/2015	
10.62**	Mr. Cooper Group Inc. 2019 Omnibus Incentive Plan	S-8	333-231552	99.1	05/16/2019	
10.63**	Form of Grant Notice and Restricted Stock Unit Award Agreement-Employees	8-K	001-14667	10.2	05/17/2019	
10.64**	Form of 2022 Grant Notice and Restricted Stock Unit Award Agreement-Employee (No Retirement Provision)	10-Q	001-14667	10.1	04/28/2022	
10.65**	Form of 2022 Performance Stock Unit Agreement – Employee (Standard Retirement Provision)	10-Q	001-14667	10.2	04/28/2022	
10.66**	Form of 2022 Performance Stock Unit Agreement – Employee (Special Retirement Provision)	10-Q	001-14667	10.3	04/28/2022	
10.67**	Form of Grant Notice and Restricted Stock Unit Award Agreement-Non-Employee Directors	8-K	001-14667	10.3	05/17/2019	
10.68**	Form of Performance Stock Unit Agreement - Employee	10-Q	001-14667	10.1	04/29/2021	
10.69**	Form of Performance Stock Unit Agreement - Special Retirement Provisions	10-Q	001-14667	10.2	04/29/2021	

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
10.70**	Form of Indemnification Agreement with directors and officers	8-K	001-14667	10.1	05/13/2015	
21.1	Subsidiaries of the Registrant					X
23.1	Consent of Ernst & Young LLP					X
31.1	Certification by Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification by Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101.)					X

+ The schedules and other attachments referenced in this exhibit have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or attachment will be furnished supplementary to the Securities and Exchange Commission upon request.

** Management contract, 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 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 the Company 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 at the date they were made or at any other time.

Item 16. *Form 10-K Summary*

None.

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.

Mr. Cooper Group Inc.

By: /s/ Jay Bray

Jay Bray

Chief Executive Officer

February 16, 2023

Pursuant to the 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.

<u>/s/ Jay Bray</u> Jay Bray, Chief Executive Officer and Director (Principal Executive Officer)	February 16, 2023
<u>/s/ Jaime Gow</u> Jaime Gow, Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 16, 2023
<u>/s/ Elizabeth Burr</u> Elizabeth Burr, Director	February 16, 2023
<u>/s/ Roy A. Guthrie</u> Roy A. Guthrie, Director	February 16, 2023
<u>/s/ Daniela Jorge</u> Daniela Jorge, Director	February 16, 2023
<u>/s/ Michael D. Malone</u> Michael D. Malone, Director	February 16, 2023
<u>/s/ Shveta Mujumdar</u> Shveta Mujumdar, Director	February 16, 2023
<u>/s/ Tagar C. Olson</u> Tagar C. Olson, Director	February 16, 2023
<u>/s/ Steven D. Scheiwe</u> Steven D. Scheiwe, Director	February 16, 2023

ANNEX A
NON-GAAP MEASURES

We provide certain non-GAAP financial measures in this proxy statement that are not in accordance with, or alternatives for, generally accepted accounting principles in the United States. The Company utilizes non-GAAP financial measures as the measures provide additional information to assist investors in understanding and assessing our business segments' ongoing performance and financial results, as well as assessing our prospects for future performance. This annex includes additional information regarding these measures.

Tangible book value is a non-GAAP financial measure that is defined as stockholders' equity less goodwill and intangible assets. **Tangible book value per share** is calculated by dividing tangible book value by the number of common shares outstanding. Management believes tangible book value and tangible book value per share are useful metrics to investors because they provide a more accurate measure of the realizable value of stockholder returns, excluding the impact of goodwill and intangible assets.

Tangible net worth to assets is calculated by dividing tangible book value by tangible assets. Management believes tangible net worth to assets is a useful metric to investors because it provides a more accurate measure of the company's capital position, excluding the impact of goodwill and intangible assets.

The following tables reconcile (a) GAAP book value and GAAP book value per share to tangible book value and tangible book value per share, respectively and (c) GAAP assets to tangible assets.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

\$ mm's, except per share amounts	December 31, 2021	December 31, 2022	Y/Y Change
Stockholders' equity (BV)	\$3,367	\$4,057	
Goodwill	(120)	(120)	
Intangible assets	(14)	(8)	
Tangible book value (TBV)	\$3,233	\$3,929	
Ending shares of common stock outstanding (mm's)	73.8	69.3	
BV/share	\$45.64	\$58.57	28%
TBV/share	\$43.82	\$56.72	29%
\$ mm's, except per share amounts	December 31, 2021	December 31, 2022	
Total assets	\$14,204	\$12,776	
Goodwill	(120)	(120)	
Intangible assets	(14)	(8)	
Tangible assets	\$14,070	\$12,648	
TNW/Assets	23.0%	31.1%	

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Mr. CooperGroup®