2022 Annual Report

Rithm Capital Corp.

rithm

Founded

2013

Total Equity[1]

~$7B

Assets

$32B

Dividends Declared Since Inception[2]

$4.4B+

Portfolio of Operating Companies

Rithm benefits from connectivity across its platforms, collaborating on strategy, execution, market insights and risk management.

2022

Highlights

Internalized Manager

Rebranded to Rithm Capital

Launched Private Capital Business

Added Vertically-Integrated Commercial Real Estate Capabilities

Dear Fellow Shareholders,

Lately it seems like every time the global economy turns a corner for the better, we are tested once more. As I wrote this letter just one year ago, we were recovering from a pandemic and simultaneously confronting the reality of a new war developing in Ukraine. While the pandemic has mostly run its course, the geopolitical turmoil has yet to subside, and these past few weeks have brought with them a familiar challenge that our team has managed through before – substantial volatility across the financial services markets.

The last year was characterized by rising inflation and the Fed's ensuing fight to tame it. Their response, while somewhat anticipated, has had a resounding effect on the financial markets. The Fed raised the Federal Funds Rate seven times for a total of 425 basis points in 2022 and two more times for a total of 50bps year-to-date, causing interest rates to rise rapidly and valuations on most asset classes to fall. Part of Rithm's edge going into the year was our $600+ billion mortgage servicing book, which was a key contributor to our success. Today, while we are beginning to see some green shoots with respect to certain inflation metrics coming down, the markets are still unsettled. The Fed continues to project a forward rate path that is well above what the markets want to believe. Market participants have been focused on the current banking crisis and quantifying its impact on the broader financial services space. What does this all mean for Rithm and its shareholders?

For one, Rithm has consistently prioritized liquidity management. As of year-end, we had $1.4 billion of cash and liquidity on our balance sheet. Further, we have been focused on diversifying our income streams, adding commercial real estate capabilities through the acquisition of 50% of GreenBarn Investment Group and initiating the launch of our private capital business. Finally, asset yields associated with the investments we make are at some of the cheapest levels we have seen in over 25 years. With the right risk management and investment approach, the 2023/2024 vintage will present great opportunities for our business. That is not to say the markets won't be challenging, but I am more than confident in our team's ability to execute on the opportunities at hand. Rithm today is a better company than we were a year ago, and much of that has to do with the actions we took over the last 12 months.

Since our inception, Rithm's stance has been an opportunistic one. In 2013, we launched New Residential Investment Corp. to take advantage of the Excess MSR opportunity that was present in the financial services space at the time. Over the years, we've evolved dramatically, growing across multiple assets classes and acquiring a portfolio of operating companies to support asset creation and servicing. We've grown total equity from ~$1 billion in 2013 to ~$7 billion at the end of 2022, all while paying out over $4.4 billion in dividends to date and generating double-digit annual return on equity ("ROE") in our business.

In 2022, we embarked on a new chapter in our business. In June, we agreed to internalize management from Fortress Investment Group, resulting in savings for shareholders and repositioning the Company for the future. On August 2nd, we rebranded to Rithm Capital to reflect our evolving business strategy and diversification efforts. We've continued to add expertise around the house and are committed to generating attractive risk-adjusted returns for our shareholders through investments in the financial services sector. As part of our mission, we are committed to growing as an alternative asset manager with operating companies, assets and third-party private funds making up the unique Rithm ecosystem.

With respect to our core business – despite a year full of market turbulence, we managed to leverage our broad experience in financial services investing to perform extremely well for our shareholders. While the equity markets have not differentiated us from others, I am proud of the great work of our team, growing book value ~5% year-over-year to $12.00 per common share and maintaining steady earnings. For the year, we generated a ~15% GAAP ROE and distributed over $550 million of dividends to our common and preferred shareholders.

This doesn't happen by chance. Our discipline, capital markets expertise, and relationships with our partners across the industry enabled us to position Rithm and its balance sheet for higher rates, executing well through challenging times.

Our operating businesses – which include Newrez, Caliber, Shellpoint, Guardian, Genesis

Capital, Adoor, GreenBarn Investment Group, and others – provide stable earnings for the Company in large part by manufacturing and/or servicing their own respective assets. We now have capabilities across the broader financial services space and have all the pieces in place to reinforce our diversified stream of earnings.

In our mortgage company, we right sized our platform, decreasing G&A overall by over 50% year-over-year. These efforts have put us in a position to drive higher earnings and capitalize on a rapidly changing market. Our MSR portfolio, which I previously mentioned, generated significant cash flows into the higher rate environment.

Looking forward, we are well positioned to take advantage of the challenging markets that lie ahead. We will continue to work with our team to monitor the markets and position our Company for success in the years to come. I'm extremely excited for our future and for the growth prospects of our business. With opportunities across residential real estate, commercial real estate, and the broader financial services space, we look forward to putting up strong returns for shareholders and our partners in the private capital business.

On behalf of Rithm Capital, our Board of Directors, and the senior management team, we extend our sincere appreciation for your ongoing support and continued partnership. We wish all of you health and success, and we look forward to the positive impact that we can make together in 2023 and beyond.

Sincerely,

Michael Nierenberg
Chairman, Chief Executive Officer and President

Source: Company filings and data as of December 31, 2022 unless otherwise noted.

(1) Total Equity:

Origination: Net Investment of $493 million includes $3,875 million of total assets, net of debt and other liabilities of $3,369 million and non-controlling interests in the portfolio of $13 million.

Servicing: Net Investment of $3,108 million includes $10,315 million of total assets, net of debt and other liabilities of $7,207 million.

MSR Related Investments: Net investment of $2,322 million includes $5,618 million of total assets, net of debt and other liabilities of $3,287 million and non-controlling interests in the portfolio of $9 million.

Real Estate Securities: Net Investment of $723 million includes (A) $296 million in Agency RMBS, with $9,042 million of assets, net of debt and other liabilities of $8,746 million and (B) $427 million net investment in Non-Agency RMBS, with $1,039 million of assets, net of debt and other liabilities of $612 million.

Properties & Residential Mortgage Loans: Net Investment of $323 million includes (A) $137 million net investment in Residential Loans & REO, with $1,556 million of total assets, net of debt and other liabilities of $1,419 million and (B) $186 million net investment in Single Family Rental (SFR), with $1,016 million of total assets, net of debt and other liabilities of $830 million.

Mortgage Loans Receivable: Net Investment of $558 million includes $2,171 million of total assets, net of debt and other liabilities of $1,613 million

Corporate & Other: Net Investment of ($535) million includes (A) $77 million net investment in Consumer Loans with $446 million of total assets, net of debt and other liabilities of $321 million and non-controlling interests in the portfolio of $48 million, and (B) ($612) million net investment in Corporate with $257 million of total assets, net of debt and other liabilities of $869 million.

(2) Inception date refers to May 2, 2013.

2022
Form-10K

Rithm Capital Corp.

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

FORM 10-K

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from ___________ to ___________

Commission File Number: 001-35777

Rithm Capital Corp.
(Exact name of registrant as specified in its charter)

Delaware	45-3449660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
799 Broadway New York NY	10003
(Address of principal executive offices)	(Zip Code)

(212) 850-7770

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class:		Name of each exchange on which registered:
Common Stock, $0.01 par value per share	RITM	New York Stock Exchange
7.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	RITM PR A	New York Stock Exchange
7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	RITM PR B	New York Stock Exchange
6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	RITM PR C	New York Stock Exchange
7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock	RITM PR D	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2022 (computed based on the closing price on such date as reported on the NYSE) was: $4.3 billion.

Common stock, $0.01 par value per share: 473,730,400 shares outstanding as of February 10, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13 and 14) will be incorporated by reference from the registrant's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS SUMMARY

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, our financing needs and the size and attractiveness of market opportunities. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations, cash flows or financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently limited. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results.

Our ability to implement our business strategy is subject to numerous risks, as more fully described under "Risk Factors." These risks include, among others:

- our ability to successfully operate our business strategies and generate sufficient revenue;
- reductions in the value of, cash flows received from, or liquidity surrounding, our investments, which are based on various assumptions that could differ materially from actual results;
- changes in general economic conditions, in our industry and in the commercial finance and real estate markets, including the impact on the value of our assets or the performance of our investments;
- risks relating to the Company realizing some or all of the targeted benefits of internalizing the Company's management functions;
- our reliance on and counterparty concentration and default risks in, the servicers and subservicers we engage ("Servicing Partners") and other third parties;
- the risks related to our origination and servicing operations, including, but not limited to, compliance with applicable laws, regulations and other requirements, significant increases in delinquencies for the loans, compliance with the terms of related servicing agreements, financing related servicer advances and the origination business, expenses related to servicing high risk loans, unrecovered or delayed recovery of servicing advances, foreclosure rates, servicer ratings and termination of government mortgage refinancing programs;
- competition within the finance and real estate industries;
- interest rate fluctuations and shifts in the yield curve;
- impairments in the value of the collateral underlying our investments and the relation of any such impairments to the value of our securities or loans;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our mortgage servicing rights ("MSRs"), excess mortgage servicing rights ("Excess MSRs"), servicer advance investments, RMBS (as defined below), residential mortgage loans and consumer loan portfolios;
- the risks that default and recovery rates on our MSRs, Excess MSRs, servicer advance investments, servicer advance receivables, RMBS, residential mortgage loans and consumer loans deteriorate compared to our underwriting estimates;
- changes in prepayment rates on the loans underlying certain of our assets, including, but not limited to, our MSRs or Excess MSRs, as well as the risk that projected recapture rates on the loan pools underlying our MSRs or Excess MSRs are not achieved;
- servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our Servicer Advance Investments or MSRs;

- cybersecurity incidents and technology disruptions or failures;
- our dependence on counterparties and vendors to provide certain services and the related exposure to counterparties that are unwilling or unable to honor contractual obligations, including their obligation to indemnify us or repurchase defective mortgage loans;
- the mortgage lending and servicing-related regulations promulgated by the Consumer Financial Protection Bureau ("CFPB"), as well as other federal, state and local governmental and regulatory authorities and enforcement of such regulations;
- seasonal fluctuations in rental demand and downturns in our markets or in the single-family rental properties sector;
- significant competition in the leasing market for quality residents, which may limit our ability to lease our single-family rental properties on favorable terms;
- a significant portion of our costs and expenses are fixed, including increasing property taxes, HOA fees and insurance costs and we may not be able to adapt our costs structure to offset declines in our revenue;
- our ability to maintain our exclusion from registration under the Investment Company Act of 1940 (the "1940 Act") and limits on our operations from maintaining such exclusion;
- our ability to maintain our qualification as a REIT (as defined below) for U.S. federal income tax purposes and limits on our operations from maintaining REIT status;
- potential limitations on our operations if we are required to register as an investment adviser under the Investment Advisers Act of 1940;
- the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, regulation of corporate governance and public disclosure, changes in regulatory and accounting rules, U.S. government programs intended to grow the economy, future changes to tax laws, the federal conservatorship of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and legislation that permits modification of the terms of residential mortgage loans;
- the risk that actions by Fannie Mae, Freddie Mac, Ginnie Mae or other regulatory initiatives or actions may adversely affect returns from investments in MSRs and Excess MSRs and may lower gain on sale margins;
- risks associated with our indebtedness, including our senior unsecured notes and related restrictive covenants and non-recourse long-term financing structures;
- our ability to obtain and maintain financing arrangements on terms favorable to us or at all, whether prompted by adverse changes in financing markets or otherwise;
- our exposure to risks of loss resulting from adverse weather conditions, man-made or natural disasters, the effect of climate change and pandemics;
- impact from any of our future acquisitions and our ability to successfully integrate the acquired assets and assumed liabilities;
- the impact of current or future legal proceedings and regulatory investigations and inquiries involving us, our Servicing Partners or other business partners;
- adverse market, regulatory or interest rate environments or our issuance of debt or equity, any of which may negatively affect the market price of our common stock;
- our ability to pay distributions on our common stock; and
- dilution experienced by our existing stockholders as a result of the conversion of the preferred stock into shares of common stock or the exercise of common stock purchase warrants outstanding.

We also direct readers to other risks and uncertainties referenced in this report, including those set forth under "Risk Factors." We caution that you should not place undue reliance on any of our forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement, whether written or oral, that we may make from time to time, whether as a result of new information, future events or otherwise.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about Rithm Capital Corp. (the "Company," "Rithm Capital" or "we," "our" and "us") or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements proved to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov. See "Business—Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

RITHM CAPITAL CORP.
FORM 10-K

INDEX

		Page
	PART I	
Item 1.	Business	1
Item 1A.	Risk Factors	16
Item 1B.	Unresolved Staff Comments	59
Item 2.	Properties	60
Item 3.	Legal Proceedings	60
Item 4.	Mine Safety Disclosures	60
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	61
Item 6.	[Reserved]	63
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	63
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	105
Item 8.	Financial Statements	111
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	208
Item 9A.	Controls and Procedures	208
Item 9B.	Other Information	208
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	208
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	210
Item 11.	Executive Compensation	210
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	210
Item 13.	Certain Relationships and Related Transactions, and Director Independence	210
Item 14.	Principal Accountant Fees and Services	210
	PART IV	
Item 15.	Exhibits; Financial Statement Schedules	211
Item 16.	Form 10-K Summary	215
	Signatures	216

PART I

ITEM 1. BUSINESS

Company Overview

Rithm Capital Corp. (together with its consolidated subsidiaries, “Rithm Capital,” “the Company,” “we,” “us,” or “our”) is an investment manager that operates a vertically integrated mortgage platform and invests in real estate and related opportunities. We are structured as an internally managed real estate investment trust (“REIT”) for U.S. federal income tax purposes.

We seek to generate long-term value for our investors by using our investment expertise to identify, manage and invest in real estate related assets, including operating companies, that offer attractive risk-adjusted returns. Our investment strategy also involves opportunistically pursuing acquisitions and seeking to establish strategic partnerships that we believe enable us to maximize the value of our investments by offering products and services to customers, servicers and other parties through the lifecycle of transactions that affect each mortgage loan and underlying residential property or collateral. For more information about our investment guidelines, see “—Investment Guidelines.”

Our portfolio is currently composed of mortgage servicing rights, mortgage origination and servicing companies (including ancillary mortgage services businesses), residential mortgage-backed securities, single-family rental properties, mortgage loans, consumer loans and other opportunistic investments. We conduct our business through the following segments: Origination, Servicing, MSR Related Investments, Residential Securities, Properties and Loans, Consumer Loans and Mortgage Loans Receivable.

For more details on our portfolio, see “—Our Portfolio” below, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Our Portfolio.” For information concerning current market trends which impact our portfolio, see “—The Residential Real Estate Market,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Market Considerations” and “—Quantitative and Qualitative Disclosures About Market Risk.”

Rithm Capital is a Delaware corporation that was formed as a limited liability company in September 2011 (commenced operations on December 8, 2011).

Through June 16, 2022, we were externally managed and advised by FIG LLC (the “Former Manager”), an affiliate of Fortress Investment Group LLC (“Fortress”). On June 17, 2022, we entered into an Internalization Agreement with the Former Manager (the “Internalization Agreement”), pursuant to which the management agreement with the Former Manager (the “Management Agreement”) was terminated effective June 17, 2022 (the “Effective Date”), except that certain indemnification and other obligations survive, and we internalized our management functions in accordance with the Internalization Agreement (such transactions, the “Internalization”). As a result of the Internalization, we ceased to be externally managed, and following the Internalization we operate as an internally managed REIT. In connection with the termination of the Management Agreement, we agreed to pay the Former Manager $400.0 million (subject to certain adjustments). Following the Internalization, we no longer pay a management or incentive fee to the Former Manager. In August 2022, the Company changed its name to Rithm Capital Corp. from New Residential Investment Corp. (“New Residential” or “NRZ”) and the Company’s ticker symbol on the New York Stock Exchange changed to “RITM” from “NRZ”. In addition, the Company changed its principal place of business and corporate headquarters to 799 Broadway, 8th Floor, New York, NY 10003 from 1345 Avenue of the Americas, 45th Floor, New York, NY 10105.

The Residential Real Estate Market

Mortgage Originations and Servicing

We believe we are one of only a select number of non-bank market participants that have the combination of capital, infrastructure, industry expertise and key business relationships necessary to take advantage of opportunities existing in today’s complex and dynamic mortgage market. Our ability to originate residential mortgage loans, to own MSRs and to service loans positions us to support, connect with and provide solutions to homeowners throughout the lifetime of their residential mortgage loan.

Over the last few decades, the complexity and composition of the market for residential mortgage loans in the U.S. have dramatically evolved. In the past, a borrower seeking credit for a home purchase would typically have obtained financing from a financial institution, such as a bank, savings association or credit union. These institutions would generally have held a majority of their originated residential mortgage loans as interest-earning assets on their balance sheets and would have

performed all activities associated with servicing the loans, including accepting principal and interest payments, making advances for real estate taxes and property and casualty insurance premiums, initiating collection actions for delinquent payments and conducting foreclosures.

Now, institutions (including non-bank originators) that originate residential mortgage loans generally hold a smaller portion of originated loans as assets on their balance sheets and instead sell originated loans to third parties. Fannie Mae and Freddie Mac (collectively, Government-sponsored enterprises ("GSEs")) are currently the largest purchasers of residential mortgage loans. Under a process known as securitization, GSEs and institutions typically package residential mortgage loans into pools that are sold to securitization trusts. These securitization trusts fund the acquisition of residential mortgage loans by issuing securities, known as residential mortgage backed securities ("RMBS"), which entitle the owner of such securities to receive a portion of the interest and/or principal collected on the residential mortgage loans in the pool. The purchasers of the RMBS are typically large institutions, such as pension funds, mutual funds, insurance companies, hedge funds and REITs. The agreement that governs the packaging of residential mortgage loans into a pool, the servicing of such residential mortgage loans and the terms of the RMBS issued by the securitization trust is often referred to as a pooling and servicing agreement. As a result of transformations in the securitization process, non-bank originators have gained significant market share in the residential mortgage market.

The residential mortgage loan market is commonly divided into a number of categories based on certain residential mortgage loan characteristics, including the credit quality of borrowers and the types of institutions that originate or finance such loans. While there are no universally accepted definitions, the residential mortgage loan market is commonly divided by market participants into the following categories:

- *Government-Sponsored Enterprise and Government Guaranteed Loans.* This category of residential mortgage loans includes "conforming loans," which are first lien residential mortgage loans that are secured by single-family residences that meet or "conform" to the underwriting standards established by the GSEs. The conforming loan limit is established by statute and currently is $726,200 for 2023 (an increase from $647,200 in 2022) with certain exceptions for high-priced real estate markets. This category also includes residential mortgage loans issued to borrowers that do not meet conforming loan standards, but who qualify for a loan that is insured or guaranteed by the government through Ginnie Mae (collectively with the GSEs, the "Agencies" and each of Fannie Mae, Freddie Mac and Ginnie Mae, an "Agency"), primarily through federal programs operated by the Federal Housing Administration ("FHA") and the Department of Veterans Affairs.

- *Non-GSE or Government Guaranteed Loans.* Residential mortgage loans that are not guaranteed by the GSEs or the government are generally referred to as "non-conforming loans" and fall into one of the following categories: jumbo, subprime, Alt-A, second lien or non-qualifying loans. The loans may be non-conforming due to various factors, including mortgage balances in excess of Agency underwriting guidelines, borrower characteristics, loan characteristics and level of documentation. The Non-GSE category also includes "investor loans," which reflect primarily non-owner occupied investment properties.

  - *Jumbo*. Jumbo residential mortgage loans have original principal amounts that exceed the statutory conforming limit for GSE loans. Jumbo borrowers generally have strong credit histories and provide full loan documentation, including verification of income and assets.

  - *Second Lien*. Second mortgages and home equity lines are often referred to as second liens and fall into a separate category of the residential mortgage market. These loans typically have higher interest rates than loans secured by first liens because the lender generally will only receive proceeds from a foreclosure of a property after the first lien holder is paid in full. In addition, these loans often feature higher loan-to-value ("LTV") ratios and are less secure than first lien mortgages.

  - *Non-QM*. Non-Qualified Residential Mortgage ("Non-QM") loans are loans that do not meet the Qualified Mortgage rules per the CFPB. Non-QM loans are generally issued to borrowers that are self-employed, have high debt-to-income ratio or have high net worth with liquid assets. In December 2020, the CFPB issued new rules for qualified mortgages amending Regulation Z ability to repay rule/qualified mortgage requirements to replace the 43% debt-to-income ratio basis for the general QM with an annual percentage rate (APR) limit, while still requiring the consideration of the debt-to-income ratio or residual income.

Residential mortgage loans are further classified based on certain payment characteristics. Performing loans are residential mortgage loans where the borrower is generally current on required payments; by contrast, non-performing loans are residential mortgage loans where the borrower is delinquent or in default. Re-performing loans were formally non-performing but became

performing again, often as a result of a loan modification where the lender agrees to modified terms with the borrower rather than foreclosing on the underlying property. Reverse residential mortgage loans are a special type of loan under which the borrower is typically paid a monthly amount, increasing the balance of the loan and are typically collected when the property is sold or the borrower no longer resides at the property. If a borrower defaults on a loan and the lender takes ownership of the underlying property through foreclosure, that property is referred to as real estate owned (“REO”).

The volume of mortgage loan originations associated with home purchases is generally affected by the overall strength of the economy, unemployment rates, housing prices and interest rates. Due to a variety of factors, including supply-demand imbalances exacerbated by the geopolitical risks associated with the war in Ukraine and, until recently, adverse developments associated with China’s zero-COVID policy, inflation throughout 2022 remained elevated. As a response to these inflationary pressures, the Federal Reserve raised the federal funds rate multiple times during the year and continued to reduce its overall portfolio of Treasury and mortgage-backed securities. The market’s transition away from a historically low interest rate environment to a rising interest rate environment significantly disrupted the residential mortgage market as it affected the affordability and the ability for potential homebuyers to qualify for a mortgage loan. As of December 2022, the Mortgage Bankers Association (“MBA”) estimated total U.S. origination volume for 2022 was $2.2 trillion, down from an estimated $4.4 trillion, or 49%, in 2021. Furthermore, 30% of 2022 activity were related to refinance volume, a decline from 58% in 2021. Looking forward, the MBA forecasts origination volumes to decline in 2023 to $1.9 trillion before increasing to $2.3 trillion in 2024. Refinance activity for 2023 and 2024 is forecasted to be 24% and 28%, respectively.

Mortgage originators primarily generate their revenue from the sale of originated loans to the GSEs and the Government National Mortgage Association (“Ginnie Mae”). Gain on sale margin for full year 2022 was 1.70% compared to 1.51% for 2021. During 2022, gain on sale margins continued to revert to historical levels largely driven by weakening demand for loans amid excess industry capacity due to an escalating interest rate environment weighing on the residential real estate market.

In connection with a securitization, a number of entities perform specific roles with respect to the residential mortgage loans in a pool, including the trustee and the mortgage servicer. The trustee holds legal title to the residential mortgage loans on behalf of the owner of the RMBS and either maintains the mortgage note and related documents itself or with a custodian. One or more other entities are appointed pursuant to the pooling and servicing agreement to service the residential mortgage loans. In some cases, the servicer is the same institution that originated the loan, and, in other cases, it may be a different institution. The duties of servicers of residential mortgage loans that have been securitized are generally required to be performed in accordance with industry-accepted servicing practices and the terms of the relevant pooling and servicing agreement, mortgage note and applicable law. The trustee or a separate securities administrator for the trust receives the payments collected by the servicer on the residential mortgage loans and distributes them to the investors in the RMBS pursuant to the terms of the pooling and servicing agreement. A servicer generally takes actions, such as foreclosure, in the name and on behalf of the trustee.

Servicers generally derive their income from servicing income – unpaid principal balances of servicing balances times the servicing fee. Servicing income consists of the contractual fees earned for servicing loans and includes ancillary revenue such as late fees and modification incentives. The servicing fee, along with ancillary income and other revenue, is designed to cover costs incurred to service the specified pool plus a reasonable margin. A portion of the margin is often referred to as the excess servicing fee. Servicing income is affected by the size of the servicing portfolio, both unpaid principal balance (“UPB”) and number of loans, delinquency rates and cost to service per loan.

The need for “high-touch” non-bank specialty servicers remains elevated as borrowers continue to seek solutions to their financial hardships. Specialty servicers have proven more willing and well equipped to perform the operationally intensive activities (e.g., collections, foreclosure avoidance and loan workouts) required to service credit-sensitive loans.

Single-Family Rental Properties

The single-family rental properties (“SFR”) industry was previously primarily composed of private and individual investors in local markets and was managed individually or by small, non-institutional owners and property managers. However, over the past several years, changing demographics, increased acceptance of telework, higher mortgage rates and elevated home prices have resulted in SFR properties becoming a popular lifestyle choice for families looking for the comforts and amenities associated with homeownership, but the flexibility and ease of use offered by renting. Further, we believe the fundamental long-term shortage of affordable housing in the U.S. has also contributed to the increased popularity of SFR properties. In addition, the increase in demand for SFR properties has attracted higher capital inflows into the SFR industry from REITs and other institutional investors looking to diversify and consolidate the highly fragmented industry.

We continue to believe there are attractive opportunities in the SFR sector given robust industry fundamentals. Using our established experience with residential real estate and our consumer-facing expertise, we believe we are well-positioned to

benefit from these compelling trends in SFR. With our exposure to SFR, we are able to provide a variety of housing solutions to U.S. consumers. As of December 31, 2022, our SFR portfolio consists of 3,761 units with an aggregate carrying value of $971.3 million, up from 2,551 units with an aggregate carrying value of $579.6 million as of December 31, 2021.

Business Purpose Lending

Real estate investment is a capital-intensive business that typically relies heavily on debt capital to acquire and develop properties for disposition with the intention of selling. Capital providers in this space typically provide loans referred to as fix and flip. Historically, regional and community banks acted as the primary providers of capital within this space. However, changes in monetary policies and tighter capital constraints due to changing banking regulations following the 2008 financial crisis have resulted in a decline in traditional lenders and an increase in new entrants, including non-bank lenders such as REITs.

Measured on a lag, housing starts in December 2022—based on the U.S. Census Bureau and Department of Housing and Urban Development—were at a seasonally adjusted annual rate of 1.4 million, down from 1.8 million in 2021.

We believe there is significant market opportunity to originate high coupon, low duration real estate loans secured by the underlying real estate as collateral. Through our wholly-owned subsidiary Genesis Capital LLC ("Genesis"), we originated 1,723 business purpose loans in 2022, down from 2,276 loans in 2021.

Our Portfolio

Our current investment portfolio primarily consists of:

- Servicing related investments
  - Operating entities (Origination and Servicing)
  - Servicing related businesses
  - MSRs and MSR Financing Receivables
  - Excess MSRs
  - Servicer advance investments (which include servicer advance receivables, the requirement to make future servicer advances and the rights to receive the basic fee portion of the related MSR, in each case relating to the residential mortgage loans underlying MSRs or Excess MSRs)
- Residential securities, properties and loans
  - Real estate securities, or RMBS
  - Call rights
  - Single-family rental properties
  - Residential mortgage loans
- Consumer loans
- Business purpose loans (mortgage loans receivable)

Operating Investments

Origination

Our origination business operates through the lending divisions of our subsidiaries Newrez LLC ("Newrez") and Caliber Home Loans Inc. ("Caliber" and together with Newrez, "Mortgage Company"). Our Mortgage Company is one of the largest non-bank mortgage originators in the U.S., funding $67.6 billion of mortgages for the year ended December 31, 2022, compared to $123.3 billion for the year ended December 31, 2021.

Our Mortgage Company has a multi-channel residential lending platform, offering mortgage loans across its Direct to Consumer, Retail, Wholesale and Correspondent lending channels. Purchase origination consists of mortgages that are originated to purchase a property. Refinance origination consists of mortgages that are originated to refinance a previous outstanding mortgage. Our ability to originate loans in both purchase and refinance markets is an important component of our business model. 70% of all funded origination volume during 2022 was purchase origination, up from 42% in 2021.

Direct to Consumer — Through our Mortgage Company, we originate loans directly to borrowers through our Direct to Consumer channel. We are highly focused on meeting the refinancing needs of our existing servicing customers. When our origination customers choose us for their refinance needs, we not only benefit from the gain on sale on the newly originated loan but also benefit from retaining the newly created MSR. For the year ended December 31, 2022, we originated $8.3 billion in Direct to Consumer originations, representing 12% of our total funded origination volume.

Retail — Our Retail channel employs loan officers who are located and involved in the communities they service and have relationships with realtors, home builders and other referral sources. These referral relationships are integral to our success in the purchase mortgage market. As of December 31, 2022, we employed 678 loan consultants covering 220 of our retail locations in the U.S. We also have joint venture partnerships with realtors, homebuilders and mortgage banks as well as traditional distributed retail business units. For the year ended December 31, 2022, we originated $19.0 billion in Retail originations, representing 28% of our total funded origination volume.

Wholesale — Our Wholesale channel originates residential mortgage loans through customer loan applications submitted by select mortgage brokers, community banks and credit unions. While sourced through third parties, we underwrite and fund these loans according to our own quality and compliance monitoring standards. Our Mortgage Company provides brokers with differentiated products and pricing as well as superior customer service through our experienced salesforce and our proprietary technologies. For the year ended December 31, 2022, we originated $11.0 billion in Wholesale originations, representing 16% of our total funded origination volume.

Correspondent — Our Correspondent channel purchases closed residential mortgage loans that meet our specific credit and underwriting criteria from community banks, credit unions and independent mortgage banks and funds them in our own name. In this capacity, we play an important role in providing efficient capital markets access to these institutions. Our Correspondent channel is an important component of our strategy to grow our customer base and add to our MSR portfolio. For the year ended December 31, 2022, we originated $29.3 billion in Correspondent originations, representing 44% of our total funded origination volume.

We believe that our multi-channel origination mortgage platform provides us with a competitive advantage and enables us to provide our borrowers within the mortgage community with various products to ultimately originate both purchase and refinance loans across different market backdrops. Furthermore, we generally service all of the loans that we originate, which provides us with connectivity with our borrowers throughout the lifecycle of their loan. We combine operational excellence, modern proprietary technology, capital markets expertise, prudent risk management and a relentless focus on client service to deliver consistent high-quality service to our customers.

Our Mortgage Company originates or purchases residential mortgage loans conforming to the underwriting standards of the Agencies ("Agency" loans), government-insured residential mortgage loans insured by the FHA, VA and USDA and non-conforming loans through its SMART Loan Series. Our SMART Loan Series is a Non-QM residential loan product that provides a variety of options for highly qualified borrowers who fall outside the specific requirements of Agency residential mortgage loans. Through this platform, we underwrite quality loans that meet our guidelines and pricing models for borrowers that fall just outside the qualified mortgage requirement such as self-employed borrowers, bank statement or asset qualifiers, real estate investors, prime borrowers and more. We believe the outlook for Non-QM residential loans remains strong heading into 2023 supported by continued demand for Non-QM products and a growth in population of Non-QM borrowers. In 2022, 58% of our Mortgage Company's funded production was Agency, 37% was Government, 3% was Non-Agency and 1% was Non-QM residential loans.

Our Mortgage Company generates revenue through sales of residential mortgage loans, including, but not limited to, gain on residential loans originated and sold, the settlement of residential mortgage loan origination derivative instruments and the value of MSRs retained on transfer of the loans. Profit margins per loan vary by channel, with Correspondent typically being the lowest and Retail being the highest. The Mortgage Company sells conforming loans to the GSEs and Non-QM residential loans to another subsidiary of Rithm Capital which in turn may securitize these loans. Our Mortgage Company relies on warehouse financing to fund loans at origination through the sale date. During the year ended December 31, 2022, we securitized $1.5 billion of Non-QM residential loans.

We also have several wholly-owned subsidiaries that perform various services in the mortgage and real estate industries. Our subsidiary Avenue 365 Lender Services, LLC ("Avenue 365") is a title agency providing title and settlement services to homeowners. Our subsidiary eStreet Appraisal Management LLC ("eStreet") is an appraisal management company that performs appraisal and valuation services.

Servicing

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, negotiating workouts and modifications, conducting or managing foreclosures on behalf of investors or other servicers and otherwise

administering our residential mortgage loan servicing portfolio. We generate recurring revenue through contractual servicing fees, which include late payment, modification and other ancillary fees and interest income on custodial deposits.

Our servicing business operates through our performing loan servicing division and a special servicing division, Shellpoint Mortgage Servicing ("SMS"). The performing loan servicing division services performing Agency and government-insured loans. SMS services delinquent government-insured, Agency and Non-Agency loans on behalf of the owners of the underlying residential mortgage loans. We are highly experienced in loan servicing, including loan modifications and seek to help borrowers avoid foreclosure.

SMS special servicing division also includes third-party serviced loans on behalf of unaffiliated investors. As of December 31, 2022, SMS has 59 third-party clients. These institutional clients include, but are not limited to, GSEs, money center banks and whole loan investors. Through our servicing platform, we are focused on providing high-quality servicing to our borrowers and maintaining connectivity with our borrowers throughout the lifetime of their loan. As of December 31, 2022, our servicing divisions served over 2.3 million customers with an aggregate UPB of approximately $503.6 billion, of which $393.3 billion represented performing servicing and $110.3 billion represented special servicing.

As a third party subservicer, SMS may be obligated to make servicing advances; however, advances and other incurred costs are generally lower compared to those of the MSR owner, and recovery times are substantially faster, often within the following month.

MSR Related Investments

MSRs, MSR Financing Receivables and Excess MSRs

Rithm Capital is one of the largest non-bank owners of MSRs in the U.S. with $609 billion UPB of full and excess MSRs, decreasing 3% from $629 billion UPB as of December 31, 2021. An MSR provides a mortgage servicer with the right to service a pool of residential mortgage loans in exchange for a portion of the interest payments made on the underlying residential mortgage loans. This amount typically ranges from 25 to 50 basis points ("bps") of the UPB of the residential mortgage loans, plus ancillary income and custodial interest. An MSR is made up of two components: a basic fee and an excess MSR ("Excess MSR"). The basic fee is the amount of compensation for the performance of servicing duties (including advance obligations), and the Excess MSR is the amount that exceeds the basic fee. Ownership of an MSR requires the owner to be a licensed mortgage servicer. An owner of an Excess MSR is not required to be licensed, and is not required to assume any servicing duties, advance obligations or liabilities associated with the loan pool underlying the MSR unless otherwise specified through agreement. Our Servicing segment includes both residential mortgage loans underlying our MSR assets as well as those we sub-service for third parties. MSR assets sub-serviced by third-parties are reflected within our MSR Related Investments segment and include PHH Mortgage Corporation ("PHH"), Mr. Cooper, LoanCare, LLC ("LoanCare"), Valon Mortgage, Inc. ("Valon") and Flagstar Bank ("Flagstar"), which subservice 9.2%, 8.0%, 6.0%, 2.0% and 0.3%, respectively.

Servicer Advances Receivable and Servicer Advance Investments

Servicer advances are a customary feature of residential mortgage securitization transactions and represent one of the duties for which a servicer is compensated since the advances are non-interest bearing. Servicer advances are generally reimbursable payments made by a servicer (i) when the borrower fails to make scheduled payments due on a residential mortgage loan or (ii) to support the value of the collateral property. Our interests in servicer advances include the following:

- *Servicer Advances Receivable.* The outstanding servicer advances related to a specified pool of residential mortgage loans in which we own the MSR.

- *Servicer Advance Investments.* These investments are associated with specified pools of residential mortgage loans in which we have contractually assumed the servicing advance obligation and include the related outstanding servicer advances, the requirement to purchase future servicer advances and the rights to the basic fee component of the related MSR. We have purchased Servicer Advance Investments on certain loan pools underlying our Excess MSRs.

Servicer advances typically fall into one of three categories:

- *Principal and Interest Advances*: Payments made by the servicer to cover scheduled payments of principal of, and interest on, a residential mortgage loan that have not been paid on a timely basis by the borrower.

- *Escrow Advances (Taxes and Insurance Advances)*: Cash payments made by the servicer to third parties on behalf of the borrower for real estate taxes and insurance premiums on the property that have not been paid on a timely basis by the borrower.

- *Foreclosure Advances*: Payments made by the servicer to third parties for the costs and expenses incurred in connection with the foreclosure, property preservation and sale of the mortgaged property, including attorneys' and other professional fees.

The purpose of the advances is to provide liquidity, rather than credit enhancement, to the underlying residential mortgage securitization transaction. Most servicer advances are considered "top of the waterfall" and are generally repaid from amounts received from the related residential mortgage loan pool, and to a lesser extent, payments from the borrower or amounts received from the liquidation of the property securing the loan, which is referred to as "loan-level recovery."

We fund advances primarily from a combination of cash on hand, loan prepayments and secured financing arrangements. Loan prepayments made by the borrowers on the residential mortgage loans underlying the securitizations can only be used to fund principal and interest advances. The servicing agreements with Fannie Mae, Ginnie Mae and certain private label securitizations generally have a "waterfall" payment structure that allows servicers to apply balances received from prepayments to cover principal and interest advance requirements. The ability to apply balances received against prepayments stems from a difference caused by the timing between the remittance of payments under the servicer's advance and remittance obligations, generally several weeks after the due date, and servicer's timeline to remit prepayments, which can be up to a month or more after receipt from the borrower. Because of this timing difference, servicers can effectively "borrow" against the prepayments received to cover principal and interest advance requirements. As of December 31, 2022, our servicer advance balances were $3.2 billion.

During any period in which a borrower is not making payments, a servicer is generally required under the applicable servicing agreement to advance its own funds to cover the principal and interest remittances due to investors in the loans, pay property taxes and insurance premiums to third parties, and to make payments for legal expenses and other protective advances. The servicer also advances funds to maintain, repair and market real estate properties on behalf of investors in the loans. Furthermore, servicing agreements generally require a servicer to make advances in respect of serviced residential mortgage loans unless the servicer determines in good faith that the advance would not be ultimately recoverable from the proceeds of the related residential mortgage loan or the mortgaged property. In many cases, if the servicer determines that an advance previously made would not be recoverable from these sources, or if such advance is not recovered when the loan is repaid or related property is liquidated, then, the servicer is, most often, entitled to withdraw funds from the trustee custodial account for payments on the serviced residential mortgage loans to reimburse the applicable advance. This is what is often referred to as a "general collections backstop." See "Risk Factors—Risks Related to Our Business—Servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our Servicer Advance Investments or MSRs."

We have also invested in rated bonds backed by securitized pools of servicer advances issued through transactions sponsored by mortgage servicers. Servicer advance securitizations are generally rated "Master Trust" structures with multiple series of notes and one or more variable funding notes sharing in the same pool of collateral. Each note class has a specific advance rate and rating. We may pursue similar investments as opportunities arise.

We also wholly-own several operating companies that perform various services in the mortgage and real estate industries. Our subsidiary DGG RE Investments LLC d/b/a Guardian Asset Management ("Guardian") is a national provider of field services and property management services, providing in-house property management, inspection and repair service capabilities. We also made a strategic investment in Covius Holdings, Inc. ("Covius"), a leading provider of technology-enabled services to the mortgage industry.

Residential Securities, Properties and Loans

RMBS

Residential mortgage loans are often packaged into pools held in securitization entities which issue securities (RMBS) collateralized by such loans. Agency RMBS are issued or guaranteed by an Agency. Non-Agency RMBS are issued by either public trusts or private label securitization ("PLS") entities. Agency RMBS generally offer more stable cash flows and historically have been subject to lower credit risk and greater price stability compared to PLS and Non-Agency investments. We invest in both Agency RMBS and Non-Agency RMBS. Our ownership of Agency RMBS is generally meant to act as a hedge to our large MSR portfolio. The Agency RMBS that we may acquire could be secured by fixed-rate mortgages, adjustable-rate

mortgages or hybrid adjustable-rate mortgages. More information about certain types of Agency RMBS in which we have invested or may invest is set forth below.

Mortgage pass-through certificates. Mortgage pass-through certificates are securities representing interests in “pools” of residential mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect “passing through” monthly payments made by the individual borrowers on the residential mortgage loans that underlie the securities, net of fees paid in connection with the issuance of the securities and the servicing of the underlying residential mortgage loans.

Interest Only Agency RMBS. This type of stripped security only entitles the holder to interest payments. The yield to maturity of interest only Agency RMBS is extremely sensitive to the rate of principal payments (particularly prepayments) on the underlying pool of residential mortgage loans. If we decide to invest in these types of securities, we anticipate doing so primarily to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

To-be-announced forward contract positions (“TBAs”). We utilize TBAs in order to invest in Agency RMBS. Pursuant to these TBAs, we agree to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered would not be identified until shortly before the TBA settlement date. Our ability to purchase Agency RMBS through TBAs may be limited by the 75% income and asset tests applicable to REITs.

Specified RMBS (“Specified Pools”). Specified Pools are pools created with loans that have similar characteristics such as loan balance, FICO, coupon and prepayment protection. We invest in these securities to take advantage of particularly attractive prepayment-related or structural opportunities in the Agency RMBS markets.

The Non-Agency RMBS we may acquire could be secured by fixed-rate mortgages, adjustable-rate mortgages or hybrid adjustable-rate mortgages. The residential mortgage loan collateral may be classified as conforming or non-conforming, depending on a variety of factors.

We also retain and own risk retention bonds from our securitizations in conjunction with risk retention regulations under the Dodd-Frank Act. As of December 31, 2022, 57.4% of our Non-Agency RMBS portfolio consisted of bonds retained pursuant to required risk retention regulations.

RMBS, and in particular Non-Agency RMBS, may be subject to call rights, commonly referred to as “cleanup call rights.” Call rights permit the holder of the rights to purchase all of the residential mortgage loans which are collateralizing the related securitization for a price generally equal to the outstanding balance of such loans plus interest and certain other amounts (such as outstanding servicer advances and unpaid servicing fees). Call rights may be subject to limitations with respect to when they may be exercised (such as specific dates or upon the reduction of the outstanding balances of the remaining residential mortgage loans to a specified level). Call rights generally become exercisable when the current principal balance of the underlying residential mortgage loans is equal to or lower than 10% of their original balance.

We pursue opportunities in structured transactions that enable us to realize identified excesses of collateral value over related RMBS value, particularly through the acquisition and execution of call rights. As of December 31, 2022 we control the call rights on Non-Agency deals with a total UPB of approximately $76.0 billion.

We believe a call right is profitable when the aggregate underlying loan value is greater than the sum of par on the loans minus any discount from acquired bonds plus expenses, including outstanding advances, related to such exercise. Generally, profit with respect to our call rights is generated by:

- acquiring bonds issued by the securitization at a discount, prior to initiating the call, such that the portion of the payment we make to the trust, which is returned to us as bondholders when the call is exercised, exceeds our purchase price for the bonds;
- re-securitizing or selling performing loans for a gain; and
- retaining distressed loans to modify or liquidate over time at a premium to our basis (which results in increases in our portfolio of residential mortgage loans and REO).

We continue to evaluate the call rights we acquired and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The timing, size and potential returns of future call transactions may be less attractive than our prior activity in this sector due to a number of factors, most of which are beyond our control. See "Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings."

Single-Family Rental Properties

Our strategy with respect to the SFR business involves purchasing, renovating, maintaining and managing a large number of geographically diversified high-quality residential properties and leasing them to qualified residents. As of December 31, 2022, our SFR portfolio consists of 3,761 units with an aggregate carrying value of $971.3 million, up from 2,551 units with an aggregate carrying value of $579.6 million as of December 31, 2021. During the years ended December 31, 2022 and 2021, we acquired 1,226 and 2,294 SFR units, respectively.

Our ability to identify and acquire properties that meet our investment criteria is impacted by property prices in our target markets, the inventory of properties available, competition for our target assets and our available capital. Properties added to our portfolio through traditional acquisition channels require expenditures in addition to payment of the purchase price, including property inspections, closing costs, liens, title insurance, transfer taxes, recording fees, broker commissions, property taxes and homeowners' association ("HOA") fees, when applicable. In addition, we typically incur costs to renovate a property acquired through traditional acquisition channels to prepare it for rental. Renovation work varies, but may include paint, flooring, cabinetry, appliances, plumbing hardware and other items required to prepare the property for rental. The time and cost involved to prepare our properties for rental can impact our financial performance and varies among properties based on several factors, including the source of acquisition channel and age and condition of the property. Our operating results are also impacted by the amount of time it takes to market and lease a property, which can vary greatly among properties, and is impacted by local demand, our marketing techniques and the size of our available inventory.

Our revenues are derived primarily from rents collected from tenants for our SFR properties under lease agreements which typically have a term of one to two years. All of our SFR properties are managed through an external property manager. Our rental rates and occupancy levels are affected by macroeconomic factors and local and property-level factors, including market conditions, seasonality and tenant defaults, and the amount of time it takes to turn properties when tenants vacate. In addition, once a property is available for its initial lease, we incur ongoing property-related expenses, which consist primarily of property taxes, insurance, HOA fees (when applicable), utility expenses, repairs and maintenance, leasing costs, marketing expenses and property administration. Before a property is considered rentable, certain of these expenses are capitalized as building and improvements. Once a property becomes rentable, expenditures for ordinary repairs and maintenance thereafter are expensed as incurred, and we capitalize expenditures that improve or extend the life of a property.

Residential Mortgage Loans

We believe there may be attractive opportunities to invest in portfolios of non-performing and other residential mortgage loans, along with foreclosed properties. We source non-performing residential mortgage loans primarily from two sources: call transactions (discussed above) and third-party pool purchases.

With respect to our Ginnie Mae securitization and servicing activities, in order to affect a loan modification, we are required to buy the loan out of the securitization. Once the modification is completed, the loan can be sold into a new Ginnie Mae securitization. We may also choose to exercise our unilateral right to repurchase loans that are at least three month delinquent out of a Ginnie Mae securitization (as an alternative to continuing to advance principal and interest payments to the holders of the Ginnie Mae securities). Such repurchases are commonly referred to as Early Buyouts, or ("EBOs").

In addition, as discussed above, our wholly owned subsidiary originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. The Agencies guarantee the conventional and government-insured mortgage securitizations and nonconforming loans may be sold through the issuance of private label mortgage securitizations.

As of December 31, 2022, our residential loan portfolio consisted of: 88% seasoned performing loans, 11% non-performing loans and 1% reperforming loans.

Business Purpose Loans

Genesis provides lending for new acquisition, fix and flip, new construction and rental hold projects across the residential spectrum (including single family, multi-family and production home building). Furthermore, Genesis provides a complementary business and supports our strategy to create, securitize, sell, or retain high coupon, low duration assets for our balance sheet. Finally, Genesis supports our growing SFR strategy and allows us to capture additional unmet demand from our Retail and Wholesale origination channels. Genesis originated 1,723 loans in 2022.

The following table summarizes our consolidated investment portfolio as of December 31, 2022 (dollars in thousands):

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
December 31, 2022										
Investments	$ 2,066,798	$ 7,304,637	$ 2,091,507	$ 11,462,942	$ 8,289,277	$ 2,248,591	$ 363,756	$ 2,064,028	$ —	$ 24,428,594
Cash and cash equivalents	163,452	440,739	276,690	880,881	381,456	361	605	52,441	20,764	1,336,508
Restricted cash	24,316	136,933	69,347	230,596	4,604	4,627	15,930	25,369	—	281,126
Other assets	224,705	2,204,127	3,000,911	5,429,743	248,283	324,119	29,375	170,129	146,260	6,347,909
Goodwill	11,836	12,540	5,092	29,468	—	—	—	55,731	—	85,199
Total assets	$ 2,491,107	$ 10,098,976	$ 5,443,547	$ 18,033,630	$ 8,923,620	$ 2,577,698	$ 409,666	$ 2,367,698	$ 167,024	$ 32,479,336
Debt	$ 1,909,030	$ 4,751,454	$ 3,272,945	$ 9,933,429	$ 7,430,463	$ 1,937,395	$ 299,498	$ 1,733,579	$ 567,371	$ 21,901,735
Other liabilities	214,148	2,081,536	35,052	2,330,736	776,785	272,484	1,176	25,818	160,534	3,567,533
Total liabilities	2,123,178	6,832,990	3,307,997	12,264,165	8,207,248	2,209,879	300,674	1,759,397	727,905	25,469,268
Total equity	367,929	3,265,986	2,135,550	5,769,465	716,372	367,819	108,992	608,301	(560,881)	7,010,068
Noncontrolling interests in equity of consolidated subsidiaries	12,437	—	12,193	24,630	—	—	42,437	—	—	67,067
Total Rithm Capital stockholders' equity	355,492	3,265,986	2,123,357	5,744,835	716,372	367,819	66,555	608,301	(560,881)	6,943,001
Investments in equity method investees	$ —	$ —	$ 72,437	$ 72,437	$ —	$ —	$ —	$ —	$ —	$ 72,437

Over time, we expect to opportunistically adjust our portfolio composition in response to market conditions.

With respect to our Excess MSRs, Servicer Advance Investments, consumer loans and business purpose loans, we engage third-party servicers to service the loans, or loans underlying the investments, as applicable. With respect to our MSRs and residential mortgage loan investments, we service the loans both in-house and with third-party servicers to service the loans underlying the investments. We refer to the servicers and subservicers we engage as our "Servicing Partners." As of December 31, 2022, our third-party Servicing Partners include, but are not limited to, Mr. Cooper, LoanCare, PHH, Valon, Flagstar, Specialized Loan Servicing LLC ("SLS"), Fay Financial LLC ("Fay") and OneMain Holdings, Inc. ("OneMain"). In addition, NRM is referred to as a "Servicing Partner" when contextually applicable.

Investment Guidelines

We make decisions about our investments in accordance with broad investment guidelines adopted by our board of directors. Accordingly, we may, without a stockholder vote, change our target asset classes and acquire a variety of assets that may differ from, and are possibly riskier than, our current portfolio.

Our board of directors has adopted a broad set of investment guidelines to evaluate specific investments. Our general investment guidelines prohibit any investment that would cause us to fail to qualify as a REIT, and any investment that would cause us to be regulated as an investment company. These investment guidelines may be changed by our board of directors without the approval of our stockholders. If our board of directors changes any of our investment guidelines, we will disclose such changes in our next required periodic report.

Financing Strategy

Our objective is to generate attractive risk-adjusted returns for our stockholders, which at times incorporates the use of leverage. The amount of leverage we deploy for a particular investment depends upon an assessment of a variety of factors, which may include the anticipated liquidity and price volatility of our assets; the gap between the duration of assets and liabilities, including hedges; the availability and cost of financing the assets; our opinion of the creditworthiness of financing counterparties; the health of the U.S. economy and the residential mortgage and housing markets; our outlook on interest rates;

the credit quality of the loans underlying our investments; and our outlook for asset spreads relative to financing costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Obligations" for further details about our debt obligations.

Hedging Strategy

We use various hedging instruments and techniques to actively manage and hedge our investment portfolio across various interest rate environments. We expect these instruments and techniques may allow us to reduce, but not eliminate, the impact of changing interest rates on our earnings and liquidity.

Our interest rate management techniques may include:

- interest rate swap agreements, interest rate cap agreements, exchange-traded derivatives and swaptions;
- puts and calls on securities or indices of securities;
- U.S. Treasury securities and options on U.S. Treasury securities;
- TBAs; and
- other similar transactions.

Subject to maintaining our qualification as a REIT and exclusion from registration under the 1940 Act, we may, from time to time, utilize derivative financial instruments to hedge the interest rate risk associated with our borrowings and utilize other techniques that we deem appropriate. Under the U.S. federal income tax laws applicable to REITs, we generally will be able to enter into certain transactions to hedge indebtedness that we may incur, or plan to incur, to acquire or carry real estate assets, although our total gross income from interest rate hedges that do not meet this requirement and other non-qualifying sources generally must not exceed 5% of our gross income.

Subject to maintaining our qualification as a REIT and exclusion from registration under the 1940 Act, we may also engage in a variety of interest rate management techniques that seek on the one hand to mitigate the influence of interest rate changes on the values of some of our assets and on the other hand help us achieve our risk management objectives. The U.S. federal income tax rules applicable to REITs may require us to implement certain of these techniques through a domestic taxable REIT subsidiary ("TRS") that is fully subject to U.S. federal corporate income taxation.

Policies with Respect to Certain Other Activities

Subject to the approval of our board of directors, we have the authority to offer our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our shares or any other securities and may engage in such activities in the future.

We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries.

Subject to the percentage ownership and gross income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

We may engage in the purchase and sale of investments.

Our officers and directors may change any of these policies and our investment guidelines without a vote of our stockholders. In the event that we determine to raise additional equity capital, our board of directors has the authority, without stockholder approval (subject to certain New York Stock Exchange ("NYSE") requirements), to issue additional common stock or preferred stock in any manner and on such terms and for such consideration it deems appropriate, including in exchange for property.

Decisions regarding the form and other characteristics of the financing for our investments are made by our officers subject to the general investment guidelines adopted by our board of directors.

Regulations

The mortgage industry is subject to a highly complex legal and regulatory framework. Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, Federal Trade Commission, the U.S. Department of Housing and Urban Development ("HUD"), the U.S. Department of Veterans Affairs ("VA"), the SEC and various state licensing, supervisory and administrative

agencies. Both the scope of the laws and regulations and the intensity of the supervision to which we are subject have increased in recent years, initially in response to the financial crisis, and more recently in light of other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the financial services sector. From time to time, we also receive requests from such governmental authorities for records, documents and information relating to the policies, procedures and practices of our loan servicing, origination and collection activities. In addition, we are also subject to periodic reviews and audits from the GSEs, Ginnie Mae, the CFPB, HUD, USDA, VA, state regulatory agencies and others. The legal and regulatory environment in which we operate is also constantly evolving as statutes, regulations and practices, and interpretations thereof, that are in place may be amended or otherwise change, and new statutes, regulations and practices may be enacted, adopted or implemented. We expect to continue to face regulatory scrutiny as an organization and as a participant in the mortgage sector.

We and our subsidiaries must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing, privacy, foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our subsidiaries' businesses, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features, and such statutes mandate certain disclosures and notices to borrowers. These requirements can and will change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

In addition, various federal, state and local laws have been enacted that are designed to discourage predatory lending and servicing practices. The Home Ownership and Equity Protection Act of 1994 ("HOEPA") prohibits inclusion of certain provisions in residential loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. Some states have enacted, or may enact, similar laws or regulations, which in some cases impose restrictions and requirements greater than those in HOEPA. In addition, under the anti-predatory lending laws of some states, the origination of certain residential loans, including loans that are not classified as "high cost" loans under applicable law, must satisfy a net tangible benefits test with respect to the related borrower. This test may be highly subjective and open to interpretation. As a result, a court may determine that a residential loan, for example, does not meet the test even if the related originator reasonably believed that the test was satisfied. Failure of residential loan originators or servicers to comply with these laws, to the extent any of their residential loans are or become part of our mortgage-related assets, could subject us, as a servicer or, in the case of acquired loans, as an assignee or purchaser, to monetary penalties and could result in the borrowers rescinding the affected loans. Lawsuits have been brought in various states making claims against originators, servicers, assignees and purchasers of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If our loans are found to have been originated in violation of predatory or abusive lending laws, we could be subject to lawsuits or governmental actions, or we could be fined or incur losses.

We also must comply with federal, state and local laws related to data privacy and the handling of non-public personal financial information of our customers, including the California Consumer Protection Act ("CCPA") and similar state statutes, and we expect additional states to enact legislation similar to the CCPA, which limit how companies can use customer data and impose obligations on companies in their management of such data. The service providers we use, including outside counsel retained to process foreclosures and bankruptcies, must also comply with some of these legal requirements. Changes to laws, regulations or regulatory policies or their interpretation or implementation and the continued heightening of regulatory requirements could affect us in substantial and unpredictable ways, including damaging our reputation and being subject to fines, legal liabilities or other penalties.

These and other laws and regulations directly affect our business and require constant compliance monitoring and internal and external audits and examinations by federal and state regulators. We work diligently to assess and understand the implications of the complex regulatory environment in which we operate and strive to meet the requirements of this constantly changing environment. We dedicate substantial resources to regulatory compliance while at the same time striving to meet the needs and expectations of our customers, clients and other stakeholders. Notwithstanding these efforts, there can be no assurance that we will be able to remain in compliance with these requirements. See "Risk Factors—Risks Related to the Financial Markets and Our Regulatory Environment—Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, and our subsidiaries' business results may be significantly impacted by the existing and future laws and regulations to which they are subject. If our subsidiaries performing mortgage lending and servicing activities fail to operate in compliance with both existing and future statutory, regulatory and

other requirements, our business, financial condition, liquidity and/or results of operations could be materially and adversely affected."

Operational and Regulatory Structure

REIT Qualification

We have elected and intend to qualify to be taxed as a REIT for U.S. federal income tax purposes. Our qualification as a REIT will depend upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended, (the "Internal Revenue Code"), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels to our stockholders and the concentration of ownership of our capital stock. We believe that, commencing with our initial taxable year ended December 31, 2013, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that our manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

1940 Act Exclusion

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis (the "40% test"). Excluded from the term "investment securities," among other things, are U.S. Government securities and securities issued by majority owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company for private funds set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

We are organized as a holding company that conducts its businesses primarily through wholly owned and majority owned subsidiaries. We intend to continue to conduct our operations so that we do not come within the definition of an investment company because less than 40% of the value of our adjusted total assets on an unconsolidated basis will consist of "investment securities" in compliance with the 40% test under Section 3(a)(1)(C) of the 1940 Act. The value of securities issued by any wholly owned or majority owned subsidiaries that we may form in the future that are excluded from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not exceed the 40% test under Section 3(a)(1)(C) of the 1940 Act. For purposes of the foregoing, we currently treat our interests in SLS servicer advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. We will monitor our holdings to ensure continuing and ongoing compliance with the 40% test under Section 3(a)(1)(C) of the 1940 Act. In addition, we believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily or hold ourselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through our wholly owned subsidiaries, we will be primarily engaged in the non-investment company businesses of these subsidiaries.

If the value of securities issued by our subsidiaries that are excluded from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the market price of our common stock, the sustainability of our business model and our ability to make distributions.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitutes more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act (the "Section 3(c)(5)(C) exclusion"). The Section 3(c)(5)(C) exclusion is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries' assets comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real

estate-related assets under the 1940 Act. Maintenance of our exclusion under the 1940 Act generally limits the amount of our Section 3(c)(5)(C) subsidiaries' investments in non-real estate assets to no more than 20% of our total assets.

In satisfying the 55% requirement under the Section 3(c)(5)(C) exclusion, based on guidance from the Securities and Exchange Commission ("SEC") and its staff, we treat Agency RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool as qualifying real estate assets. The SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. We also treat whole mortgage loans that each of our subsidiaries relying on Section 3(c)(5)(C) may acquire directly as qualifying real estate assets provided that 100% of the loan is secured by real estate when such subsidiary acquires the loan and the subsidiary has the unilateral right to foreclose on the mortgage.

Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs for which we do not own the related servicing rights as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. We treat investments in Agency partial pool RMBS and Non-Agency partial pool RMBS as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion.

We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of guidance published with respect to other types of assets to determine which assets are qualifying real estate assets and real estate-related assets. The SEC may in the future take a view different than or contrary to our analysis with respect to the types of assets we have determined to be qualifying real estate assets or real estate-related assets. To the extent that the SEC staff publishes new or different guidance with respect to these matters, or disagrees with our analysis, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in the subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

Although we monitor our portfolio periodically and prior to each investment origination or acquisition, there can be no assurance that we will be able to maintain the Section 3(c)(5)(C) exclusion from the definition of an investment company under the 1940 Act for these subsidiaries.

To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon the exclusions or exceptions we and our subsidiaries rely on from the 1940 Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

Qualification for an exclusion from registration under the 1940 Act will limit our ability to make certain investments. See "Risk Factors—Risks Related to the Financial Markets and Our Regulatory Environment—Maintenance of our 1940 Act exclusion imposes limits on our operations."

Competition

Our overall success depends, in large part, on our ability to acquire target assets on terms consistent with our business and economic model. In acquiring these assets, we expect to compete with banks, REITs, independent mortgage loan originators and servicers, private equity firms, alternative asset managers, hedge funds and other large financial services companies, as well as technology-oriented platforms, often referred to as "disruptors," across the broader real estate and financial services industry. Many of our anticipated competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could lead them to offer higher prices for assets that we might be interested in acquiring and cause us to lose bids for those assets. In addition, other potential purchasers of our target assets may be more attractive to sellers of such assets if the sellers believe that these potential purchasers could obtain any necessary third-party approvals and consents more easily than us.

As it relates to our Mortgage Company (including mortgage related services businesses), we provide various residential mortgage loan and real estate services products. We compete with other lenders across a variety of industry segments. Loan production faces intense competition primarily on the basis of product offerings, brand recognition, technical knowledge, speed of execution, rates and fees. Servicing competes primarily on the price, experience, quality and efficiency of execution and

servicing performance. Potential counterparties also assess our ability to demonstrate compliance with local, state, federal regulations and improve technology and processes while controlling our costs.

In the face of this competition, we expect to take advantage of the experience of members of our management team and their industry expertise which may provide us with a competitive advantage and help us assess potential risks and determine appropriate pricing for certain potential acquisitions of our target assets. In addition, we expect that these relationships will enable us to compete more effectively for attractive acquisition opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face.

Employees and Human Capital Resources

On June 17, 2022, we completed the Internalization, transitioning from an externally-managed REIT to an internally-managed REIT. In connection with closing the Internalization, we maintained management continuity and team expertise by hiring over 30 full-time employees from our Former Manager, including our executive officers, who contributed substantially to our investment, portfolio management, servicing, financial reporting and related operations. Our executive management team oversees our human capital resources and employment practices to ensure that an asset as important as our employees are strategically integrated with our goals and business plans as a manager of assets and investments focused on the real estate and financial services industries.

Diversity, Equity & Inclusion

We believe that our employees are one of our strongest resources. We seek out talented, driven and diverse individuals who work together to positively impact the lives of our team members, shareholders and the communities we serve. Further, we are committed to diversity, equity and inclusion best practices in all phases of the employee life cycle, including recruitment, training and development and promotion, and we are consistently working to achieve greater workplace diversity.

We have been and will continue to be an equal opportunity employer committed to hiring, developing and supporting a diverse, equitable, and inclusive workplace. To ensure full implementation of this equal employment policy, we take steps to ensure that persons are recruited, hired, assigned and promoted without regard to race, national origin, religion, age, color, sex, pregnancy, sexual orientation, gender identity and expression, disability, genetic information, veteran status, or any other characteristic protected by local, state, or federal laws, rules, or regulations. We reward our employees based on merit and their contributions in accordance with the requirements of the Equal Employment Opportunities Commission.

We maintain policies that reinforce and enhance our commitment to high ethical standards, corporate governance and internal controls, to provide the best and most competitive service to our customers in order to enhance stockholder value. We promote a workplace that is free of harassment and discriminatory and retaliatory practices. In keeping with these priorities, we maintain an open-door policy for conflict management and require interactive harassment prevention training at least once per year for both managers and employees consistent with applicable state and local laws. We regularly re-evaluate our internal policies, including codes of ethics, corporate governance, disclosure controls, anti-discrimination, harassment, retaliation and related complaint procedures, insider trading and related party transaction activity.

Additionally, we work to ensure our commitments to diversity, equity and inclusion are reflected throughout our operating companies.

Employee Compensation & Employee Engagement

We recognize employee engagement and retention as a critical factor to our success and are committed to maintaining a work environment in which employee growth and advancement are very important. We strive to recognize and reward noteworthy performance, evaluated through periodic reviews with each employee. We seek to attract and retain the most relevant and skilled employees by offering competitive compensation and benefits, including both fixed and variable pay, consisting of base salary, cash bonuses, equity-based compensation consistent with employee position and seniority, and opportunities for merit-based increases. Additionally, among other benefits, we provide our employees with comprehensive medical, dental and vision coverage, life and long-term disability insurance, critical illness coverage and supplemental accident insurance.

As of December 31, 2022, we have 5,763 employees, of which 5,723 are employees of our operating entities. We also engage contractors and consultants. None of our employees is represented by a labor union or covered by a collective bargaining agreement.

The table below summarizes the number of our employees by function:

Function	Number of Employees
Origination	2,922
Servicing	2,343
Services businesses	185
Corporate	313
Total	5,763

Legal Proceedings

For a discussion of our legal proceedings, see Part I, Item 3, "Legal Proceedings" in this report.

Corporate Governance and Internet Address; Where Readers Can Find Additional Information

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors, and the Audit, Nominating and Corporate Governance, and Compensation committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines, and codes of business conduct and ethics, which delineate our standards for our officers, directors and employees.

Rithm Capital files annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the SEC. Our SEC filings are available to the public from the SEC's internet site at http://www.sec.gov.

Our internet site is http://www.rithmcap.com. We make available free of charge through our internet site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the "Investors—Governance" section are charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, as well as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

ITEM 1A. RISK FACTORS

Investing in our stock involves a high degree of risk. You should carefully read and consider the following risk factors and all other information contained in this report. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, financial condition or results of operations could be materially and adversely affected. The risk factors summarized below are categorized as follows: (i) Risks Related to Our Business, (ii) Risks Related to the Financial Markets and Our Regulatory Environment, (iii) Risks Related to Our Financing Arrangements, (iv) Risks Related to Our Taxation as a REIT, (v) Risks Related to Our Stock and (vi) General Risks. However, these categories do overlap and should not be considered exclusive.

Risks Related to Our Business

We may not realize some or all of the targeted benefits of the Internalization.

The failure to find adequate internal replacements for services that were previously provided by our Former Manager prior to the Internalization could impede our ability to achieve the targeted cost savings of the Internalization and adversely affect our operations. In addition, complexities arising from the Internalization could increase our overhead costs and detract from management's ability to focus on operating our business. There can be no assurance we will be able to realize the expected cost savings of the Internalization.

We may not be able to successfully operate our business strategy or generate sufficient revenue to make or sustain distributions to our stockholders.

We cannot assure you that we will be able to successfully operate our business or implement our operating policies and strategies. There can be no assurance that we will be able to generate sufficient returns to pay our operating expenses, satisfy our debt obligations and pay dividends to our stockholders. Our results of operations and our ability to make or sustain distributions to our stockholders depend on several factors, including the availability of opportunities to acquire attractive assets, the level and volatility of interest rates, the performance of our origination and servicing businesses, the availability of adequate short- and long-term financing, and conditions in the real estate market, the financial markets and economic conditions.

The value of our investments is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results.

When we make investments, we base the price we pay on, among other things, our projection of the cash flows from the investments. We generally record such investments on our balance sheet at fair value and we measure their fair value on a recurring basis. Our projections of the cash flow from our investments, and the determination of the fair value thereof, are based on assumptions about various factors, including, but not limited to:

- rates of prepayment and repayment of the underlying loans;
- potential fluctuations in prevailing interest rates and credit spreads;
- rates of delinquencies and defaults, and related loss severities;
- costs of engaging a subservicer to service MSRs;
- market discount rates;
- in the case of Excess MSRs, recapture rates; and
- in the case of Servicer Advance Investments and servicer advances receivable, the amount and timing of servicer advances and recoveries.

Our assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of these investments could produce materially different fair values for such investments, which could have a material adverse effect on our consolidated financial position and results of operations. The ultimate realization of the value of our investments may be materially different than the fair values of such investments as reflected in our Consolidated Financial Statements as of any particular date.

Significant and widespread decreases in the fair values of our assets could result in the potential impairment of the carrying value of goodwill or other indefinite-lived intangible assets and could also cause us to breach the financial covenants under our borrowing facilities or other agreements related to liquidity, net worth, leverage or other financial metrics. Such covenants, if breached, may require us to immediately repay all outstanding amounts borrowed, if any, under these facilities, could cause these facilities to become unavailable for future financing, and could trigger cross-defaults under other debt agreements. In any such scenario, we could engage in discussions with our financing counterparties with regard to such covenants; however, we cannot predict whether our financing counterparties would negotiate terms or agreements in respect of these financial covenants, the timing of any such negotiations or agreements or the terms thereof. A continued reduction in our cash flows could impact our ability to continue paying dividends to our stockholders at expected levels or at all.

We refer to our MSRs, MSR financing receivables, Excess MSRs and the basic fee portion of the related MSRs included in our Servicer Advance Investments, collectively, as our interests in MSRs.

With respect to our investments in interests in MSRs, residential mortgage loans and consumer loans and a portion of our RMBS, when the related loans are prepaid as a result of a refinancing or otherwise, the related cash flows payable to us will either, in the case of interest-only RMBS, and/or interests in MSRs, cease (unless, in the case of our interests in MSRs, the loans are recaptured upon a refinancing), or we will cease to receive interest income on such investments, as applicable. Borrowers under residential mortgage loans and consumer loans are generally permitted to prepay their loans at any time without penalty. Our expectation of prepayment rates is a significant assumption underlying our cash flow projections. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. A significant increase in prepayment rates could materially reduce the ultimate cash flows and/or interest income, as applicable, we receive from our investments, and we could ultimately receive substantially less than what we paid for such assets, decreasing the fair value of our investments. If the fair value of our investment portfolio decreases, we would generally be required to record a non-cash charge, which would have a negative

impact on our financial results. Consequently, the price we pay to acquire our investments may prove to be too high if there is a significant increase in prepayment rates.

The values of our investments are highly sensitive to changes in interest rates. Historically, the value of MSRs, which underpin the value of our investments, including interests in MSRs, has increased when interest rates rise and decreased when interest rates decline due to the effect of changes in interest rates on prepayment rates. The significant dislocation in the financial markets due to the COVID-19 pandemic caused, among other things, a sharp decrease in interest rates in 2020 and 2021. In 2022, however, in response to the inflationary pressures—driven by ongoing supply chain disruptions, the lingering effects of fiscal stimulus provided during the COVID-19 pandemic and the war in Ukraine—the Federal Reserve rapidly raised interest rates and indicated it anticipates further interest rate increases.

Moreover, delinquency rates have a significant impact on the value of our investments. When the UPB of mortgage loans cease to be a part of the aggregate UPB of the serviced loan pool (for example, when delinquent loans are foreclosed on or repurchased, or otherwise sold, from a securitized pool), the related cash flows payable to us, as the holder of an interest in the related MSR, cease. An increase in delinquencies will generally result in lower revenue because typically we will only collect on our interests in MSRs from the Agencies or mortgage owners for performing loans. An increase in delinquencies with respect to the loans underlying our servicer advances could also result in a higher advance balance and the need to obtain additional financing, which we may not be able to do on favorable terms or at all. Additionally, in the case of residential mortgage loans, consumer loans, business purpose loans, and RMBS that we own, an increase in foreclosures could result in an acceleration of repayments, resulting in a decrease in interest income. Alternatively, increases in delinquencies and defaults could also adversely affect our investments in RMBS, residential mortgage loans, consumer loans, and/or business purpose loans if and to the extent that losses are suffered on residential mortgage loans, consumer loans, business purpose loans or, in the case of RMBS, the residential mortgage loans underlying such RMBS. Accordingly, if delinquencies are significantly greater than expected, the estimated fair value of these investments could be diminished. As a result, we could suffer a loss, which would have a negative impact on our financial results.

We are party to several "recapture agreements" whereby our MSR or Excess MSR is retained if the applicable Servicing Partner originates a new loan the proceeds of which are used to repay a loan underlying an MSR or Excess MSR in our portfolio. We believe that such agreements will mitigate the impact on our returns in the event of a rise in voluntary prepayment rates, with respect to investments where we have such agreements. There are no assurances, however, that counterparties will enter into such arrangements with us in connection with any future investment in MSRs or Excess MSRs. We are not party to any such arrangements with respect to any of our investments other than MSRs and Excess MSRs.

If the applicable Servicing Partner does not meet anticipated recapture targets, the servicing cash flow on a given pool could be significantly lower than projected, which could have a material adverse effect on the value of our MSRs or Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for our current recapture agreements is stated in the table in Note 20 to our Consolidated Financial Statements.

Servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our Servicer Advance Investments or MSRs.

We are generally required to make servicer advances related to the pools of loans for which we are the named servicer. In addition, we have agreed (in the case of Mr. Cooper, together with certain third-party investors) to purchase from our Servicing Partners all servicer advances related to certain loan pools, as a result of which we are entitled to amounts representing repayment for such advances. During any period in which a borrower is not making payments, a servicer is generally required under the applicable servicing agreement to advance its own funds to cover the principal and interest remittances due to investors in the loans, pay property taxes and insurance premiums to third parties and to make payments for legal expenses and other protective advances. The servicer also advances funds to maintain, repair and market real estate properties on behalf of investors in the loans.

Repayment of servicer advances and payment of deferred servicing fees are generally made from late payments and other collections and recoveries on the related residential mortgage loan (including liquidation, insurance and condemnation proceeds) or, if the related servicing agreement provides for a "general collections backstop," from collections on other residential mortgage loans to which such servicing agreement relates. The rate and timing of payments on servicer advances and deferred servicing fees are unpredictable for several reasons, including the following:

- payments on the servicer advances and the deferred servicing fees depend on the source of repayment and whether and when the related servicer receives such payment (certain servicer advances are reimbursable only out of late payments and other collections and recoveries on the related residential mortgage loan, while others are also reimbursable out of

principal and interest collections with respect to all residential mortgage loans serviced under the related servicing agreement, and as a consequence, the timing of such reimbursement is highly uncertain);

- the length of time necessary to obtain liquidation proceeds may be affected by conditions in the real estate market or the financial markets generally, the availability of financing for the acquisition of the real estate and other factors, including, but not limited to, government intervention;
- the length of time necessary to effect a foreclosure may be affected by variations in the laws of the particular jurisdiction in which the related mortgaged property is located, including whether or not foreclosure requires judicial action;
- the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of servicer advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and
- the ability of the related servicer to sell delinquent residential mortgage loans to third parties prior to a sale of the underlying real estate, resulting in the early reimbursement of outstanding unreimbursed servicer advances in respect of such residential mortgage loans.

As home values change, the servicer may have to reconsider certain of the assumptions underlying its decisions to make advances. In certain situations, its contractual obligations may require the servicer to make certain advances for which it may not be reimbursed. For example, a servicer may not ultimately be reimbursed if both (i) the payments from related loan, property or mortgagor payments are insufficient for reimbursement and (ii) a general collections backstop is not available or is insufficient. Also, if a servicer improperly makes a servicer advance, it would not be entitled to reimbursement. In addition, when a residential mortgage loan defaults or becomes delinquent, the repayment of the advance may be delayed until the residential mortgage loan is repaid or refinanced, or a liquidation occurs. To the extent that one of our Servicing Partners fails to recover the servicer advances in which we have invested, or takes longer than we expect to recover such advances, the value of our investment could be adversely affected and we could fail to achieve our expected return and suffer losses. Accordingly, while we do not expect recovery rates to vary materially during the term of our investments, there can be no assurance regarding future recovery rates related to our portfolio.

We rely on our Servicing Partners to achieve our investment objective and have no direct ability to influence their performance.

The value of our investments is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer or subservicer, as applicable. The duties and obligations of mortgage servicers are defined through contractual agreements, generally referred to as Servicing Guides in the case of GSEs, the MBS Guide in the case of Ginnie Mae or pooling agreements, securitization servicing agreements, pooling and servicing agreements or other similar agreements (collectively, "PSAs") in the case of Non-Agency RMBS (collectively, the "Servicing Guidelines"). The duties of the subservicers we engage to service the loans underlying our MSRs are contained in subservicing agreements with our subservicers. The duties of a subservicer under a subservicing agreement may not be identical to the obligations of the servicer under Servicing Guidelines. Our interests in MSRs are subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or the required bondholders in the case of Non-Agency RMBS). Under the Agency Servicing Guidelines, the servicer may be terminated by the applicable Agency for any reason, "with" or "without" cause, for all or any portion of the loans being serviced for such Agency. In the event mortgage owners (or bondholders) terminate the servicer (regardless of whether such servicer is a subsidiary of Rithm Capital or one of its subservicers), the related interests in MSRs would under most circumstances lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the servicer's right to service the related mortgage loans will be extinguished and our interests in related MSRs will likely lose all of their value. Any recovery in such circumstances, in the case of Non-Agency RMBS, will be highly conditioned and may require, among other things, a new servicer willing to pay for the right to service the applicable residential mortgage loans while assuming responsibility for the origination and prior servicing of the residential mortgage loans. In addition, in the case of Agency MSRs, any payment received from a successor servicer will be applied first to pay the applicable Agency for all of its claims and costs, including claims and costs against the servicer that do not relate to the residential mortgage loans for which we own interests in the MSRs. A termination could also result in an event of default under our related financings. It is expected that any termination of a servicer by mortgage owners (or bondholders) would take effect across all mortgages of such mortgage owners (or bondholders) and would not be limited to a particular vintage or other subset of mortgages. Therefore, it is possible that all investments with a given servicer would lose all their value in the event mortgage owners (or bondholders) terminate such servicer. See "—We have significant counterparty concentration risk in certain of our

Servicing Partners and are subject to other counterparty concentration and default risks." As a result, we could be materially and adversely affected if one of our Servicing Partners is unable to adequately carry out its duties as a result of:

- its failure to comply with applicable laws and regulations;
- its failure to comply with contractual and financing obligations and covenants;
- a downgrade in, or failure to maintain, any of its servicer ratings;
- its failure to maintain sufficient liquidity or access to sources of liquidity;
- its failure to perform its loss mitigation obligations;
- its failure to perform adequately in its external audits;
- a failure in or poor performance of its operational systems or infrastructure;
- regulatory or legal scrutiny or regulatory actions regarding any aspect of a servicer's operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines;
- an Agency's or a whole-loan owner's transfer of servicing to another party; or
- any other reason.

In the ordinary course of business, our Servicing Partners are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions which could adversely affect their reputation and their liquidity, financial position and results of operations. Mortgage servicers, including certain of our Servicing Partners, have experienced heightened regulatory scrutiny and enforcement actions and our Servicing Partners could be adversely affected by the market's perception that they could experience, or continue to experience, regulatory issues. See "Risks Related to the Financial Markets and Our Regulatory Environment—Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us."

Loss mitigation techniques are intended to reduce the probability that borrowers will default on their loans and to minimize losses when defaults occur, and they may include the modification of mortgage loan rates, principal balances and maturities. If any of our Servicing Partners fail to adequately perform their loss mitigation obligations, we could be required to make or purchase, as applicable, servicer advances in excess of those that we might otherwise have had to make or purchase and the time period for collecting servicer advances may extend. Any increase in servicer advances or material increase in the time to resolution of a defaulted loan could result in increased capital requirements and financing costs for us and our co-investors and could adversely affect our liquidity and net income. In the event that one of our servicers from which we are obligated to purchase servicer advances is required by the applicable Servicing Guidelines to make advances in excess of amounts that we or, in the case of Mr. Cooper, the co-investors, are willing or able to fund, such servicer may not be able to fund these advance requests, which could result in a termination event under the applicable Servicing Guidelines, an event of default under our advance facilities and a breach of our purchase agreement with such servicer. As a result, we could experience a partial or total loss of the value of our Servicer Advance Investments.

MSRs and servicer advances are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions. If the Servicing Partner actually or allegedly failed to comply with applicable laws, rules or regulations, it could be terminated as the servicer, and could lead to civil and criminal liability, loss of licensing, damage to our reputation and litigation, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, servicer advances that are improperly made may not be eligible for financing under our facilities and may not be reimbursable by the related securitization trust or other owner of the residential mortgage loan, which could cause us to suffer losses.

Favorable servicer ratings from third-party rating agencies, such as S&P Global Ratings ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), are important to the conduct of a mortgage servicer's loan servicing business, and a downgrade in a Servicing Partner's servicer ratings could have an adverse effect on the value of our interests in MSRs and result in an event of default under our financings. Downgrades in a Servicing Partner's servicer ratings could adversely affect our ability to finance our assets and maintain their status as an approved servicer by Fannie Mae and Freddie Mac. Downgrades in servicer ratings could also lead to the early termination of existing advance facilities and affect the terms and availability of financing that a Servicing Partner or we may seek in the future. A Servicing Partner's failure to maintain favorable or specified ratings may cause their termination as a servicer and may impair their ability to consummate future servicing transactions, which could result in an event of default under our financing for servicer advances and have an adverse effect on the value of our investments because we will rely heavily on Servicing Partners to achieve our investment objectives and have no direct ability to influence their performance.

For additional information about the ways in which we may be affected by mortgage servicers, see "—The value of our interests in MSRs, servicer advances, residential mortgage loans, business purpose loans, and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process."

A number of lawsuits, including class-actions, have been filed against mortgage servicers alleging improper servicing in connection with residential Non-Agency mortgage securitizations. Investors in, and counterparties to, such securitizations may commence legal action against us and responding to such claims, and any related losses, could negatively impact our business.

A number of lawsuits, including class actions, have been filed against mortgage servicers alleging improper servicing in connection with residential Non-Agency mortgage securitizations. Investors in, and counterparties to, such securitizations may commence legal action against us and responding to such claims, and any related losses, could negatively impact our business. The number of counterparties on behalf of which we service loans significantly increases as the size of our Non-Agency MSR portfolio increases and we may become subject to claims and legal proceedings, including purported class-actions, in the ordinary course of our business, challenging whether our loan servicing practices and other aspects of our business comply with applicable laws, agreements and regulatory requirements. We are unable to predict whether any such claims will be made, the ultimate outcome of any such claims, the possible loss, if any, associated with the resolution of such claims or the potential impact any such claims may have on us or our business and operations. Regardless of the merit of any such claims or lawsuits, defending any claims or lawsuits may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses, and management time may be diverted from other aspects of our business, in connection therewith. Further, if our efforts to defend any such claims or lawsuits are not successful, our business could be materially and adversely affected. As a result of investor and other counterparty claims, we could also suffer reputational damage and trustees, lenders and other counterparties could cease wanting to do business with us.

Failure to successfully modify, resell or refinance early buyout loans or defaults of the early buyout loans beyond expected levels may adversely affect our business, financial condition, liquidity and results of operations.

As a mortgage servicer, we have an EBO option for loans at least three months delinquent in our Ginnie Mae MSR portfolio. As of December 31, 2022, Rithm Capital holds approximately $1.2 billion in residential mortgage loans subject to repurchase on its Consolidated Balance Sheets. Purchasing delinquent Ginnie Mae loans provides us with an alternative to our mortgage servicing obligation of advancing principal and interest at the coupon rate of the related Ginnie Mae security. While our EBO program reduces the cost of servicing the Ginnie Mae loans, it may also accelerate loss recognition when the loans are repurchased because we are required to write off accumulated non-reimbursable interest advances and other costs. In addition, after purchasing the delinquent Ginnie Mae loans, we expect to resecuritize many of the delinquent loans into another Ginnie Mae guaranteed security upon the delinquent loans becoming current either through the borrower's reperformance or through the completion of a loan modification; however, there is no guarantee that any delinquent loan will reperform or be modified. Failure to successfully modify, resell or refinance our repurchased Ginnie Mae loans or if a significant portion of the repurchased Ginnie Mae loans default may adversely affect our business, financial condition, liquidity and results of operations.

Our ability to acquire and/or transfer MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all, or may be subject to conditions, representations and warranties and indemnities.

Our ability to acquire and/or transfer MSRs may be subject to the approval of various third parties and such approvals may not be provided on a timely basis or at all, or may be conditioned upon our satisfaction of significant conditions which could require material expenditures and the provision of significant representations, warranties and indemnities. Such third parties may include the Agencies and the Federal Housing Finance Agency ("FHFA") with respect to agency MSRs, and securitization trustees, master servicers, depositors, rating agencies and insurers, among others, with respect to Non-Agency MSRs. The process of obtaining any such approvals required for a servicing transfer, especially with respect to Non-Agency MSRs, may be time consuming and costly and we may be required to expend significant internal resources and incur material expenses in connection with such transactions. Further, the parties from whom approval is necessary may require that we provide significant representations and warranties and broad indemnities as a condition to their consent, which such representations and warranties and indemnities, if given, may expose us to material risks in addition to those arising under the related servicing agreements. Consenting parties may also charge a material consent fee and may require that we reimburse them for the legal expenses they incur in connection with their approval of the servicing transfer, which such expenses may include costs relating to substantial contract due diligence and may be significant. No assurance can be given that we will be able to successfully obtain the consents required to acquire the MSRs that we have agreed to purchase.

We have significant counterparty concentration risk in certain of our Servicing Partners and are subject to other counterparty concentration and default risks.

We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with a few counterparties. Any loss suffered by us as a result of a counterparty defaulting, refusing to conduct business with us or

imposing more onerous terms on us would also negatively affect our business, results of operations, cash flows and financial condition.

Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 5, 6 and 7 of our Consolidated Financial Statements, certain of our Servicing Partners service and/or subservice a substantial portion of our interests in MSRs. If any of these Servicing Partners is the named servicer of the related MSR and is terminated, its servicing performance deteriorates, or in the event that any of them files for bankruptcy, our expected returns on these investments could be severely impacted. In addition, a large portion of the loans underlying our Non-Agency RMBS are serviced by certain of our Servicing Partners. We closely monitor our Servicing Partners' mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as their compliance with applicable regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with these Servicing Partners that enable us to monitor aspects of their financial and operating performance and credit quality, which we periodically evaluate and discuss with their management. However, we have no direct ability to influence our Servicing Partners' performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of any such Servicing Partners' servicing agreement or a severe deterioration of any of our Servicing Partners' servicing performance on our portfolio of interests in MSRs.

Furthermore, certain of our Servicing Partners are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions, which could adversely affect their operations, reputation and liquidity, financial position and results of operations. See "Risks Related to the Financial Markets and Our Regulatory Environment — Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us" for more information.

None of our Servicing Partners has an obligation to offer us any future co-investment opportunity on the same terms as prior transactions, or at all, and we may not be able to find suitable counterparties from which to acquire interests in MSRs, which could impact our business strategy. See "—We rely heavily on our Servicing Partners to achieve our investment objective and have no direct ability to influence their performance."

Repayment of the outstanding amount of servicer advances (including payment with respect to deferred servicing fees) may be subject to delay, reduction or set-off in the event that the related Servicing Partner breaches any of its obligations under the Servicing Guidelines, including, without limitation, any failure of such Servicing Partner to perform its servicing and advancing functions in accordance with the terms of such Servicing Guidelines. If any applicable Servicing Partner is terminated or resigns as servicer and the applicable successor servicer does not purchase all outstanding servicer advances at the time of transfer, collection of the servicer advances will be dependent on the performance of such successor servicer and, if applicable, reliance on such successor servicer's compliance with the "first-in, first-out" or "FIFO" provisions of the Servicing Guidelines. In addition, such successor servicers may not agree to purchase the outstanding advances on the same terms as our current purchase arrangements and may require, as a condition of their purchase, modification to such FIFO provisions, which could further delay our repayment and adversely affect the returns from our investment.

We are subject to substantial other operational risks associated with our Servicing Partners in connection with the financing of servicer advances. In our current financing facilities for servicer advances, the failure of our Servicing Partner to satisfy various covenants and tests can result in an amortization event and/or an event of default. We have no direct ability to control our Servicing Partners' compliance with those covenants and tests. Failure of our Servicing Partners to satisfy any such covenants or tests could result in a partial or total loss on our investment.

In addition, our Servicing Partners are party to our servicer advance financing agreements, with respect to those advances where they service or subservice the loans underlying the related MSRs. Our ability to obtain financing for these assets is dependent on our Servicing Partners' agreement to be a party to the related financing agreements. If our Servicing Partners do not agree to be a party to these financing agreements for any reason, we may not be able to obtain financing on favorable terms or at all. Our ability to obtain financing on such assets is dependent on our Servicing Partners' ability to satisfy various tests under such financing arrangements. Breaches and other events with respect to our Servicing Partners (which may include, without limitation, failure of a Servicing Partner to satisfy certain financial tests) could cause certain or all of the relevant servicer advance financing to become due and payable prior to maturity.

We are dependent on our Servicing Partners as the servicer or subservicer of the residential mortgage loans with respect to which we hold interests in MSRs and their servicing practices may impact the value of certain of our assets. We may be adversely impacted:

- by regulatory actions taken against our Servicing Partners;

- by a default by one of our Servicing Partners under their debt agreements;
- by downgrades in our Servicing Partners' servicer ratings;
- if our Servicing Partners fail to ensure their servicer advances comply with the terms of their Pooling and Servicing Agreements ("PSAs");
- if our Servicing Partners were terminated as servicer under certain PSAs;
- if our Servicing Partners become subject to a bankruptcy proceeding; or
- if our Servicing Partners fail to meet their obligations or are deemed to be in default under the indenture governing notes issued under any servicer advance facility with respect to which such Servicing Partner is the servicer.

Our interests in MSRs relate to loans serviced or subserviced, as applicable, by our Servicing Partners. As disclosed in Notes 5, 6 and 7 of our Consolidated Financial Statements, certain of our Servicing Partners service and/or subservice a substantial portion of our interests in MSRs. In addition, Mr. Cooper is currently the servicer for a significant portion of our loans, and the loans underlying our RMBS. If the servicing performance of one of our subservicers deteriorates, if one of our subservicers files for bankruptcy or if one of our subservicers is otherwise unwilling or unable to continue to subservice MSRs for us, our expected returns on these investments would be severely impacted. In addition, if a subservicer becomes subject to a regulatory consent order or similar enforcement proceeding, that regulatory action could adversely affect us in several ways. For example, the regulatory action could result in delays of transferring servicing from an interim subservicer to our designated successor subservicer or cause the subservicer's performance to degrade. Any such development would negatively affect our expected returns on these investments and such effect could be materially adverse to our business and results of operations. We closely monitor each subservicer's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with applicable regulations and GSE servicing guidelines. We have various information, access and inspection rights in our respective agreements with our subservicers that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with each subservicer's respective management. However, we have no direct ability to influence each subservicer's performance, and our diligence cannot prevent, and may not even help us anticipate, a severe deterioration of each subservicer's respective servicing performance on our MSR portfolio.

Moreover, we are party to repurchase agreements with a limited number of counterparties. If any of our counterparties elected not to renew our repurchase agreements, we may not be able to find a replacement counterparty, which would have a material adverse effect on our financial condition.

Our risk-management processes may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Although we will monitor our credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate, such as a pandemic like the COVID-19 pandemic. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

In the event of a counterparty default, particularly a default by a major investment bank or Servicing Partner, we could incur material losses rapidly, and the resulting market impact of a major counterparty default could seriously harm our business, results of operations, cash flows and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

A bankruptcy of any of our Servicing Partners could materially and adversely affect us.

If any of our Servicing Partners becomes subject to a bankruptcy proceeding, we could be materially and adversely affected, and you could suffer losses, as discussed below.

A sale of MSRs or interests in MSRs and servicer advances or other assets, including loans, could be re-characterized as a pledge of such assets in a bankruptcy proceeding.

We believe that a mortgage servicer's transfer to us of MSRs or interests in MSRs and servicer advances or any other asset transferred pursuant to a related purchase agreement, including loans, constitutes a sale of such assets, in which case such assets would not be part of such servicer's bankruptcy estate. The servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or any other party in interest, however, might assert in a bankruptcy proceeding MSRs or interests in MSRs and servicer advances or any other assets transferred to us pursuant to the related purchase agreement were not sold to us but were instead pledged to us as security for such servicer's obligation to repay amounts paid by us to the servicer pursuant to the related purchase agreement. If such assertion were successful, all or part of the MSRs or interests in MSRs and servicer advances or any other asset transferred to us pursuant to the related purchase

agreement would constitute property of the bankruptcy estate of such servicer and our rights against the servicer could be those of a secured creditor with a lien on such present and future assets.

If such a recharacterization occurs, the validity or priority of our security interest in the MSRs or interests in MSRs and servicer advances or other assets could be challenged in a bankruptcy proceeding of such servicer.

If the purchases pursuant to the related purchase agreement are recharacterized as secured financings as set forth above, we nevertheless created and perfected security interests with respect to the MSRs or interests in MSRs and servicer advances and other assets that we may have purchased from such servicer by including a pledge of collateral in the related purchase agreement and filing financing statements in appropriate jurisdictions. Nonetheless, to the extent we have created and perfected a security interest, our security interests may be challenged and ruled unenforceable, ineffective or subordinated by a bankruptcy court, and the amount of our claims may be disputed so as not to include all MSRs or interests in MSRs and servicer advances to be collected. If this were to occur, or if we have not created a security interest, then the servicer's obligations to us with respect to purchased MSRs or interests in MSRs and servicer advances or other assets would be deemed unsecured obligations, payable from unencumbered assets to be shared among all of such servicer's unsecured creditors. In addition, even if the security interests are found to be valid and enforceable, if a bankruptcy court determines that the value of the collateral is less than such servicer's underlying obligations to us, the difference between such value and the total amount of such obligations will be deemed an unsecured "deficiency" claim and the same result will occur with respect to such unsecured claim. In addition, even if the security interest is found to be valid and enforceable, such servicer would have the right to use the proceeds of our collateral subject to either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under U.S. bankruptcy laws. Such servicer also would have the ability to confirm a chapter 11 plan over our objections if the plan complied with the "cramdown" requirements under U.S. bankruptcy laws.

Payments made by a servicer to us could be voided by a court under federal or state preference laws.

If one of our Servicing Partners were to file, or to become the subject of, a bankruptcy proceeding under the U.S. Bankruptcy Code or similar state insolvency laws, and our security interest (if any) is declared unenforceable, ineffective or subordinated, payments previously made by a servicer to us pursuant to the related purchase agreement may be recoverable on behalf of the bankruptcy estate as preferential transfers.

If the court were to determine that any payments were avoidable as preferential transfers, we would be required to return such payments to such servicer's bankruptcy estate and would have an unsecured claim against such servicer with respect to such returned amounts.

Payments made to us by such servicer, or obligations incurred by it, could be voided by a court under federal or state fraudulent conveyance laws.

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or another party in interest could also claim that such servicer's transfer to us of MSRs or interests in MSRs and servicer advances or other assets or such servicer's agreement to incur obligations to us under the related purchase agreement was a fraudulent conveyance. Although we believe that no such transfer, interest, advance or agreement constitutes a fraudulent conveyance, if any transfer or incurrence is determined to be a fraudulent conveyance, our Servicing Partner, as applicable (as debtor-in-possession in the bankruptcy proceeding), or a bankruptcy trustee on such Servicing Partner's behalf would be entitled to recover such transfer or to avoid the obligation previously incurred.

Additionally, any bankruptcy proceeding of one of our Servicing Partners could create the following risks:

- Any purchase agreement pursuant to which we purchase interests in MSRs, servicer advances or other assets, including loans, or any subservicing agreement between us and a subservicer on our behalf could be rejected in a bankruptcy proceeding of one of our Servicing Partners or counterparties;
- A bankruptcy court could stay a transfer of servicing to another servicer;
- Any Subservicing Agreement could be rejected in a bankruptcy proceeding;
- Our Servicing Partners could discontinue servicing;
- An automatic stay under the U.S. Bankruptcy Code may prevent the ongoing receipt of servicing fees or other amounts due; and
- A default on our MSR, Excess MSR and servicer advance financing facilities could negatively impact our ability to continue to purchase interests in MSRs.

Certain of our subsidiaries originate and service residential mortgage loans, which subject us to various operational risks that could have a negative impact on our financial results.

Certain subsidiaries of Rithm Capital perform various mortgage and real estate related services and have origination and servicing operations, which entail borrower-facing activities and employing personnel. Owning entities that perform these and other operations could expose us to risks similar to those of our Servicing Partners, as well as various other risks, including, but not limited to those pertaining to:

- risks related to compliance with applicable laws, regulations and other requirements;
- significant increases in delinquencies for the loans;
- compliance with the terms of related servicing agreements;
- financing related servicer advances and the origination business;
- expenses related to servicing high risk loans;
- unrecovered or delayed recovery of servicing advances;
- a general risk in foreclosure rates, which may ultimately reduce the number of mortgages that we service (also see "—The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.");
- maintaining the size of the related servicing portfolio and the volume of the origination business;
- compliance with FHA underwriting guidelines; and
- termination of government mortgage refinancing programs.

Any of the foregoing risks, among others, could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Climate change, climate change-related regulation and the increased focus on environmental, social and governance issues, may adversely affect our business and financial results and damage our reputation.

Recently, there has been growing concern from advocacy groups, government agencies and the general public over the effects of climate change on the environment. Transition risks, such as government restrictions, standards or regulations intended to reduce greenhouse gas emissions and potential climate change impacts, are emerging and may increase in the future in the form of restrictions or additional requirements on the development of real estate. Such restrictions and requirements could impact our investment strategy or could increase costs for certain of our operating companies, which could adversely affect our results of operations.

Additionally, environmental, social and governance ("ESG") concerns and other sustainability matters and our response to these matters could harm our business, including in areas such as diversity, equity and inclusion, human rights, climate change and environmental stewardship, support for local communities, corporate governance and transparency and consideration of ESG factors in our investment processes. Increasing governmental, investor and societal attention to ESG matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess and report. These factors may alter the environment in which we do business and may increase the ongoing costs of compliance and adversely impact our results of operations and cash flows. If we or our operating companies are unable to adequately address such ESG matters or fail or are perceived to fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation, our ability to recruit and retain key personnel and our business results.

Further, significant physical effects of climate change, including extreme weather events such as hurricanes or floods, can also have an adverse impact on the businesses of certain of our operating companies. As the effects of climate change increase, we expect the frequency and impact of weather and climate-related events and conditions to increase as well. For example, unseasonal or violent weather events can have a material impact on properties owned by our subsidiaries through physical damage to, or a decrease in demand for, properties in the areas affected by these conditions.

A failure to maintain minimum servicer ratings could have an adverse effect on our business, financing activities, financial condition or results of operations.

S&P, Moody's and Fitch rates each of Newrez and Caliber as a residential loan servicer, and a downgrade of, or failure to maintain, any of these servicer ratings could:

- adversely affect Newrez's and Caliber's ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac;

- adversely affect Newrez's, Caliber's and/or Rithm Capital's ability to finance servicing advance receivables and certain other assets;
- 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 Newrez's and/or Caliber's termination as servicer in our servicing agreements that require Newrez and/or Caliber to maintain specified servicer ratings; and
- further impair Newrez's and/or Caliber's ability to consummate future servicing transactions.

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

Our interests in MSRs may involve complex or novel structures.

Interests in MSRs may entail new types of transactions and may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known to buyers and sellers. In the case of interests in MSRs on Agency pools, Agencies may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in, or our financing of, interests in MSRs on Agency pools. Agency conditions, including capital requirements, may diminish or eliminate the investment potential of interests in MSRs on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from interests in MSRs on Agency pools.

It is possible that an Agency's views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. An Agency's evolving posture toward an acquisition or disposition structure through which we invest in or dispose of interests in MSRs on Agency pools may cause such Agency to impose new conditions on our existing interests in MSRs on Agency pools, including the owner's ability to hold such interests in MSRs on Agency pools directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and may diminish or eliminate the investment potential of the interests in MSRs on Agency pools that are already owned by us. Moreover, obtaining such consent may require us or our co-investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to risks to which we have not previously been exposed and that could negatively affect our returns from our investments.

Our ability to finance the MSRs and servicer advance receivables acquired in the MSR Transactions may depend on the related Servicing Partner's cooperation with our financing sources and compliance with certain covenants.

We have in the past and intend to continue to finance some or all of the MSRs or servicer advance receivables acquired in the MSR Transactions, and as a result, we will be subject to substantial operational risks associated with the related Servicing Partners. In our current financing facilities for interests in MSRs and servicer advance receivables, the failure of the related Servicing Partner to satisfy various covenants and tests can result in an amortization event and/or an event of default. Our financing sources may require us to include similar provisions in any financing we obtain relating to the MSRs and servicer advances acquired in the MSR Transactions. If we decide to finance such assets, we will not have the direct ability to control any party's compliance with any such covenants and tests and the failure of any party to satisfy any such covenants or tests could result in a partial or total loss on our investment. Some financing sources may be unwilling to finance any assets acquired in the MSR Transactions.

Although we have upsized certain of our advance facilities, if we are not successful in upsizing our facilities in the future, we will need to explore other sources of liquidity and if we are unable to obtain additional liquidity, we may have to take additional actions, including selling assets and reducing our originations to generate liquidity to support our servicer advance obligations.

In addition, any financing for the MSRs and servicer advances acquired in the MSR Transactions may be subject to regulatory approval and the agreement of the relevant Servicing Partner to be party to such financing agreements. If we cannot get regulatory approval or these parties do not agree to be a party to such financing agreements, we may not be able to obtain financing on favorable terms or at all.

We do not have legal title to the MSRs underlying our Excess MSRs or certain of our Servicer Advance Investments.

We do not have legal title to the MSRs underlying our Excess MSRs or certain of the MSRs related to the transactions contemplated by the purchase agreements pursuant to which we acquire Servicer Advance Investments or MSR financing receivables from Ocwen, SLS and Mr. Cooper and are subject to increased risks as a result of the related servicer continuing to own the mortgage servicing rights. The validity or priority of our interest in the underlying mortgage servicing could be challenged in a bankruptcy proceeding of the servicer and the related purchase agreement could be rejected in such proceeding.

Any of the foregoing events might have a material adverse effect on our business, financial condition, results of operations and liquidity. As part of the Ocwen Transaction, we and Ocwen have agreed to cooperate to obtain any third party consents required to transfer Ocwen's remaining interest in the Ocwen Subject MSRs to us. As noted above, however, there is no assurance that we will be successful in obtaining those consents.

Many of our investments may be illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them.

Many of our investments are illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

Interests in MSRs are highly illiquid and may be subject to numerous restrictions on transfers, including without limitation the receipt of third-party consents. For example, the Servicing Guidelines of a mortgage owner may require that holders of Excess MSRs obtain the mortgage owner's prior approval of any change of direct ownership of such Excess MSRs. Such approval may be withheld for any reason or no reason in the discretion of the mortgage owner. Moreover, we have not received and do not expect to receive any assurances from any GSEs that their conditions for the sale by us of any interests in MSRs will not change. Therefore, the potential costs, issues or restrictions associated with receiving such GSEs' consent for any such dispositions by us cannot be determined with any certainty. Additionally, interests in MSRs may entail complex transaction structures and the risks associated with the transactions and structures are not fully known to buyers or sellers. As a result of the foregoing, we may be unable to locate a buyer at the time we wish to sell interests in MSRs. There is some risk that we will be required to dispose of interests in MSRs either through an in-kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co-investor in the interests in MSRs, which may be an affiliate. Accordingly, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of interests in MSRs. We may not benefit from the full term of the assets and for the aforementioned reasons may not receive any benefits from the disposition, if any, of such assets.

In addition, some of our real estate and other securities may not be registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. There are also no established trading markets for a majority of our intended investments. Moreover, certain of our investments, including our investments in consumer loans and certain of our interests in MSRs, are made indirectly through a vehicle that owns the underlying assets. Our ability to sell our interest may be contractually limited or prohibited. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited.

Our real estate and other securities have historically been valued based primarily on third-party quotations, which are subject to significant variability based on the liquidity and price transparency created by market trading activity. A disruption in these trading markets could reduce the trading for many real estate and other securities, resulting in less transparent prices for those securities, which would make selling such assets more difficult. Moreover, a decline in market demand for the types of assets that we hold would make it more difficult to sell our assets. If we are required to liquidate all or a portion of our illiquid investments quickly, we may realize significantly less than the amount at which we have previously valued these investments.

The geographic distribution of the loans underlying, and collateral securing, certain of our investments subjects us to geographic real estate market risks, which could adversely affect the performance of our investments, our results of operations and financial condition.

The geographic distribution of the loans underlying, and collateral securing, our investments, including our interests in MSRs, servicer advances, and loans, exposes us to risks associated with the real estate and commercial lending industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased energy costs; unemployment; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, hurricanes, earthquakes or other natural disasters; and changes in interest rates.

As of December 31, 2022, 24.7% and 17.4% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in California, which are particularly susceptible to natural disasters

such as fires, earthquakes and mudslides. 7.2% and 8.6% of the total UPB of the residential mortgage loans underlying our Excess MSRs and MSRs, respectively, was secured by properties located in Florida, which are particularly susceptible to natural disasters such as hurricanes and floods. As a result of this concentration, we may be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio. To the extent any of the foregoing risks arise in states and regions where we hold significant investments, the performance of our investments, our results of operations, cash flows and financial condition could suffer a material adverse effect.

The value of our interests in MSRs, servicer advances, residential mortgage loans, business purpose loans, and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so-called "robo signing"), inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Justice Department and HUD, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in early February 2012 with five of the nation's largest banks, pursuant to which the banks agreed to pay more than $25.0 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors from pursuing additional actions against the banks and servicers in the future.

Under the terms of the agreements governing our Servicer Advance Investments and MSRs, we (in certain cases, together with third-party co-investors) are required to make or purchase from certain of our Servicing Partners, servicer advances on certain loan pools. While a residential mortgage loan is in foreclosure, servicers are generally required to continue to advance delinquent principal and interest and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. Servicer advances are generally recovered when the delinquency is resolved.

Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances we or our Servicing Partners are required to make and we are required to purchase, lengthen the time it takes for us to be repaid for such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities contain provisions that modify the advance rates for, and limit the eligibility of, servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that we need to fund with our own capital. Such increases in foreclosure timelines could increase our need for capital to fund servicer advances (which do not bear interest), which would increase our interest expense, reduce the value of our investment and potentially reduce the cash that we have available to pay our operating expenses or to pay dividends.

Even in states where servicers have not suspended foreclosure proceedings or have lifted (or will soon lift) any such delayed foreclosures, servicers, including our Servicing Partners, have faced, and may continue to face, increased delays and costs in the foreclosure process. For example, the current legislative and regulatory climate could lead borrowers to contest foreclosures that they would not otherwise have contested under ordinary circumstances, and servicers may incur increased litigation costs if the validity of a foreclosure action is challenged by a borrower. In general, regulatory developments with respect to foreclosure practices could result in increases in the amount of servicer advances and the length of time to recover servicer advances, fines or increases in operating expenses, and decreases in the advance rate and availability of financing for servicer advances. This would lead to increased borrowings, reduced cash and higher interest expense which could negatively impact our liquidity and profitability. Although the terms of our Servicer Advance Investments contain adjustment mechanisms that would reduce the amount of performance fees payable to the related Servicing Partner if servicer advances exceed pre-determined amounts, those fee reductions may not be sufficient to cover the expenses resulting from longer foreclosure timelines.

The integrity of the servicing and foreclosure processes is critical to the value of the residential mortgage loans in which we invest and of the portfolios of loans underlying our interests in MSRs and RMBS, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and result in losses on, these

investments. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the RMBS, thereby reducing the amount of funds available for distribution to investors.

In addition, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts, rather than absorbing the default losses. This may reduce the amount of credit support available for senior classes of RMBS that we may own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the $25.0 billion settlement is a "credit" to the banks and servicers for principal write-downs or reductions they may make to certain mortgages underlying RMBS. There remains uncertainty as to how these principal reductions will work and what effect they will have on the value of related RMBS. As a result, there can be no assurance that any such principal reductions will not adversely affect the value of our interests in MSRs and RMBS.

While we believe that the sellers and servicers would be in violation of the applicable Servicing Guidelines to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our results of operations, cash flows and financial condition.

A failure by any or all of the members of Buyer (as defined below) to make capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

Rithm Capital and third-party co-investors, through a joint venture entity, Advance Purchaser LLC (the "Buyer"), have agreed to purchase all future arising servicer advances from Mr. Cooper under certain residential mortgage servicing agreements. Buyer relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future servicer advances. A failure by any or all of the members to make such capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

The residential mortgage loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.

The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers' abilities to repay their loans, including, among other things, changes in the borrower's employment status, changes in national, regional or local economic conditions, changes in interest rates or the availability of credit on favorable terms, changes in regional or local real estate values, changes in regional or local rental rates and changes in real estate taxes. Rapidly rising interest rates and/or economic downturns may impair borrowers' ability to repay their loans, particularly if the impact were to be sustained.

Our mortgage backed securities are securities backed by mortgage loans. Many of the RMBS in which we invest are backed by collateral pools of subprime residential mortgage loans. "Subprime" mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of Fannie Mae and Freddie Mac. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Subprime mortgage loans may experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. To the extent losses are realized on the loans underlying the securities in which we invest, we may not recover the amount invested in, or, in extreme cases, any of our investment in such securities.

Residential mortgage loans, including manufactured housing loans and subprime mortgage loans are secured by single-family residential property and are also subject to risks of delinquency and foreclosure and risks of loss. A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing loans, non-performing loans or REO assets where the borrower has failed to make timely payments of principal and/or interest. As part of the residential mortgage loan portfolios we purchase, we also may acquire performing loans that are or subsequently become sub-performing or non-performing, meaning the borrowers fail to timely pay some or all of the required payments of principal and/or interest. Under

current market conditions, it is likely that some of these loans will have current LTV ratios in excess of 100%, meaning the amount owed on the loan exceeds the value of the underlying real estate.

In the event of default under a residential mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued but unpaid interest of the loan. Even though we typically pay less than the amount owed on these loans to acquire them, if actual results differ from our assumptions in determining the price we paid to acquire such loans, we may incur significant losses. In addition, we may acquire REO assets directly, which involves the same risks. Any loss we incur may be significant and could materially and adversely affect us.

Our investments in real estate and other securities are subject to changes in credit spreads as well as available market liquidity, which could adversely affect our ability to realize gains on the sale of such investments.

Real estate and other securities are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark. The significant dislocation in the financial markets due to ongoing supply-demand imbalances exacerbated by the war in Ukraine have caused, among other things, credit spread widening.

Fixed rate securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities are valued based on a market credit spread over LIBOR and/or SOFR and are affected similarly by changes in LIBOR and/or SOFR spreads. As of December 31, 2022, 35.0% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 65.0% consisted of fixed rate securities, and 100.0% of our Agency RMBS portfolio consisted of fixed rate securities, based on the amortized cost basis of all securities (including the amortized cost basis of interest-only and residual classes). Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities, resulting in the use of a higher, or “wider,” spread over the benchmark rate to value such securities. Under such conditions, the value of our real estate and other securities portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or “tighten,” the value of our real estate and other securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolios may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. Widening credit spreads could cause the net unrealized gains on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and result in net losses.

Prepayment rates on our residential mortgage loans and those underlying our real estate and other securities may adversely affect our profitability.

In general, residential mortgage loans may be prepaid at any time without penalty. Prepayments result when homeowners/ mortgagors satisfy (i.e., pay off) the mortgage upon selling or refinancing their mortgaged property. When we acquire a particular loan or security, we anticipate that the loan or underlying residential mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such investments. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on our assets may reduce the expected yield on such assets because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on our assets may reduce the expected yield on such assets because we will not be able to accrete the related discount as quickly as originally anticipated.

Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic, political and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of our loans and real estate and other securities may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates.

We may purchase assets that have a higher or lower coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we would then pay a premium over par value to acquire these securities. In accordance with GAAP, we would amortize the premiums over the life of the related assets. If the mortgage loans securing these assets prepay at a more rapid rate than anticipated, we would have to amortize our premiums on an accelerated basis which may adversely affect our

profitability. As compensation for a lower coupon rate, we would then pay a discount to par value to acquire these assets. In accordance with GAAP, we would accrete any discounts over the life of the related assets. If the mortgage loans securing these assets prepay at a slower rate than anticipated, we would have to accrete our discounts on an extended basis which may adversely affect our profitability. Defaults on the mortgage loans underlying Agency RMBS typically have the same effect as prepayments because of the underlying Agency guarantee.

Prepayments, which are the primary feature of mortgage backed securities that distinguish them from other types of bonds, are difficult to predict and can vary significantly over time. As the holder of the security, on a monthly basis, we receive a payment equal to a portion of our investment principal in a particular security as the underlying mortgages are prepaid. In general, on the date each month that principal prepayments are announced (i.e., factor day), the value of our real estate related security pledged as collateral under our repurchase agreements is reduced by the amount of the prepaid principal and, as a result, our lenders will typically initiate a margin call requiring the pledge of additional collateral or cash, in an amount equal to such prepaid principal, in order to re-establish the required ratio of borrowing to collateral value under such repurchase agreements. Accordingly, with respect to our Agency RMBS, the announcement on factor day of principal prepayments is in advance of our receipt of the related scheduled payment, thereby creating a short-term receivable for us in the amount of any such principal prepayments. However, under our repurchase agreements, we may receive a margin call relating to the related reduction in value of our Agency RMBS and, prior to receipt of this short-term receivable, be required to post additional collateral or cash in the amount of the principal prepayment on or about factor day, which would reduce our liquidity during the period in which the short-term receivable is outstanding. As a result, in order to meet any such margin calls, we could be forced to sell assets in order to maintain liquidity. Forced sales under adverse market conditions may result in lower sales prices than ordinary market sales made in the normal course of business. If our real estate and other securities were liquidated at prices below our amortized cost (i.e., the cost basis) of such assets, we would incur losses, which could adversely affect our earnings. In addition, in order to continue to earn a return on this prepaid principal, we must reinvest it in additional real estate and other securities or other assets; however, if interest rates decline, we may earn a lower return on our new investments as compared to the real estate and other securities that prepay.

Prepayments may have a negative impact on our financial results, the effects of which depend on, among other things, the timing and amount of the prepayment delay on our Agency RMBS, the amount of unamortized premium or discount on our loans and real estate and other securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities.

Our investments in residential mortgage loans, business purpose loans, REO and RMBS may be subject to significant impairment charges, which would adversely affect our results of operations.

We are required to periodically evaluate our investments for impairment indicators. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders.

Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution.

We leverage certain of our assets through a variety of borrowings. Our investment guidelines do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets.

A significant portion of our investments are not match funded, which may increase the risks associated with these investments.

When available, a match funding strategy mitigates the risk of not being able to refinance an investment on favorable terms or at all. However, we may elect for us to bear a level of refinancing risk on a short-term or longer-term basis, as in the case of investments financed with repurchase agreements, when, based on its analysis, we determine that bearing such risk is advisable or unavoidable. In addition, we may be unable, as a result of conditions in the credit markets, to match fund our investments. For example, non-recourse term financing not subject to margin requirements has been more difficult to obtain, which impairs our ability to match fund our investments. Moreover, we may not be able to enter into interest rate swaps. A decision not to, or the inability to, match fund certain investments exposes us to additional risks.

Furthermore, we anticipate that, in most cases, for any period during which our floating rate assets are not match funded with respect to maturity, the income from such assets may respond more slowly to interest rate fluctuations than the cost of our borrowings. Because of this dynamic, interest income from such investments may rise more slowly than the related interest expense, with a consequent decrease in our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us from these investments.

Accordingly, to the extent our investments are not match funded with respect to maturities and interest rates, we are exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms, or at all, or may have to liquidate assets at a loss.

Changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR.

We are subject to risks related to uncertainty regarding LIBOR, which is in the process of being phased out. The publication of USD LIBOR for certain tenors and all non-USD LIBOR tenors ceased after December 31, 2021 (other than certain sterling and Japanese yen settings being published on a synthetic temporary basis). Banks reporting information used to set USD LIBOR for all other tenors are currently expected to stop doing so after June 30, 2023, although the ICE Benchmark Administration, the administrator of LIBOR, may discontinue or modify LIBOR prior to that date.

It is likely that, over time, U.S. Dollar LIBOR will be replaced by the Secured Overnight Financing Rate ("SOFR") published by the Federal Reserve Bank of New York. However, there continues to be uncertainty regarding the nature of potential changes to and future utilization of specific LIBOR tenors, the development and acceptance of alternative reference rates and other reforms. For example, SOFR is an overnight rate instead of a term rate, making SOFR an inexact replacement for LIBOR. We cannot predict the consequences and timing of these developments or other market or regulatory changes related to the phase-out of LIBOR. It is possible that not all of our assets and liabilities will transition away from LIBOR at the same time, and it is possible that not all of our assets and liabilities will transition to the same alternative reference rate, in each case increasing the difficulty of hedging. Switching existing financial instruments and hedging transactions from LIBOR to SOFR requires calculations of a spread. Industry organizations are attempting to structure the spread calculation in a manner that minimizes the possibility of value transfer between counterparties, borrowers and lenders by virtue of the transition, but there is no assurance that the calculated spread will be fair and accurate or that all asset types and all types of securitization vehicles will use the same spread. We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging and risk management. The process of transition involves operational risks. It is also possible that no transition will occur for many financial instruments, meaning that those instruments would continue to be subject to the weaknesses of the LIBOR calculation process. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the market for or value of any securities on which the interest or dividend is determined by reference to LIBOR, loans, derivatives and other financial obligations or on our overall financial condition or results of operations. More generally, any of the above changes or any other consequential changes to LIBOR or any other "benchmark" as a result of international, national or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any securities based on or linked to a "benchmark."

Any hedging transactions that we enter into may limit our gains or result in losses.

We may use, when feasible and appropriate, derivatives to hedge a portion of our interest rate exposure, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to stockholders and that such losses may exceed the amount invested in such instruments. We have adopted a general policy with respect to the use of derivatives, which generally allows us to use derivatives where appropriate, but does not set forth specific policies and procedures or require that we hedge any specific amount of risk. From time to time, we may use derivative instruments, including forwards, futures, swaps and options, in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

There are limits to the ability of any hedging strategy to protect us completely against interest rate risks. When rates change, we expect the gain or loss on derivatives to be offset by a related but inverse change in the value of any items that we hedge. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, our hedging strategy may limit our flexibility by causing us to refrain

from taking certain actions that would be potentially profitable but would cause adverse consequences under the terms of our hedging arrangements. Moreover, our hedging strategy may reduce our liquidity position by causing us to take certain actions, such as taking physical delivery of the underlying securities and funding those assets with cash or other financing sources if it were to become uneconomical to roll our TBA contracts into future months. The REIT provisions of the Internal Revenue Code limit our ability to hedge. In managing our hedge instruments, we consider the effect of the expected hedging income on the REIT qualification tests that limit the amount of gross income that a REIT may receive from hedging. We need to carefully monitor, and may have to limit, our hedging strategy to assure that we do not realize hedging income, or hold hedges having a value, in excess of the amounts that would cause us to fail the REIT gross income and asset tests. See "—Risks Related to Our Taxation as a REIT—Complying with the REIT requirements may limit our ability to hedge effectively."

Accounting for derivatives under GAAP is complicated. Any failure by us to account for our derivatives properly in accordance with GAAP in our financial statements could adversely affect us. In addition, under applicable accounting standards, we may be required to treat some of our investments as derivatives, which could adversely affect our results of operations.

Market conditions could negatively impact our business, results of operations, cash flows and financial condition.

The market in which we operate is affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things:

- interest rates, including increases thereof and credit spreads;
- the availability of credit, including the price, terms and conditions under which it can be obtained;
- the quality, pricing and availability of suitable investments;
- the ability to obtain accurate market-based valuations;
- volatility associated with asset valuations and margin calls;
- the ability of securities dealers to make markets in relevant securities and loans;
- loan values relative to the value of the underlying real estate assets;
- default rates on the loans underlying our investments and the amount of the related losses and credit losses with respect to our investments;
- prepayment and repayment rates, delinquency rates and legislative/regulatory changes with respect to our investments and the timing and amount of servicer advances;
- the availability and cost of quality Servicing Partners, and advance, recovery and recapture rates;
- competition;
- the actual and perceived state of the real estate markets, bond markets, market for dividend-paying stocks and public capital markets generally;
- unemployment rates; and
- the attractiveness of other types of investments relative to investments in real estate or REITs generally.

Changes in these factors are difficult to predict and a change in one factor can affect other factors. Further, at various points in time, increased default rates in the subprime mortgage market played a role in causing credit spreads to widen, reducing availability of credit on favorable terms, reducing liquidity and price transparency of real estate related assets, resulting in difficulty in obtaining accurate mark-to-market valuations and causing a negative perception of the state of the real estate markets and of REITs generally. Market conditions could be volatile or could deteriorate as a result of a variety of factors beyond our control with adverse effects to our financial condition.

We are subject to risks related to securitization of any loans originated and/or serviced by our subsidiaries.

The securitization of any loans that we originate and/or service subject us to various risks that may increase our compliance costs and adversely impact our financial results, including:

- compliance with the terms of the agreements governing the securitized pools of loans, including any indemnification and repurchase provisions;
- reliance on programs administered by the GSEs and Ginnie Mae that facilitate the issuance of mortgage-backed securities in the secondary market and the effect of any changes or modifications thereto (see—"GSE initiatives and other actions, including changes to the minimum servicing amount for GSE loans, could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against" and — "The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business."); and

- federal and state legislation in securitizations, such as the risk retention requirements under the Dodd-Frank Act, could result in higher costs of certain lending operations and impose on us additional compliance requirements to meet servicing and origination criteria for securitized mortgage loans.

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

Certain vendors currently have operations located in India, which is subject to relatively higher political and social instability than the U.S. and may lack the infrastructure to withstand political unrest, natural disasters or global pandemics. The political or regulatory climate in the U.S., or elsewhere, also could change so that it would not be lawful or practical for us to use vendors with international operations in the manner in which we currently use them. If we could no longer utilize vendors operating in India or if those vendors were required to transfer some or all of their 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.

There are certain risks associated with our Genesis business.

In December 2021, we completed the acquisition of Genesis from affiliates Goldman Sachs as well as an associated portfolio of loans originated by Genesis. The Genesis business is subject to a number of risks including, but not limited to, the following:

- *Borrower Risk*: Borrowers under Genesis originated loans are sometimes persons who do not qualify for conventional bank financing or who could be regarded to be higher risk borrowers. Consequently, these borrowers are more likely to default on the repayment of their obligations. In the event of any default under a mortgage loan issued by Genesis, Genesis will bear a risk of loss to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued interest of the mortgage loan.

- *Short-Term Loans/Balloon Payments*: Typically, Genesis originates short-term mortgage loans with initial terms of less than 18 months (subject to extension) and which require a balloon payment at maturity. Genesis therefore depends on a borrower's ability to obtain permanent financing or to sell the property to repay Genesis's loan (including the balloon payment at maturity), which could depend on market conditions and other factors. In a period of rising interest rates or tightening credit markets, it may be more difficult for borrowers to obtain long-term financing, which increases the risk of non-payment. Short-term loans are also subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of a default, Genesis will bear the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the mortgage collateral and the principal amount and unpaid interest of the loan.

- *Construction Loans*: Most of Genesis's loans are construction or renovations loans, which are subject to additional risks. Construction loans are subject to risks of unrealistic budgets, cost overruns and non-completion of construction, renovation, refurbishment or expansion by a borrower of a mortgaged property as well as other unforeseen variables. These risks may prolong the development and increase the costs of the construction project, which may delay the borrower's ability to sell or rent the finished property or possibly making a project uneconomical which could adversely affect repayment of the loan. Other risks may include environmental risks, permitting risks, other construction risks, subsequent leasing of the property not being completed on schedule or at projected rental rates, and the likelihood that we will incur losses on our loans in the event of default because the value of the collateral may be insufficient to cover our cost on the loan. While we believe Genesis has reasonable procedures in place to manage construction funding loans, there can be no certainty that Genesis will not suffer losses on construction loans. In addition, if a builder fails to complete a project, Genesis may be required to complete the project. Any such default could result in a substantial increase in costs in excess of the original budget and delays in completion of the project.

- *Concentration Risk*: Genesis's portfolio of active loans is mainly secured by residential real estate located in California and the Los Angeles, California area specifically. Genesis's loan portfolio is also concentrated within construction, renovation and bridge loans. The geographic distribution of Genesis's loan portfolio exposes it to risks associated with the real estate and commercial lending industry in general, and to a greater extent within the states and regions in which Genesis has concentrated its loans.

Many of these factors are outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially affect our financial position, results of operations and cash flows.

The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market.

There is not anticipated to be an active market for most of the assets in which we will invest. In the absence of market comparisons, we will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price assets may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset as carried on our books.

There may be difficulties with integrating the loans underlying MSR acquisitions involving servicing transfers into the successor servicer's servicing platform, which could have a material adverse effect on our results of operations, financial condition and liquidity.

In connection with certain MSR acquisitions, servicing is transferred from the seller to a subservicer appointed by us. The ability to integrate and service the assets acquired will depend in large part on the success of our subservicer's integration of expanded servicing capabilities with its current operations. We may fail to realize some or all of the anticipated benefits of these transactions if the integration process takes longer, or is more costly, than expected. Potential difficulties we may encounter during the integration process with the assets acquired in MSR acquisitions involving servicing transfers include, but are not limited to, the following:

- the integration of the portfolio into our applicable subservicer's information technology platforms and servicing systems;
- the quality of servicing during any interim servicing period after we purchase the portfolio but before our applicable subservicer assumes servicing obligations from the seller or its agents;
- the disruption to our ongoing businesses and distraction of our management teams from ongoing business concerns;
- incomplete or inaccurate files and records;
- the retention of existing customers;
- the creation of uniform standards, controls, procedures, policies and information systems;
- the occurrence of unanticipated expenses; and
- potential unknown liabilities associated with the transactions, including legal liability related to origination and servicing prior to the acquisition.

Our failure to meet the challenges involved in successfully integrating the assets acquired in MSR acquisitions involving servicing transfers with our current business could impair our operations. For example, it is possible that the data our applicable subservicer acquires upon assuming the direct servicing obligations for the loans may not transfer from the seller's platform to its systems properly. This may result in data being lost, key information not being locatable on our applicable subservicer's systems, or the complete failure of the transfer. If our employees are unable to access customer information easily, or is unable to produce originals or copies of documents or accurate information about the loans, collections could be affected significantly, and our subservicer may not be able to enforce its right to collect in some cases. Similarly, collections could be affected by any changes to our applicable subservicer's collections practices, the restructuring of any key servicing functions, transfer of files and other changes that occur as a result of the transfer of servicing obligations from the seller to our subservicer.

Certain of our Servicing Partners have triggered termination events or events of default under some PSAs underlying the MSRs with respect to which we are entitled to the basic fee component or Excess MSRs.

In certain of these circumstances, the related Servicing Partner may be terminated without any right to compensation for its loss, other than the right to be reimbursed for any outstanding servicer advances as the related loans are brought current, modified, liquidated or charged off. So long as we are in compliance with our obligations under our servicing agreements and purchase agreements, if we or one of our Servicing Partners is terminated as servicer, we may have the right to receive an indemnification payment from the applicable Servicing Partner, even if such termination related to servicer termination events or events of default existing at the time of any transaction with such Servicing Partner. If one of our Servicing Partners is terminated as servicer under a PSA, we will lose any investment related to such Servicing Partner's MSRs. If we or such Servicing Partner is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such Servicing Partner, or if such Servicing Partner is unable to make any resulting indemnification payments to us, if any such payment is due and payable, it may have a material adverse effect on our financial condition, results of operations, ability to

make distributions, liquidity and financing arrangements, including our servicer advance financing facilities, and may make it more difficult for us to acquire additional interests in MSRs in the future.

Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.

Certain servicing contracts permit more than one party to exercise a cleanup call—meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which these servicers acquired MSRs) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Finally, many of our call rights are not currently exercisable and may not become exercisable for a period of years. As a result, our ability to realize the benefits from these rights will depend on a number of factors at the time they become exercisable many of which are outside our control, including interest rates, conditions in the capital markets and conditions in the residential mortgage market.

The exercise of cleanup calls could negatively impact our interests in MSRs.

The exercise of cleanup call rights results in the termination of the MSRs on the loans held within the related securitization trusts. To the extent we own interests in MSRs with respect to loans held within securitization trusts where cleanup call rights are exercised, whether they are exercised by us or a third party, the value of our interests in those MSRs will likely be reduced to zero and we could incur losses and reduced cash flows from any such interests.

We may become subject to fines or other penalties based on the conduct of mortgage loan originators and brokers that originate residential mortgage loans related to MSRs that we acquire, and the third-party servicers we may engage to subservice the loans underlying MSRs we acquire.

We have acquired MSRs and may in the future acquire additional MSRs from third-party mortgage loan originators, brokers or other sellers, and we therefore are or will become dependent on such third parties for the related mortgage loans' compliance with applicable law, and on third-party mortgage servicers, including our Servicing Partners, to perform the day-to-day servicing on the mortgage loans underlying any such MSRs. Mortgage loan originators and brokers are subject to strict and evolving consumer protection laws and other legal obligations with respect to the origination of residential mortgage loans. These laws and regulations include the residential mortgage servicing standards, "ability-to-repay" and "qualified mortgage" regulations promulgated by the CFPB, which became effective in 2014. In addition, there are various other federal, state, and local laws and regulations that are intended to discourage predatory lending practices by residential mortgage loan originators. These laws may be highly subjective and open to interpretation and, as a result, a regulator or court may determine that that there has been a violation where an originator or servicer of mortgage loans reasonably believed that the law or requirement had been satisfied. Failure or alleged failure by originators or servicers to comply with these laws and regulations could subject us to state or CFPB administrative proceedings, which could result in monetary penalties, license suspensions or revocations, or restrictions to our business, all of which could adversely impact our business and financial results and damage our reputation.

The final servicing rules promulgated by the CFPB to implement certain sections of the Dodd-Frank Act include provisions relating to, among other things, periodic billing statements and disclosures, responding to borrower inquiries and complaints, force-placed insurance, and adjustable rate mortgage interest rate adjustment notices. Further, the mortgage servicing rules require servicers to, among other things, make good faith early intervention efforts to notify delinquent borrowers of loss mitigation options, to implement specified loss mitigation procedures, and if feasible, exhaust all loss mitigation options before proceeding to foreclosure. Proposed updates to further refine these rules have been published and will likely lead to further changes in requirements applicable to servicing mortgage loans.

In addition to Newrez and Caliber, we engage third-party servicers to subservice mortgage loans relating to any MSRs we acquire. It is therefore possible that a third-party servicer's failure to comply with the new and evolving servicing protocols could adversely affect the value of the MSRs we acquire. Additionally, we may become subject to fines, penalties or civil

liability based upon the conduct of any third-party servicer who services mortgage loans related to MSRs that we have acquired or will acquire in the future.

Investments in MSRs may expose us to additional risks.

We hold investments in MSRs. Our investments in MSRs may subject us to certain additional risks, including the following:

- Although ownership of MSRs and the operation of a servicer includes many of the same risks as our other target assets and business activities, including risks related to prepayments, borrower credit, defaults, interest rates, hedging, and regulatory changes, there can be no assurance that we will be able to successfully operate a servicer subsidiary and integrate MSR investments into our business operations.
- As of today, we rely on subservicers to subservice the mortgage loans underlying our MSRs on our behalf. We are generally responsible under the applicable Servicing Guidelines for any subservicer's non-compliance with any such applicable Servicing Guideline. In addition, there is a risk that our current subservicers will be unwilling or unable to continue subservicing on our behalf on terms favorable to us in the future. In such a situation, we may be unable to locate a replacement subservicer on favorable terms.
- NRM, Newrez and Caliber's existing approvals from government-related entities or federal agencies are subject to compliance with their respective servicing guidelines, minimum capital requirements, reporting requirements and other conditions that they may impose from time to time at their discretion. Failure to satisfy such guidelines or conditions could result in the unilateral termination of NRM's, Newrez or Caliber's existing approvals or pending applications by one or more entities or agencies.
- NRM, Newrez and Caliber are presently licensed, approved, or otherwise eligible to hold MSRs in all states within the U.S. and the District of Columbia. Such state licenses may be suspended or revoked by a state regulatory authority and we may as a result lose the ability to own MSRs under the regulatory jurisdiction of such state regulatory authority.
- Changes in minimum servicing compensation for Agency loans could occur at any time and could negatively impact the value of the income derived from any MSRs that we hold or may acquire in the future.
- Investments in MSRs are highly illiquid and subject to numerous restrictions on transfer and, as a result, there is risk that we would be unable to locate a willing buyer or get approval to sell any MSRs in the future should we desire to do so.

Our business, results of operations, financial condition and reputation could be adversely impacted if we are not able to successfully manage these or other risks related to investing and managing MSR investments.

A downturn or slowdown in the rental demand for single-family housing caused by adverse economic, regulatory, or environmental conditions, or other events, may have an impact on the value of our properties or our operating results. Furthermore, we believe that there are seasonal fluctuations in rental demand may impact our operating results.

In addition to general, regional, national, and international economic conditions, our operating performance will be impacted by the economic conditions in our markets. We base a part of our business plan on our belief that property values and operating fundamentals for single-family properties in our markets will continue to improve over the near to intermediate term. However, these markets could experience substantial economic downturns in the future. We can provide no assurance as to the extent property values and operating fundamentals in these markets will improve, if at all. If an economic downturn in these markets occurs or if we fail to accurately predict the timing of economic improvement in these markets, the value of our properties could decline and our ability to execute our business plan may be adversely affected to a greater extent than if we owned a real estate portfolio that was more geographically diversified, which could adversely affect our financial condition, operating results and ability to make distributions to our stockholders and cause the value of our common stock to decline.

We face significant competition in the leasing market for quality residents, which may limit our ability to lease our single-family homes on favorable terms.

Our success with respect to our SFR properties business depends in large part upon our ability to attract and retain qualified residents for our properties. We face competition for residents from other lessors of single-family properties, apartment buildings and condominium units. Competing properties may be newer, better located and more attractive to residents. Potential competitors may have lower rates of occupancy than we do or may have superior access to capital and other resources, which may result in competing owners more easily locating residents and leasing available housing at lower rental rates than we might offer at our homes. Many of these competitors may successfully attract residents with better incentives and amenities, which could adversely affect our ability to obtain quality residents and lease our single-family properties on favorable terms. Additionally, some competing housing options may qualify for government subsidies that may make such options more accessible and therefore more attractive than our properties. This competition may affect our ability to attract and retain

residents and may reduce the rental rates we are able to charge. In addition, increases in unemployment levels and other adverse changes in economic conditions in our markets may adversely affect the creditworthiness of potential residents, which may decrease the overall number of qualified residents for our properties within such markets. We could also be adversely affected by overbuilding or high vacancy rates of homes in our markets, which could result in an excess supply of homes and reduce occupancy and rental rates. Continuing development of apartment buildings and condominium units in many of our markets will increase the supply of housing and exacerbate competition for residents.

In addition, improving economic conditions, along with government sponsored programs to promote home ownership, have made home ownership more accessible for potential renters who have strong credit. These factors may encourage potential renters to purchase residences rather than lease them, thereby causing a decline in the number and quality of potential residents available to us.

No assurance can be given that we will be able to attract and retain suitable residents. If we are unable to lease our homes to suitable residents, we would be adversely affected and the value of our common stock could decline.

A significant portion of our costs and expenses are fixed, and we may not be able to adapt our cost structure to offset declines in our revenue.

Many of the expenses associated with our business, such as property taxes, HOA fees, insurance, utilities, acquisition, renovation and maintenance costs and other general corporate expenses are relatively inflexible and will not necessarily decrease with a reduction in revenue from our business. Some components of our fixed assets depreciate more rapidly and require ongoing capital expenditures. Our expenses and ongoing capital expenditures are also affected by inflationary increases and certain of our cost increases may exceed the rate of inflation in any given period or market. Our rental income is affected by many factors beyond our control, such as the availability of alternative rental housing and economic conditions in our markets. In addition, state and local regulations may require us to maintain properties that we own, even if the cost of maintenance is greater than the value of the property or any potential benefit from renting the property, or pass regulations that limit our ability to increase rental rates. As a result, we may not be able to fully offset rising costs and capital spending by increasing rental rates, which could have a material adverse effect on our results of operations and cash available for distribution.

Risks Related to the Financial Markets and Our Regulatory Environment

Interest rate fluctuations and shifts in the yield curve may cause losses.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Our primary interest rate exposures relate to our interests in MSRs, RMBS, loans, derivatives, any floating rate debt obligations that we may incur and preferred stock that periodically resets. Changes in interest rates, including changes in expected interest rates or "yield curves," affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire real estate and other securities and loans at attractive prices, the value of our real estate and other securities, loans and derivatives and our ability to realize gains from the sale of such assets. Additionally, with respect to our SFR business, in an inflationary environment, we may not be able to raise rents sufficiently to keep up with the rate of inflation. We may wish to use hedging transactions to protect certain positions from interest rate fluctuations, but we may not be able to do so as a result of market conditions, regulations and other legal rules applicable to REITs or other reasons. In such event, interest rate fluctuations could adversely affect our financial condition, cash flows and results of operations.

Until recently, the Federal Reserve maintained interest rates close to zero. In 2022, however, in response to the inflationary pressures—driven by ongoing supply chain disruptions, the lingering effect of fiscal stimulus, and the war in Ukraine—the Federal Reserve rapidly raised interest rates and indicated it anticipates further interest rate increases. Rising interest rates have resulted in increased interest expense on our outstanding variable rate and future variable and fixed rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions. In addition, in the event of a significant rising interest rate environment and/or economic downturn, loan origination volume may decrease and negatively impact our operating results. Additionally, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our financing strategy is dependent on our ability to place the debt we use to finance

our investments at rates that provide a positive net spread. If spreads for such liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future financings will be severely restricted.

Interest rate changes may also impact our net book value as most of our investments are marked to market each quarter. Debt obligations are not marked to market. Generally, as interest rates increase, the value of our fixed rate securities decreases, which will decrease the book value of our equity.

Furthermore, shifts in the U.S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our investments and therefore their value. For example, increasing interest rates would reduce the value of the fixed rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed rate assets in order to adjust the yield upward to meet the market and vice versa. This would have similar effects on our real estate and other securities and loan portfolio and our financial position and operations to a change in interest rates generally.

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our operations.

We believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on our loans or the loans underlying our securities, interests in MSRs and servicer advances, in a weakening real estate economy. Further, declining real estate values significantly increase the likelihood that we will incur losses on our investments in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders.

Certain of our Servicing Partners have been and are subject to federal and state regulatory matters and other litigation, which may adversely impact us.

Regulatory actions or legal proceedings against certain of our Servicing Partners could increase our financing costs or operating expenses, reduce our revenues or otherwise materially adversely affect our business, financial condition, results of operations and liquidity. Such Servicing Partners may be subject to additional federal and state regulatory matters in the future that could materially and adversely affect the value of our investments to the extent we rely on them to achieve our investment objectives because we have no direct ability to influence their performance. Certain of our Servicing Partners have disclosed certain matters in their periodic reports filed with the SEC and there can be no assurance that such events will not have a material adverse effect on them. We are currently evaluating the impact of such events and cannot assure you what impact these events may have or what actions we may take under our agreements with the servicer. In addition, any of our Servicing Partners could be removed as servicer by the related loan owner or certain other transaction counterparties, which could have a material adverse effect on our interests in the loans and MSRs serviced by such Servicing Partner.

In addition, certain of our Servicing Partners have been and continue to be subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations and threatened legal actions and proceedings. In connection with formal and informal inquiries, such Servicing Partners may receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities, including whether certain of their residential loan servicing and origination practices, bankruptcy practices and other aspects of their business comply with applicable laws and regulatory requirements. Such Servicing Partners cannot provide any assurance as to the outcome of any of the aforementioned actions, proceedings or inquiries, or that such outcomes will not have a material adverse effect on their reputation, business, prospects, results of operations, liquidity or financial condition.

Mortgage servicing is heavily regulated at the U.S. federal, state and local levels, and each transfer of MSRs to our subservicer of such MSRs may not be approved by the requisite regulators.

Mortgage servicers must comply with U.S. federal, state and local laws and regulations. These laws and regulations cover topics such as licensing; allowable fees and loan terms; permissible servicing and debt collection practices; limitations on forced-placed insurance; special consumer protections in connection with default and foreclosure; and protection of confidential, nonpublic consumer information. The volume of new or modified laws and regulations has increased in recent years, and states and individual cities and counties continue to enact laws that either restrict or impose additional obligations in connection with certain loan origination, acquisition and servicing activities in those cities and counties. The laws and

regulations are complex and vary greatly among the states and localities, and in some cases, these laws are in conflict with each other or with U.S. federal law. In connection with the MSR Transactions, there is no assurance that each transfer of MSRs to our selected subservicer will be approved by the requisite regulators. If regulatory approval for each such transfer is not obtained, we may incur additional costs and expenses in connection with the approval of another replacement subservicer.

Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans and/or MSRs, and we may not be able to obtain and/or maintain such licenses.

Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans and/or MSRs. In the event that any licensing requirement is applicable to us, and we do not hold such licenses, there can be no assurance that we will obtain such licenses or, if obtained, that we will be able to maintain them. Our failure to obtain or maintain such licenses could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. With respect to mortgage loans, in lieu of obtaining such licenses, we may contribute our acquired residential mortgage loans to one or more wholly owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements. We have formed one or more subsidiaries to apply for certain state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state-licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing. In addition, even if we obtain necessary licenses, we may not be able to maintain them. Any of these circumstances could limit our ability to invest in residential mortgage loans or MSRs in the future and have a material adverse effect on us.

Maintenance of our 1940 Act exclusion imposes limits on our operations.

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly owned and majority owned subsidiaries, the securities issued by our subsidiaries that are excluded from the definition of “investment company” under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis, unless another exclusion from the definition of “investment company” is available to us. For purposes of the foregoing, we currently treat our interest in our SLS Servicer Advance Investment and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. The 40% test under Section 3(a)(1)(C) of the 1940 Act limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business.

If the value of securities issued by our subsidiaries that are excluded from the definition of “investment company” by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act (e.g., the value of our interests in the taxable REIT subsidiaries that hold Servicer Advance Investments and are not excluded from the definition of “investment company” by Section 3(c)(5)(A), (B) or (C) of the 1940 Act increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the market price of our common stock, the sustainability of our business model and our ability to make distributions. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Failure to maintain an exclusion would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company. If we were required to register us as an investment company but failed to do so, we would be prohibited from engaging in our business and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement and a court could appoint a receiver to take control of us and liquidate our business.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitute more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act. The Section 3(c)(5)(C) exclusion is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." The Section 3(c)(5)(C) exclusion generally requires that at least 55% of these subsidiaries' assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries' assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify some of our subsidiaries' assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of whole pool Non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs for which we do not own the related servicing rights as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. If we are required to re-classify any of our subsidiaries' assets, including those subsidiaries holding whole pool Non-Agency RMBS and/or Excess MSRs, such subsidiaries may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the 1940 Act, and in turn, we may not satisfy the requirements to avoid falling within the definition of an "investment company" provided by Section 3(a)(1)(C). To the extent that the SEC staff publishes new or different guidance or disagrees with our analysis with respect to any assets of our subsidiaries we have determined to be qualifying real estate assets or real estate-related assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.

If the market value or income potential of qualifying assets for purposes of our qualification as a REIT or our exclusion from registration as an investment company under the 1940 Act declines as a result of increased interest rates, changes in prepayment rates or other factors, or the market value or income from non-qualifying assets increases, we may need to increase our investments in qualifying assets and/or liquidate our non-qualifying assets to maintain our REIT qualification or our exclusion from registration under the 1940 Act. If the change in market values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets we may own. We may have to make investment decisions that we otherwise would not make absent the intent to maintain our qualification as a REIT and exclusion from registration under the 1940 Act.

We may be required to register as an investment adviser in the future, which could impose limits on our operations.

While we are currently not registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"), one or more of our subsidiaries may be required to register as such in the future, which could subject us to extensive regulation as an investment adviser and could adversely affect our ability to manage our business.

If we register as an investment adviser under the Advisers Act, we will become subject to various requirements under the Advisers Act such as fiduciary duties to clients, anti-fraud provisions, substantive prohibitions and requirements, contractual and record-keeping requirements and administrative oversight by the SEC (primarily by inspection). In addition, if we register as an investment adviser under the Advisers Act, we must continually address potential conflicts between our interests and those of our clients. Although we have established certain policies and procedures designed to mitigate conflicts of interest, there can be no assurance that these policies and procedures will be effective in doing so. It is possible that actual, potential or perceived conflicts of interest could give rise to investor dissatisfaction, litigation or regulatory enforcement actions. If we are deemed to be out of compliance with any such rules and regulations, we may be subject to civil liability, criminal liability and/or regulatory sanctions.

Regulatory scrutiny regarding foreclosure processes could lengthen foreclosure timelines, which could increase advances and materially and adversely affect our business, financial condition, results of operations and liquidity.

When a residential mortgage loan is in foreclosure, the servicer is generally required to continue to advance delinquent principal and interest to the securitization trust and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. These servicer advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances, lengthen the time it takes for reimbursement of such advances and increase the costs incurred during the foreclosure process. In addition, servicer advance financing facilities generally contain provisions that limit the eligibility of servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that need to be funded from the related servicer's own capital. Such increases in foreclosure timelines could increase the need for capital to fund servicer advances, which would increase our interest expense, delay the collection of interest income or servicing revenue until the foreclosure has been resolved and, therefore, reduce the cash that we have available to pay our operating expenses or to pay dividends.

The impact of legislative and regulatory changes on our business, as well as the market and industry in which we operate, are uncertain and may adversely affect our business.

The Dodd-Frank Act was enacted in July 2010, which affects almost every aspect of the U.S. financial services industry, including certain aspects of the markets in which we operate and imposes new regulations on us and how we conduct our business. As we describe in more detail below, it affects our business in many ways but it is difficult at this time to know exactly how or what the cumulative impact will be.

Generally, the Dodd-Frank Act strengthens the regulatory oversight of securities and capital markets activities by the SEC and established the CFPB to enforce laws and regulations for consumer financial products and services. It requires market participants to undertake additional record-keeping activities and imposes many additional disclosure requirements for public companies.

Moreover, the Dodd-Frank Act contains a risk retention requirement for all asset-backed securities, which we issue. In October 2014, final rules were promulgated by a consortium of regulators implementing the final credit risk retention requirements of Section 941(b) of the Dodd-Frank Act. Under these "Risk Retention Rules," sponsors of both public and private securitization transactions or one of their majority owned affiliates are required to retain at least 5% of the credit risk of the assets collateralizing such securitization transactions. These regulations generally prohibit the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained interest for a specified period of time, depending on the type of asset that is securitized. Certain limited exemptions from these rules are available for certain types of assets, which may be of limited use under our current market practices. In any event, compliance with these new Risk Retention Rules has increased and will likely continue to increase the administrative and operational costs of asset securitization.

Further, the Dodd-Frank Act imposes mandatory clearing and exchange-trading requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives) in which we may engage. In addition, the Dodd-Frank Act is expected to increase the margin requirements for derivatives transactions that are not subject to mandatory clearing requirements, which may impact our activities. The Dodd-Frank Act also creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants," and subjects or may subject these regulated entities to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements that will give rise to new administrative costs.

Also, under the Dodd-Frank Act, financial regulators belonging to the Financial Stability Oversight Council are authorized to designate nonbank financial institutions and financial activities as systemically important to the economy and therefore subject to closer regulatory supervision. Such systemically important financial institutions ("SIFIs") may be required to operate with greater safety margins, such as higher levels of capital and may face further limitations on their activities. The determination of what constitutes a SIFI is evolving and in time SIFIs may include large investment funds and even asset managers. There can be no assurance that we will not be deemed to be a SIFI or engage in activities later determined to be systemically important and thus subject to further regulation.

Even new requirements that are not directly applicable to us may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. For instance, if the exchange-trading and trade reporting requirements lead to reductions in the liquidity of derivative transactions we may experience higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our

trading strategies. Importantly, many key aspects of the changes imposed by the Dodd-Frank Act will continue to be established by various regulatory bodies and other groups over the next several years.

In addition, there is significant uncertainty regarding the legislative and regulatory outlook for the Dodd-Frank Act and related statutes governing financial services, which may include Dodd-Frank Act amendments, mortgage finance and housing policy in the U.S., and the future structure and responsibilities of regulatory agencies such as the CFPB and the FHFA. For example, in March 2018, the U.S. Senate approved banking reform legislation intended to ease some of the restrictions imposed by the Dodd-Frank Act. Due to this uncertainty, it is not possible for us to predict how future legislative or regulatory proposals by Congress and the current Administration will affect us or the market and industry in which we operate, and there can be no assurance that the resulting changes will not have an adverse impact on our business, results of operations, or financial condition. It is possible that such regulatory changes could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.

The payments we receive on the Agency RMBS in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. Ginnie Mae is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the U.S. Fannie Mae and Freddie Mac are GSEs, but their guarantees are not backed by the full faith and credit of the U.S. Government.

In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and the credit market disruption beginning in 2007, Congress and the U.S. Treasury undertook a series of actions to stabilize these GSEs and the financial markets, generally. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the FHFA, with enhanced regulatory authority over, among other things, the business activities of Fannie Mae and Freddie Mac and the size of their portfolio holdings. On September 7, 2008, FHFA placed Fannie Mae and Freddie Mac into federal conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae's and Freddie Mac's debt and Agency RMBS.

As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and may (1) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of the stockholders, the directors and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac; (2) collect all obligations and money due to Fannie Mae and Freddie Mac; (3) perform all functions of Fannie Mae and Freddie Mac which are consistent with the conservator's appointment; (4) preserve and conserve the assets and property of Fannie Mae and Freddie Mac; and (5) contract for assistance in fulfilling any function, activity, action or duty of the conservator.

Those efforts resulted in significant U.S. Government financial support and increased control of the GSEs.

The Federal Reserve announced in November 2008 a program of large-scale purchases of Agency RMBS in an attempt to lower longer-term interest rates and contribute to an overall easing of adverse financial conditions. Subject to specified investment guidelines, the portfolios of Agency RMBS purchased through the programs established by the U.S. Treasury and the Federal Reserve may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency RMBS that we seek to acquire during the remaining term of these portfolios.

There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will be adequate for the longer-term viability of these GSEs. These uncertainties lead to questions about the availability of and trading market for, Agency RMBS. Accordingly, if these government actions are inadequate and the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency RMBS and our business, operations and financial condition could be materially and adversely affected.

Additionally, because of the financial problems faced by Fannie Mae and Freddie Mac that led to their federal conservatorships, the Administration and Congress have been examining reform of the GSEs, including the value of a federal mortgage guarantee and the appropriate role for the U.S. government in providing liquidity for residential mortgage loans. It is unclear to what degree any reform will be undertaken and the final details of any plans, policies or proposals with respect to the housing GSEs are unknown at this time. In the past and potentially in this Congress, bills have been introduced that change the GSEs' business charters and eliminate the entities or make other changes to the existing framework. We cannot predict whether or when such legislation may be enacted. If enacted, such legislation could materially and adversely affect the availability of, and trading

market for, Agency RMBS and could, therefore, materially and adversely affect the value of our Agency RMBS and our business, operations and financial condition.

Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, and our subsidiaries' business results may be significantly impacted by the existing and future laws and regulations to which they are subject. If our subsidiaries performing mortgage lending and servicing activities fail to operate in compliance with both existing and future statutory, regulatory and other requirements, our business, financial condition, liquidity and/or results of operations could be materially and adversely affected.

Our subsidiaries that perform mortgage lending and servicing activities are subject to extensive regulation by federal, state and local governmental and regulatory authorities, including the CFPB, the Federal Trade Commission, HUD, VA, the SEC and various state agencies that license, audit, investigate and conduct examinations of such subsidiaries' mortgage servicing, origination, debt collection and other activities. In the current regulatory environment, the policies, laws, rules and regulations applicable to our subsidiaries' mortgage origination and servicing businesses have been rapidly evolving. Federal, state or local governmental authorities may continue to enact laws, rules or regulations that will result in changes in our and our subsidiaries' business practices and may materially increase the costs of compliance. We are unable to predict whether any such changes will adversely affect our business.

We and our subsidiaries must comply with a large number of federal, state and local consumer protection laws including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Telephone Consumer Protection Act, the Equal Credit Opportunity Act, as well as individual state licensing, privacy, and foreclosure laws and federal and local bankruptcy rules. These statutes apply to many facets of our subsidiaries' businesses, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about customers, foreclosure and claims handling, investment of and interest payments on escrow balances and escrow payment features and such statutes mandate certain disclosures and notices to borrowers. These requirements can and will change as statutes and regulations are enacted, promulgated, amended, interpreted and enforced.

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

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

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

- the loss or suspension of licenses and approvals necessary to operate our or our subsidiaries' business;
- limitations, restrictions or complete bans on our or our subsidiaries' business or various segments of our business;
- our or our subsidiaries' disqualification from participation in governmental programs, including GSE, Ginnie Mae and VA programs;
- breaches of covenants and representations under our servicing, debt, or other agreements;
- negative publicity and damage to our reputation;
- governmental investigations and enforcement actions;
- administrative fines and financial penalties;
- litigation, including class action lawsuits;
- civil and criminal liability;
- termination of our servicing and subservicing agreements or other contracts;

- demands for us to repurchase loans;
- loss of personnel who are targeted by prosecutions, investigations, enforcement actions or litigation;
- a significant increase in compliance costs;
- a significant increase in the resources we and our subsidiaries devote to regulatory compliance and regulatory inquiries;
- an inability to access new, or a default under or other loss of current, liquidity and funding sources necessary to operate our business;
- restrictions on our or our subsidiaries' business activities;
- impairment of assets; and
- an inability to execute on our business strategy.

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

We cannot guarantee that any such scrutiny and investigations will not materially adversely affect us. Additionally, in recent years, the general trend among federal, state and local lawmakers and regulators has been toward increasing laws, regulations and investigative proceedings with regard to residential mortgage lenders and servicers. The CFPB continues to take an active role in supervising the mortgage industry, and its rule-making and regulatory agenda relating to loan servicing and origination continues to evolve. Individual states have also been increasingly active in supervising non-bank mortgage lenders and servicers such as our Mortgage Company, and certain regulators have communicated recommendations, expectations or demands with respect to areas such as corporate governance, safety and soundness, risk and compliance management, and cybersecurity, in addition to their focus on traditional licensing and examination matters.

Uncertainty exists with respect to the future of regulation of mortgage lending and servicing, including the future of the Dodd-Frank Act and CFPB. We cannot predict the specific legislative or executive actions that may result or what actions federal or state regulators might take in response to potential changes to the Dodd-Frank Act or to the federal regulatory environment generally. Such actions could impact the mortgage industry generally or us specifically, could impact our relationships with other regulators and could adversely impact our business.

The CFPB and certain state regulators have increasingly focused on the use, and adequacy, of technology in the mortgage servicing industry. For example, in 2016, the CFPB issued a special edition supervision report that stressed the need for mortgage servicers to assess and make necessary improvements to their information technology systems in order to ensure compliance with the CFPB's mortgage servicing requirements. The New York Department of Financial Services ("NY DFS") also issued Cybersecurity Requirements for Financial Services Companies, effective in 2017, which requires banks, insurance companies and other financial services institutions regulated by the NY DFS to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State's financial services industry. In addition, the CCPA, effective in 2020, requires businesses that maintain personal information of California residents, including certain mortgage lenders and servicers, to notify certain consumers when collecting their data, respond to consumer requests relating to the uses of their data, verify the identities of consumers who make requests, disclose details regarding transactions involving their data, and maintain records of consumer' requests relating to their data, among various other obligations and to create procedures designed to comply with CCPA requirements. The impact of the CCPA, its implementing regulations, and similar legislation enacted in other states, on our mortgage origination and servicing businesses remains uncertain, and may result in an increase in legal and compliance costs.

New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues. Accordingly, any of the foregoing could materially and adversely affect our business and our financial condition, liquidity and results of operations.

Rithm Capital's subsidiaries, NRM, Newrez, Caliber and Genesis, are or may become subject to significant state and federal regulations.

Subsidiaries of Rithm Capital, NRM, Newrez, Caliber and Genesis, have obtained applicable qualifications, licenses and approvals to own Non-Agency and certain Agency MSRs in the U.S. and certain other jurisdictions. As a result of NRM, Newrez, Caliber and Genesis's current and expected approvals, NRM, Newrez, Caliber and Genesis are subject to extensive and comprehensive regulation under federal, state and local laws in the U.S. These laws and regulations do, and may in the future, significantly affect the way that NRM, Newrez, Caliber and Genesis do business, and subject NRM, Newrez, Caliber, Genesis and Rithm Capital to additional costs and regulatory obligations, which could impact our financial results.

NRM, Newrez, Caliber and Genesis's business may become subject to increasing regulatory oversight and scrutiny in the future, which may lead to regulatory investigations or enforcement actions, including both formal and informal inquiries, from various state and federal agencies as part of those agencies' supervision of mortgage servicing and origination business activities. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect NRM, Newrez, Caliber, Genesis and our financial results or result in serious reputational harm. In addition, a number of participants in the mortgage servicing industry have been the subject of purported class action lawsuits and regulatory actions by state or federal regulators and other industry participants have been the subject of actions by state Attorneys General.

Failure of Rithm Capital's subsidiaries, NRM, Newrez and Caliber, to obtain or maintain certain licenses and approvals required for NRM, Newrez and Caliber to purchase and own MSRs could prevent us from purchasing or owning MSRs, which could limit our potential business activities.

State and federal laws require a business to hold certain state licenses prior to acquiring MSRs. NRM, Newrez and Caliber are currently licensed or otherwise eligible to hold MSRs in each applicable state. As a licensee in such states, NRM, Newrez or Caliber may become subject to administrative actions in those states for failing to satisfy ongoing license requirements or for other state law violations, the consequences of which could include fines or suspensions or revocations of NRM, Newrez or Caliber licenses by applicable state regulatory authorities, which could in turn result in NRM, Newrez or Caliber becoming ineligible to hold MSRs in the related jurisdictions. We could be delayed or prohibited from conducting certain business activities if we do not maintain necessary licenses in certain jurisdictions. We cannot assure you that we will be able to maintain all of the required state licenses.

Additionally, NRM, Newrez and Caliber have received approval from FHA to hold MSRs associated with FHA-insured mortgage loans, from Fannie Mae to hold MSRs associated with loans owned by Fannie Mae, and from Freddie Mac to hold MSRs associated with loans owned by Freddie Mac. As approved Fannie Mae Servicers, Freddie Mac Servicers and FHA Lenders, NRM, Newrez and Caliber are required to conduct aspects of their respective operations in accordance with applicable policies and guidelines published by FHA, Fannie Mae and Freddie Mac in order to maintain those approvals. Should NRM, Newrez or Caliber fail to maintain FHA, Fannie Mae or Freddie Mac approval, NRM, Newrez or Caliber may be unable to purchase or hold MSRs associated with FHA-insured, Fannie Mae and/or Freddie Mac loans, which could limit our potential business activities.

In addition, Newrez and Caliber are approved issuers of mortgage-backed securities guaranteed by Ginnie Mae and service the mortgage loans related to such securities ("Ginnie Mae Issuer"). As approved Ginnie Mae Issuers, Newrez and Caliber are required to conduct aspects of their operations in accordance with applicable policies and guidelines published by Ginnie Mae in order to maintain their approvals. Should Newrez or Caliber fail to maintain Ginnie Mae approval, we may be unable to purchase or hold MSRs associated with Ginnie Mae loans, which could limit our potential business activities.

NRM, Newrez and Caliber are currently subject to various, and may become subject to additional information, reporting and other regulatory requirements, and there is no assurance that we will be able to satisfy those requirements or other ongoing requirements applicable to mortgage loan servicers under applicable federal and state laws and regulations. Any failure by NRM, Newrez or Caliber to comply with such state or federal regulatory requirements may expose us to administrative or enforcement actions, license or approval suspensions or revocations or other penalties that may restrict our business and investment options, any of which could adversely impact our business and financial results and damage our reputation.

Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations.

The U.S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor's consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flow (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage backed securities and interests in MSRs. As a result, such loan modifications are negatively affecting our business, results of operations, liquidity and financial condition. In addition, certain market participants propose reducing the amount of paperwork required by a borrower to modify a loan, which could increase the likelihood of fraudulent modifications and materially harm the U.S. mortgage market and investors that have exposure to this

market. Additional legislation intended to provide relief to borrowers may be enacted and could further harm our business, results of operations and financial condition.

In March 2020, the GSEs and HUD announced forbearance policies for GSE loans and government-insured loans for homeowners experiencing financial hardship associated with the COVID-19 pandemic. These announcements were followed by the signing of the CARES Act in March 2020. We may be obligated to make servicing advances to fund scheduled principal, interest, tax and insurance payments during forbearances when the borrower has failed to make such payments, and potentially various other amounts that may be required to preserve the assets being serviced, which could further harm our business, results of operations and financial condition.

Risks Related to Our Financing Arrangements

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our indebtedness, including, but not limited to, the indenture governing our 2025 Senior Notes, contain covenants that place restrictions on us and our subsidiaries. The indenture governing our 2025 Senior Notes restricts among other things, our and certain of our subsidiaries' ability to:

- incur certain additional debt;
- make certain investments or acquisitions;
- create certain liens on our or our subsidiaries' assets;
- sell assets; and
- merge, consolidate or transfer all or substantially all of our assets.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. A breach of any of these covenants could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable.

The lenders under our financing agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our investments with repurchase agreements and other short-term financing arrangements. Under the terms of repurchase agreements, we will sell an asset to the lending counterparty for a specified price and concurrently agree to repurchase the same asset from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement—which can be as short as 30 days—the counterparty will make funds available to us and hold the asset as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we will be required to repurchase the asset for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying interest to the counterparty in return for extending financing to us. If we want to continue to finance the asset with a repurchase agreement, we ask the counterparty to extend—or "roll"—the repurchase agreement for another term.

Our counterparties are not required to roll our repurchase agreements or other financing agreements upon the expiration of their stated terms, which subjects us to a number of risks. Counterparties electing to roll our financing agreements may charge higher spread and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a financing agreement counterparty elects not to extend our financing, we would be required to pay the counterparty in full on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. If we were unable to pay the repurchase price for any asset financed with a repurchase agreement, the counterparty has the right to sell the asset being held as collateral and require us to compensate it for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). Moreover, our financing agreement obligations are currently with a limited number of counterparties. If any of our counterparties elected not to roll our financing agreements, we may not be able to find a replacement counterparty in a timely manner. Finally, some of our financing agreements contain covenants and our failure to comply with such covenants could result in a loss of our investment.

The financing sources under our servicer advance financing facilities may elect not to extend financing to us or may have or take positions adverse to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our Servicer Advance Investments and servicer advance receivables with structured financing arrangements. These arrangements are commonly of a short-term nature. These arrangements are generally accomplished by having the named servicer, if the named servicer is a subsidiary of the Company, or the purchaser of such Servicer Advance Investments (which is a subsidiary of the Company) transfer our right to repayment for certain servicer advances that we have as servicer under the relevant Servicing Guidelines or that we have acquired from one of our Servicing Partners, as applicable, to one of our wholly owned bankruptcy remote subsidiaries (a "Depositor"). We are generally required to continue to transfer to the related Depositor all of our rights to repayment for any particular pool of servicer advances as they arise (and, if applicable, are transferred from one of our Servicing Partners) until the related financing arrangement is paid in full and is terminated. The related Depositor then transfers such rights to an "Issuer." The Issuer then issues limited recourse notes to the financing sources backed by such rights to repayment.

The outstanding balance of servicer advance receivables securing these arrangements is not likely to be repaid on or before the maturity date of such financing arrangements. Accordingly, we rely heavily on our financing sources to extend or refinance the terms of such financing arrangements. Our financing sources are not required to extend the arrangements upon the expiration of their stated terms, which subjects us to a number of risks. Financing sources electing to extend may charge higher interest rates and impose more onerous terms upon us, including without limitation, lowering the amount of financing that can be extended against any particular pool of servicer advances.

If a financing source is unable or unwilling to extend financing, including, but not limited to, due to legal or regulatory matters applicable to us or our Servicing Partners, the related Issuer will be required to repay the outstanding balance of the financing on the related maturity date. Additionally, there may be substantial increases in the interest rates under a financing arrangement if the related notes are not repaid, extended or refinanced prior to the expected repayment dated, which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the servicer advances pledged as collateral.

Currently, certain of the notes issued under our structured servicer advance financing arrangements accrue interest at a floating rate of interest. Servicer advance receivables are non-interest bearing assets. Accordingly, if there is an increase in prevailing interest rates and/or our financing sources increase the interest rate "margins" or "spreads," the amount of financing that we could obtain against any particular pool of servicer advances may decrease substantially and/or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements.

Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured servicer advance financing arrangements are currently with a limited number of counterparties. If any of our sources are unable to or elected not to extend or refinance such arrangements, we may not be able to find a replacement counterparty in a timely manner.

Many of our servicer advance financing arrangements are provided by financial institutions with whom we have substantial relationships. Some of our servicer advance financing arrangements entail the issuance of term notes to capital markets investors with whom we have little or no relationships or the identities of which we may not be aware and, therefore, we have no ability to control or monitor the identity of the holders of such term notes. Holders of such term notes may have or may take positions – for example, "short" positions in our stock or the stock of our servicers – that could be benefited by adverse events with respect to us or our Servicing Partners. If any holders of term notes allege or assert noncompliance by us or the related Servicing Partner under our servicer advance financing arrangements in order to realize such benefits, we or our Servicing Partners, or our ability to maintain servicer advance financing on favorable terms, could be materially and adversely affected.

We may not be able to finance our investments on attractive terms or at all, and financing for interests in MSRs or servicer advance receivables may be particularly difficult to obtain.

The ability to finance investments with securitizations or other long-term non-recourse financing not subject to margin requirements has been challenging as a result of market conditions. These conditions may result in having to use less efficient forms of financing for any new investments, or the refinancing of current investments, which will likely require a larger portion of our cash flows to be put toward making the investment and thereby reduce the amount of cash available for distribution to our stockholders and funds available for operations and investments and which will also likely require us to assume higher levels of risk when financing our investments. In addition, there is a limited market for financing of interests in MSRs, and it is possible that one will not develop for a variety of reasons, such as the challenges with perfecting security interests in the underlying collateral.

Certain of our advance facilities may mature in the short term and there can be no assurance that we will be able to renew these facilities on favorable terms or at all. Moreover, an increase in delinquencies with respect to the loans underlying our servicer advance receivables could result in the need for additional financing, which may not be available to us on favorable terms or at all. If we are not able to obtain adequate financing to purchase servicer advance receivables from our Servicing Partners or fund servicer advances under our MSRs in accordance with the applicable Servicing Guidelines, we or any such Servicing Partner, as applicable, could default on its obligation to fund such advances, which could result in its termination of us or any applicable Servicing Partner, as applicable, as servicer under the applicable Servicing Guidelines, and a partial or total loss of our interests in MSRs and servicer advances, as applicable.

The non-recourse long-term financing structures we use expose us to risks, which could result in losses to us.

We use structured finance and other non-recourse long-term financing for our investments to the extent available and appropriate. In such structures, our financing sources typically have only a claim against the assets included in the securitizations rather than a general claim against us as an entity. Prior to any such financing, we would seek to finance our investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short-term facilities or would not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would generally intend to retain a portion of the interests issued under such securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under certain of our financing facilities by the credit agency providing the ratings.

Certain of our financing facilities are rated by one rating agency and we may sponsor financing facilities in the future that are rated by credit agencies. The related agency or rating agencies may suspend rating notes backed by servicer advances, MSRs, Excess MSRs and our other investments at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, or amend or modify other financing facilities which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability.

A downgrade of certain of the notes issued under our financing facilities could cause such notes to become due and payable prior to their expected repayment date/maturity date, which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Representations and warranties made by us in our collateralized borrowings and loan sale agreements may subject us to liability.

Our financing facilities require us to make certain representations and warranties regarding the assets that collateralize the borrowings. Although we perform due diligence on the assets that we acquire, certain representations and warranties that we make in respect of such assets may ultimately be determined to be inaccurate. In addition, our loan sale agreements require us to make representations and warranties to the purchaser regarding the loans that were sold. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans' compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien.

In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us, the contractual expiration thereof, or seller's bankruptcy, liquidation, or termination of its affairs. A breach of a representation or warranty could adversely affect our results of operations and liquidity.

Risks Related to Our Taxation as a REIT

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis. Monitoring and managing our REIT compliance has become challenging due to the increased size and complexity of the assets in our portfolio, a meaningful portion of which are not qualifying REIT assets. There can be no assurance that our personnel responsible for doing so will be able to successfully monitor our compliance or maintain our REIT status.

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.

We intend to operate in a manner intended to qualify us as a REIT for U.S. federal income tax purposes. Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. See "—Risks Related to our Business—The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market," and "—Risks Related to the Financial Markets and Our Regulatory Environment—Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act." Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments (such as TBAs) may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the U.S. Internal Revenue Service ("IRS") will not contend that our investments violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and market price for, our stock. See also "—Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE."

Unless entitled to relief under certain provisions of the Internal Revenue Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT.

Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.

The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline.

If we were delisted as a result of losing our REIT status and desired to relist our shares on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE's listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE's listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our shares could not trade on the NYSE.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We enter into financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that, for purposes of the REIT asset and income tests, we should be treated as the owner of the assets that

are the subject of any such sale and repurchase agreement, notwithstanding that those agreements generally transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we might fail to qualify as a REIT.

The failure of our Excess MSRs to qualify as real estate assets or the income from our Excess MSRs to qualify as mortgage interest could adversely affect our ability to qualify as a REIT.

We have received from the IRS a private letter ruling substantially to the effect that our Excess MSRs represent interests in mortgages on real property and thus are qualifying "real estate assets" for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. The ruling is based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT.

Dividends payable by REITs do not qualify for the reduced tax rates available for some "qualified dividends."

Dividends payable to domestic stockholders that are individuals, trusts and estates are generally taxed at reduced tax rates applicable to "qualified dividends." Dividends payable by REITs, however, generally are not eligible for those reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non-REIT corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

Based on IRS guidance concerning the classification of Excess MSRs, we intend to treat our Excess MSRs as ownership interests in the interest payments made on the underlying residential mortgage loans, akin to an "interest only" strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each Excess MSR is treated as a bond that was issued with original issue discount on the date we acquired such Excess MSR. In general, we will be required to accrue original issue discount based on the constant yield to maturity of each Excess MSR and to treat such original issue discount as taxable income in accordance with the applicable U.S. federal income tax rules. The constant yield of an Excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the residential mortgage loans underlying the Excess MSR. If the residential mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the

Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize "phantom income" over the life of an Excess MSR.

Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSRs.

Under the Tax Cuts and Jobs Act ("TCJA") enacted in 2017, we generally are required to take certain amounts into income no later than the time such amounts are reflected on certain financial statements. The application of this rule may require the accrual of, among other categories of income, income with respect to certain debt instruments or mortgage-backed securities, such as original issue discount, earlier than would be the case under the general tax rules, although the precise application of this rule is unclear at this time.

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as "market discount" for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may acquire debt instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are "significant modifications" under the applicable U.S. Treasury regulations, the modified instrument will be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for U.S. federal tax purposes.

Finally, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income of an appropriate character in that later year or thereafter.

In any event, if our investments generate more taxable income than cash in any given year, we may have difficulty satisfying our annual REIT distribution requirement.

We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders.

As a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our net taxable income, subject to certain adjustments, although there can be no assurance that our operations will generate sufficient cash to make such distributions. Moreover, our ability to make distributions may be adversely affected by the risk factors described herein. See also "—Risks Related to our Stock—We have not established a minimum distribution payment level for our common stock, and we cannot assure you of our ability to pay distributions in the future."

The stock ownership limit imposed by the Internal Revenue Code for REITs and our certificate of incorporation may inhibit market activity in our stock and restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Stockholders are generally restricted from owning more than 9.8% by value or number of

shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of capital stock. Our board of directors may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if a REIT distributes less than 85% of its ordinary income and 95% of its capital gain net income plus any undistributed shortfall from the prior year (the “Required Distribution”) to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax on 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through TRSs. Such subsidiaries generally will be subject to corporate level income tax at regular rates and the payment of such taxes would reduce our return on the applicable investment. Currently, we hold significant portions of our investments and activities through TRSs, including Servicer Advance Investments, MSRs and origination and servicing activities, and we may contribute other non-qualifying investments, such as our investment in consumer loans, to a TRS in the future.

Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to a TRS.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forgo otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Our ability to acquire and hold MSRs, interests in consumer loans, Servicer Advance Investments and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

Complying with the REIT requirements may limit our ability to hedge effectively.

The existing REIT provisions of the Internal Revenue Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions).

As a result, we may have to limit our use of certain hedging techniques or implement those hedges through TRSs. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U.S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax. See also “—Risks Related to Our Business—Any hedging transactions that we enter into may limit our gains or result in losses.”

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT

ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;

- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; and
- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a real estate mortgage investment conduit ("REMIC"), a portion of the distributions paid to a tax exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of a securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income/gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT.

We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test. For a particular taxable year, we would treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75% gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency RMBS, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying Agency RMBS. Opinions of counsel are not binding on the IRS and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact-based representations and covenants made by our management regarding such TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

The tax on prohibited transactions will limit our ability to engage in transactions that would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a "prohibited transaction" is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or Excess MSRs in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held-for-sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain sales of loans or Excess MSRs at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held-for-sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% prohibited transaction tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to prevent prohibited transaction characterization.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.

The present U.S. federal income tax treatment of REITs and their shareholders may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our shares. The U.S. federal income tax rules, including those dealing with REITs, are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. For example, the current Administration has indicated that it intends to modify key aspects of the Internal Revenue Code, including by increasing corporate and individual tax rates. We cannot predict the impact, if any, of these proposed changes to our business or an investment in our stock.

Risks Related to Our Stock

There can be no assurance that the market for our stock will provide you with adequate liquidity.

Our common stock began trading on the NYSE in May 2013, and our preferred stock began trading on the NYSE in July 2019. There can be no assurance that an active trading market for our common and preferred stock will be sustained in the future, and the market price of our common and preferred stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- a shift in our investor base;
- our quarterly or annual earnings and cash flows, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions, dispositions or other transactions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- market performance of affiliates and other counterparties with whom we conduct business;
- the operating and stock price performance of other comparable companies;
- our failure to qualify as a REIT, maintain our exemption under the 1940 Act or satisfy the NYSE listing requirements;
- negative public perception of us, our competitors or industry;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common and preferred stock.

Sales or issuances of shares of our common stock could adversely affect the market price of our common stock.

Sales or issuances of substantial amounts of shares of our common stock, or the perception that such sales or issuances might occur, could adversely affect the market price of our common stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect

on the market price of our common stock. We have an effective registration statement on file to sell common stock or convertible securities in public offerings.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted to our directors, officers and employees who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. We have adopted a Nonqualified Stock Option and Incentive Award Plan, as amended (the "Plan"), which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our directors, officers, employees, service providers, consultants and advisors who perform services for us. We reserved 15 million shares of our common stock for issuance under the Plan. The term of the Plan expires in 2023. On the first day of each fiscal year beginning during the term of the Plan, that number will be increased by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year.

We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock.

We may in the future incur or issue debt or issue equity or equity-related securities. In the event of our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Our preferred stock has, and any additional preferred stock issued by us would likely have, a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

We have not established a minimum distribution payment level for our common stock, and we cannot assure you of our ability to pay distributions in the future.

We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including our actual and anticipated results of operations, liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our REIT taxable income, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, our operating expenses and other factors our directors deem relevant.

Although we have other sources of liquidity, such as sales of and repayments from our investments, potential debt financing sources and the issuance of equity securities, there can be no assurance that we will generate sufficient cash or achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future.

Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under "—Risks Related to our Taxation as a REIT—We may be unable to generate sufficient cash from operations to pay our operating expenses and to pay distributions to our stockholders"), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively and materially affect our business, results of operations, liquidity and financial condition as well as the market price of our common stock. No assurance can be given that we will make any distributions on shares of our common stock in the future.

We may in the future choose to make distributions in our own stock, in which case you could be required to pay income taxes in excess of any cash distributions you receive.

We may in the future make taxable distributions that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such distributions in excess of the cash distributions received. If a U.S. stockholder sells the stock that it receives as a distribution in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on distributions, it may put downward pressure on the market price of our common stock.

The IRS has issued guidance authorizing elective cash/stock dividends to be made by public REITs where a cap of at least 20% is placed on the amount of cash that may be paid as part of the dividend, provided that certain requirements are met. It is unclear whether and to what extent we would be able to or choose to pay taxable distributions in cash and stock. In addition, no assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock distributions, including on a retroactive basis, or assert that the requirements for such taxable cash/stock distributions have not been met.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease, as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our outstanding variable rate and future variable and fixed rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market price of our common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- provisions regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;
- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and
- a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

General Risks

Unfavorable global economic and political conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy, the global financial markets and the global political conditions. The U.S. and global economies are facing growing inflation, higher interest rates and potential recession. A weak or declining economy or political disruption, including any international trade disputes, could exacerbate supply chain constraints that could ultimately harm our business.

Cybersecurity incidents and technology disruptions or failures could damage our business operations and reputation, increase our costs and subject us to potential liability.

As our reliance on rapidly changing technology has increased, so have the risks that threaten the confidentiality, integrity or availability of our information systems, both internal and those provided to us by third-party service providers (including, but not limited to, our Servicing Partners). Cybersecurity incidents may involve gaining authorized or unauthorized access to our information systems for purposes of theft of certain personally identifiable information of consumers, misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. Disruptions and failures of our systems or those of our third-party vendors could result from these incidents or be caused by fire, power outages, natural disasters and other similar events and may interrupt or delay our ability to provide services to our customers, expose us to remedial costs and reputational damage, and otherwise adversely affect our operations. During the COVID-19 pandemic, a portion of our staff have worked remotely, which has caused us to rely heavily on virtual communication and may increase our exposure to cybersecurity risks.

Despite our efforts to ensure the integrity of our systems, there can be no assurance that any such cyber incidents will not occur or, if they do occur, that they will be adequately addressed. We also may not be able to anticipate or implement effective preventive measures against all security breaches, especially because the methods and sources of breaches change frequently or may not be immediately detected.

In addition, we are subject to various privacy and data protection laws and regulations, and any changes to laws or regulations, including new restrictions or requirements applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information. For example, the New York State Department of Financial Services requires certain financial services companies, such as NRM and Newrez, to establish a detailed cybersecurity program and comply with other requirements, and the CCPA creates new compliance regulations on businesses that collect information from California residents.

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, additional regulatory scrutiny, significant litigation exposure and harm to our reputation, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We depend on counterparties and vendors to provide certain services, which subjects us to various risks.

We have a number of counterparties and vendors, who provide us with financial, technology and other services that support our businesses. If our current counterparties and vendors were to stop providing services to us on acceptable terms, we may be unable to procure alternative services from other counterparties or vendors in a timely and efficient manner and on similarly

acceptable terms, or at all. With respect to vendors engaged to perform certain servicing activities, we are required to assess their compliance with various regulations and establish procedures to provide reasonable assurance that the vendor's activities comply in all material respects with such regulations. In the event that a vendor's activities are not in compliance, it could negatively impact our relationships with our regulators, as well as our business and operations. Accordingly, we may incur significant costs to resolve any such disruptions in service which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

We have engaged and may in the future engage in a number of acquisitions and we may be unable to successfully integrate the acquired assets and assumed liabilities in connection with such acquisitions.

As part of our business strategy, we regularly evaluate acquisitions of what we believe are complementary assets. Identifying and achieving the anticipated benefits of such acquisitions is subject to a number of uncertainties, including, without limitation, whether we are able to acquire the assets, within our parameters, integrate the acquired assets and manage the assumed liabilities efficiently. It is possible that the integration process could take longer than anticipated and could result in additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices and policies, any of which could adversely affect our ability to achieve the anticipated benefits of such acquisitions. There may be increased risk due to integrating the assets into our financial reporting and internal control systems. Difficulties in adding the assets into our business could also result in the loss of contract counterparties or other persons with whom we conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or such counterparties conduct business. We could also be adversely affected by any issues attributable to the related seller's operations that arise or are based on events or actions that occurred prior to the closing of such acquisitions. Completion of the integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized in their entirety or at all or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and cash flows. Due to the costs of engaging in a number of acquisitions, we may also have difficulty completing more acquisitions in the future.

We are subject to significant competition, and we may not compete successfully.

We are subject to significant competition in seeking investments. We compete with other companies, including other REITs, insurance companies and other investors, including funds and companies affiliated with our Former Manager. Some of our competitors have greater resources than we possess or have greater access to capital or various types of financing structures than are available to us and we may not be able to compete successfully for investments or provide attractive investment returns relative to our competitors. These competitors may be willing to accept lower returns on their investments and, as a result, our profit margins could be adversely affected. Furthermore, competition for investments that are suitable for us, including, but not limited to, interests in MSRs, may lead to decreased availability, higher market prices and decreased returns available from such investments, which may further limit our ability to generate our desired returns. We cannot assure you that other companies will not be formed that compete with us for investments or otherwise pursue investment strategies similar to ours or that we will be able to compete successfully against any such companies.

Our business could suffer if we fail to attract and retain management and other highly skilled personnel.

Our future success will depend on our ability to identify, hire, develop, motivate and retain highly qualified management and other personnel for all areas of the Company, in particular skilled managers, loan officers, underwriters, loan servicers, debt default specialists and other personnel specialized in finance, risk and compliance. Trained and experienced personnel are in high demand and may be in short supply in some areas. We may not be able to attract, develop and maintain an adequate skilled management and 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 have a material adverse effect on our business, financial condition, liquidity and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive and administrative offices are located in leased space at 799 Broadway, 8th Fl., New York, New York 10003. Rithm Capital does not own any real property.

ITEM 3. LEGAL PROCEEDINGS

We are or may become, from time to time, involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on our business, financial position or results of operations.

Rithm Capital is, from time to time, subject to inquiries by government entities. Rithm Capital currently does not believe any of these inquiries would result in a material adverse effect on Rithm Capital's business.

ITEM 4. MINE SAFETY DISCLOSURES

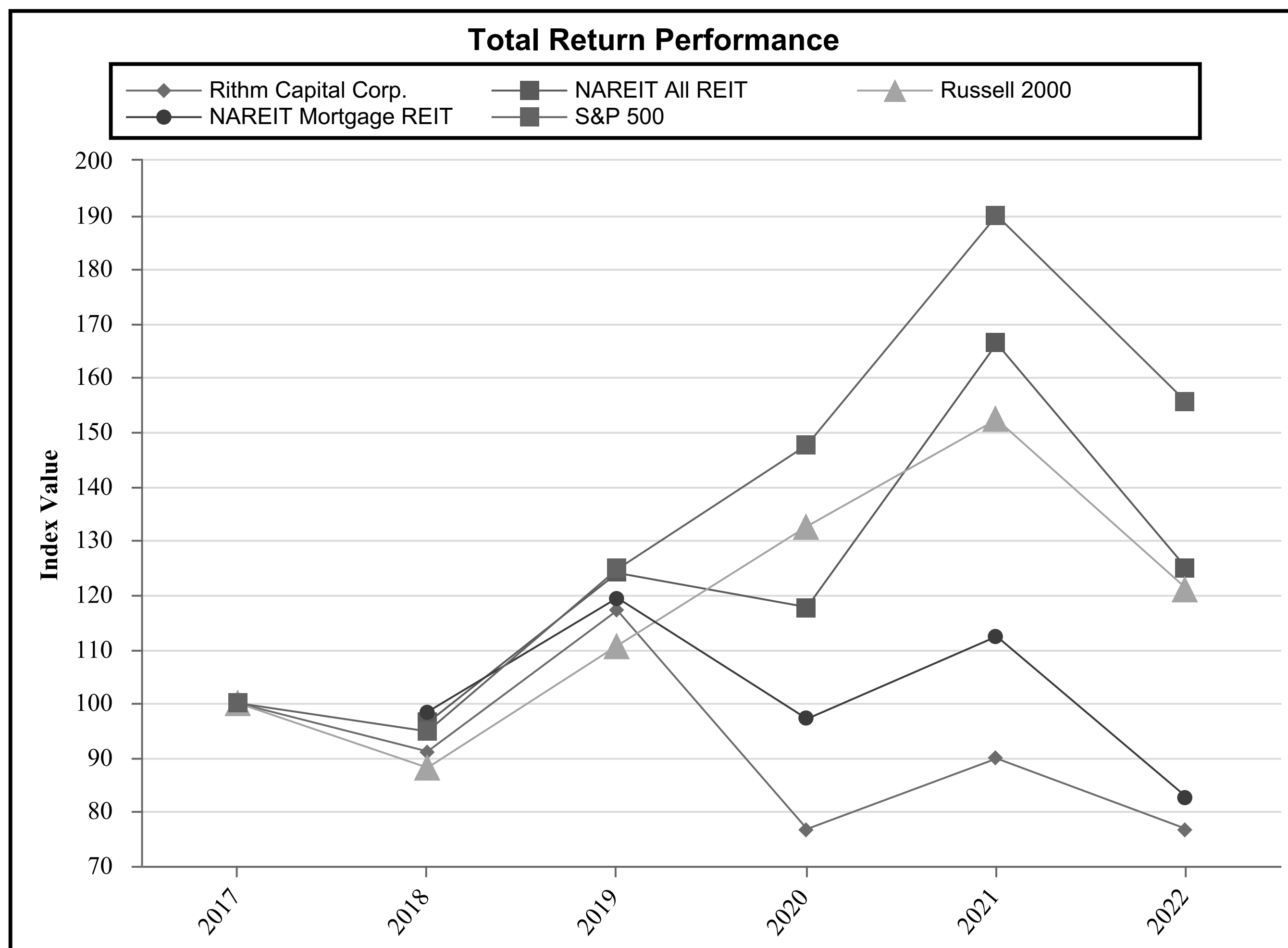
Not applicable.

PART II

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

We have one class of common stock, which is listed on the New York Stock Exchange (NYSE) under the symbol "RITM". As of February 10, 2023, there were 27 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

The following graph compares the cumulative total return for our common stock (stock price change plus reinvested dividends) with the comparable return of four indices: NAREIT All REIT, Russell 2000, NAREIT Mortgage REIT and S&P 500. The graph assumes an investment of $100 in our common stock and in each of the indices on December 31, 2017 through December 31, 2022. The past performance of our common stock is not an indication of future performance.



	Year Ended December 31,					
Index	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Rithm Capital Corp.	$ 100.0	$ 91.1	$ 117.1	$ 76.8	$ 89.8	$ 76.8
NAREIT All REIT	100.0	96.4	124.0	117.7	166.3	124.9
Russell 2000	100.0	88.1	110.6	132.6	152.3	121.1
NAREIT Mortgage REIT	100.0	98.4	119.4	97.1	112.3	82.7
S&P 500	100.0	94.8	124.7	147.6	189.9	155.5

See Note 22 to our Consolidated Financial Statements for further information regarding distributions on our common stock. We may declare quarterly distributions on our common stock. No assurance, however, can be given that any future distributions will be made or, if made, as to the amounts or timing of any future distributions as such distributions are subject to our earnings, financial condition, liquidity, capital requirements, REIT requirements and such other factors as our board of directors deems

relevant. In addition, such distributions may be subject to the receipt of sufficient funds from our servicer subsidiaries, NRM and Newrez, which are subject to regulatory restrictions on their ability to pay distributions.

Nonqualified Stock Option and Incentive Award Plan

On April 29, 2013, Rithm Capital's board of directors adopted the Plan, which was amended and restated as of November 4, 2014. The Plan is intended to facilitate the use of long-term equity-based awards and incentives for the benefit of the service providers to Rithm Capital and, prior to the Internalization, its Former Manager. All outstanding options granted under the Plan will be subject to the terms and conditions set forth in the agreements evidencing such options and the terms of the Plan. The maximum number of shares available for issuance in the aggregate over the ten-year term of the Plan is 15,000,000 shares.

Share Repurchase Program

For details regarding our share repurchase program, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Stockholders' Equity—Common Stock.

ITEM 6. [RESERVED]

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

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto, and with Part I, Item 1A, "Risk Factors."

Management's discussion and analysis of financial condition and results of operations is intended to allow readers to view our business from management's perspective by (i) providing material information relevant to an assessment of our financial condition and results of operations, including an evaluation of the amount and certainty of cash flows from operations and from outside sources, (ii) focusing the discussion on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be indicative of future operating results or future financial condition, including descriptions and amounts of matters that are reasonably likely, based on management's assessment, to have a material impact on future operations and (iii) discussing the financial statements and other statistical data management believes will enhance the reader's understanding of our financial condition, changes in financial condition, cash flows and results of operations.

This section generally discusses 2022 and 2021 items and year-to-year comparisons between 2022 and 2021. Discussions of 2021 items and year-to-year comparisons between 2021 and 2020 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

COMPANY OVERVIEW

Rithm Capital is an investment manager that operates a vertically integrated mortgage platform and invests in real estate and related opportunities. We are structured as an internally managed REIT for U.S. federal income tax purposes. We seek to generate long-term value for our investors by using our investment expertise to identify, manage and invest in real estate related assets, including operating companies, that offer attractive risk-adjusted returns. Our investment strategy also involves opportunistically pursuing acquisitions and seeking to establish strategic partnerships that we believe enable us to maximize the value of our investments by offering products and services to customers, servicers and other parties through the lifecycle of transactions that affect each mortgage loan and underlying residential property or collateral. For more information about our investment guidelines, see "—Investment Guidelines."

Our portfolio is currently composed of mortgage servicing rights, mortgage origination and servicing companies (including ancillary mortgage services businesses), residential mortgage-backed securities, single-family rental properties, mortgage loans, consumer loans and other opportunistic investments. We conduct our business through the following segments: Origination, Servicing, MSR Related Investments, Residential Securities, Properties and Loans, Consumer Loans and Mortgage Loans Receivable. Within our portfolio, we target complementary assets that generate stable long-term cash flows and employ conservative capital structures in an effort to generate returns across different interest rate environments. Our investment approach and capital allocation decisions combine a focus on asset selection, relative value, and risk management, taking into consideration available financing, and other relevant macroeconomic factors. In our efforts to identify and invest in target assets, we compete with banks, other REITs, non-bank mortgage lenders and servicers, private equity firms, alternative assets managers, hedge funds and other large financial services companies. In the face of this competition, the experience of members of our management team and dedicated investment professionals provide us with a competitive advantage when pursuing attractive investment opportunities.

Our investments in operating entities include our mortgage origination and servicing subsidiaries, Newrez and Caliber, and special servicing divisions, as well as investments in related businesses. Our residential mortgage origination business sources and originates loans through four distinct channels: Direct to Consumer, Retail, Wholesale and Correspondent. Our servicing platforms offer our subsidiaries and third-party clients performing and special servicing capabilities. Within our operating entities, we also have a title company called Avenue 365 and an appraisal company called eStreet. We also have investments in Guardian and non-controlling interest in, and partnerships with, Covius and other entities that provide services that support the mortgage and housing industries. Lastly, in 2021, we acquired Genesis, a provider of mortgage loans to developers of new construction, renovation and rental to hold projects. Our acquisition of Genesis has bolstered and complemented our existing business strategy.

We seek to protect book value and the value of our assets by actively managing and hedging our portfolio. Diversification of our overall portfolio, including our portfolio assets and operating entities, and a variety of hedging strategies help contribute to

book value stability. Both our portfolio composition (inclusive of long and short duration instruments and various operating businesses) and specific hedging instruments (including Agency MBS TBAs, interest rate swaps and others) are employed to mitigate book value volatility. We believe that the actions we have taken over the past number of years to diversify and grow our portfolio have allowed us to operate efficiently and perform dynamically across economic conditions.

We also seek to protect our assets and reduce the impact of prepayments on our MSRs and Excess MSR investments through own recapture efforts and agreements with our subservicers. Under our agreements with subservicers, Rithm Capital is generally entitled to the MSRs or a pro rata interest in the Excess MSRs on any initial or subsequent refinancing of loans relating to MSRs and Excess MSRs subserviced or serviced by PHH, LoanCare, Flagstar, Mr. Cooper, Valon, or SLS.

As of December 31, 2022, we had $32.5 billion in total assets and 5,763 employees, including those individuals employed by our operating entities.

We have elected to be treated as a REIT for U.S. federal income tax purposes. Rithm Capital became a publicly-traded entity on May 15, 2013.

INTERNALIZATION OF MANAGEMENT

On June 17, 2022, we entered into definitive agreements with the Former Manager to internalize our management function. As part of the termination of the existing Management Agreement, we agreed to pay $400.0 million (subject to certain adjustments) to the Former Manager. Following the Internalization, we no longer pay a management or incentive fee to the Former Manager.

In connection with the termination of the Management Agreement, we entered into a Transition Services Agreement with the Former Manager (the "Transition Services Agreement") in order to facilitate the transition of management functions and operations through the earliest to occur of (i) the date on which no remaining service is to be provided under the Transition Services Agreement or (ii) December 31, 2022. Under the Transition Services Agreement, the Former Manager provided (or caused to be provided), at cost, all of the services it was previously providing to us immediately prior to the Effective Date ("Transition Services"). The Former Manager ceased providing Transition Services as of December 31, 2022 in accordance with the Transition Services Agreement. The Transition Services primarily included information technology, legal, regulatory compliance, tax and accounting services. The Transition Services were provided for a fee intended to be equal to the Former Manager's cost of providing the Transition Services, including the allocated cost of, among other things, overhead, employee wages and compensation and actually incurred out-of-pocket expenses and were invoiced on a monthly basis. We incurred $4.9 million in costs for Transition Services for the year ended December 31, 2022 and these costs are reported in General and Administrative expense in the Consolidated Statements of Income.

BOOK VALUE PER COMMON SHARE

The following table summarizes the calculation of book value per common share:

$ in thousands except per share amounts	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Total equity	$ 7,010,068	$ 7,061,626	$ 7,062,998	$ 7,184,712	$ 6,669,380
Less: Preferred Stock Series A, B, C and D	1,257,254	1,258,667	1,258,667	1,258,667	1,262,481
Less: Noncontrolling interests of consolidated subsidiaries	67,067	71,055	69,171	62,078	65,348
Total equity attributable to common stock	$ 5,685,747	$ 5,731,904	$ 5,735,160	$ 5,863,967	$ 5,341,551
Common stock outstanding	473,715,100	473,715,100	466,856,753	466,786,526	466,758,266
Book value per common share	$ 12.00	$ 12.10	$ 12.28	$ 12.56	$ 11.44

Refer to Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" for interest rate risk and its impact on fair value.

MARKET CONSIDERATIONS

Summary

Economic data and indicators regarding the overall financial health and condition of the U.S. for 2022 were mixed. On one hand, the U.S. economy showed resilience in the face of persistent COVID-19 pandemic-related economic headwinds bolstered by the combination of a strong rebound in real gross domestic product ("GDP") in the second half of 2022 and tight labor markets, with the unemployment rate returning to the pre-COVID-19 pandemic and half-century low. In addition, widespread vaccination and less lethal strains of COVID-19 led to lower fatality rates, allowing the U.S. to move back toward normal economic activity. However, ongoing supply chain disruptions, the lingering effect of fiscal stimulus and the war in Ukraine caused inflation to surge to its highest level in 40 years. In response, the Federal Reserve tightened rates, triggering sharp selloffs in both fixed income and equity markets. With respect to the housing market, market corrections continued to accelerate in the second half of 2022 due to depressed demand from rapidly rising mortgage rates and elevated home prices.

Looking beyond 2022, while supply-chain disruptions have been easing, wage growth is beginning to slow. In addition, the U.S. and global economic growth continues to be threatened by the ongoing war in Ukraine, financial uncertainty in several major international economies, and renewed supply-chain disruptions due to resurgence of the COVID-19 pandemic in parts of Asia, all of which may lead to subpar growth or even a modest recession in 2023.

Labor Markets

The recovery of the U.S. labor market from the depths of the COVID-19 pandemic has been historic. In a little more than two years, the economy has recovered all jobs lost during the 2021 recession, and the unemployment rate remains near 50-year lows —as of December 31, 2022, the unemployment rate was 3.5%. Although the gap between labor supply and demand remains significant, there have been some signs of easing with the labor force participation rate trending higher and labor demand starting to soften toward the end of 2022. Even so, the demand for labor currently hovers near record highs.

Prices

In nearly every advanced economy, including in the U.S., inflation throughout 2022 rose to a level higher than historic averages, putting pressure on individuals, businesses and the stability of economies. Inflation has been primarily driven by supply being insufficient to meet demand and largely attributable to the aftereffects of the COVID-19 pandemic, including the ongoing supply chain issues which have created bottlenecks for specific goods. Additionally, the war in Ukraine has added ongoing upward pressure on energy and food costs.

Housing Market

Starting in the second quarter of 2022, the correction observed in housing markets became more pronounced throughout the remainder of the year as rising mortgage rates and elevated house prices significantly curtailed demand. Since the start of 2022, existing and new home sales have trended lower; existing home sales—which account for substantially all home sales— declined 17% year over year. Given falling sales, inventories of homes available for sale have risen from all-time lows.

Measured with a lag, house prices remain elevated after accelerating sharply over the past two years. Nonetheless, house prices have slowed during 2022 as demand has declined. The Case-Shiller national house price index—which measures sales prices of existing homes—was up 7.7% over the year ended in November 2022, slowing markedly from the 18.9% advance of the year through November 2021. Similarly, the FHFA house price index was up 8.2% over the year ended in November 2022, down from 17.0% pace during the previous year through November 2021. Meanwhile, new construction starts and permits for future starts weakened further in 2022. Single-family housing starts dropped 21.8% year over year. Single-family permits also were down, decreasing 29.9% compared to 2021.

The National Association of Home Builders' housing market index dropped to 31 in December 2022 on a preliminary basis, less than half the level of 84 at the end of 2021, suggesting that home builder sentiment has deteriorated sharply in the wake of higher mortgage rates and rising materials costs.

As of January 2023, the MBA estimated total U.S. origination volume for 2022 was $2.2 trillion, down from an estimated $4.4 trillion, or 49%, in 2021. Furthermore, 30% of 2022 activity was related to refinance volume, a decline from 58% in 2021. Looking forward, the MBA forecasts origination volumes to decline in 2023 to $1.9 trillion before increasing to $2.3 trillion in 2024. Furthermore, refinance activity for 2023 and 2024 is forecasted to be 24% and 28%, respectively. With respect to the purchase market, despite rising mortgage rates leading to a drop in refinances, the economy is expected to continue supporting an increase in home sales in 2023 largely driven by continued shortages of construction materials, buildable lots and other inputs. The MBA views 2023 as predominantly a purchase market.

The market conditions discussed above influence our investment strategy and results, many of which have been impacted since mid-March 2020 by the COVID-19 pandemic as well as the other events such as the war in Ukraine beginning in February of 2022.

The following table summarizes the annualized GDP growth rate:

	Three Months Ended				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Real GDP	2.9%[(A)]	3.2 %	(0.6)%	(1.6)%	6.9 %

(A) Annualized rate based on the advance estimate.

The following table summarizes the U.S. unemployment rate according to the U.S. Department of Labor:

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Unemployment rate	3.5 %	3.5 %	3.6 %	3.6 %	3.9 %

The following table summarizes the 10-year Treasury rate and the 30-year fixed mortgage rates:

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
10-year U.S. Treasury rate	3.9 %	3.8 %	3.0 %	2.3 %	1.5 %
30-year fixed mortgage rate	6.4 %	6.7 %	5.7 %	4.7 %	3.1 %

Since May 2022, in response to the inflationary pressures, the Federal Reserve has rapidly raised interest rates and indicated it anticipates further interest rate increases. Rising interest rates would result in increased interest expense on our outstanding variable rate and future variable and fixed rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions. In addition, in the event of a significant rising interest rate environment and/or economic downturn, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results. Additionally, higher interest rates on dividends paid on certain of our preferred stock that reset to floating rates would adversely affect our cash flows.

We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2022; however, uncertainty related to market volatility and inflationary pressures, the ultimate impact of the COVID-19 pandemic, as well as the geopolitical risks associated with the war in Ukraine will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of December 31, 2022 inherently less certain than they would be absent the current economic environment, potential impacts of the COVID-19 pandemic and the ongoing war in Ukraine. Actual results may materially differ from those estimates. Market volatility and inflationary pressures, the COVID-19 pandemic, and the war in Ukraine and their impact on the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our financial condition, results of operations, liquidity and ability to pay distributions.

CHANGES TO LIBOR

LIBOR is used extensively in the U.S. and globally as a “benchmark” or “reference rate” for various commercial and financial contracts, including corporate and municipal bonds and loans, floating rate mortgages, asset-backed securities, consumer loans, and interest rate swaps and other derivatives. It had been expected that a number of private-sector banks currently reporting information used to set LIBOR would stop doing so after 2021 when their current reporting commitment ends, which would either cause LIBOR to stop publication immediately or cause LIBOR’s regulator to determine that its quality has degraded to the degree that it is no longer representative of its underlying market. On March 5, 2021, Intercontinental Exchange Inc. (“ICE”) announced that ICE Benchmark Administration Limited, the administrator of LIBOR, intends to stop publication of the majority of USD-LIBOR tenors (overnight, 1-, 3-, 6-, and 12-month) on June 30, 2023. On January 1, 2022, ICE discontinued the publication of the 1-week and 2-month tenors of USD-LIBOR. In the U.S., the Alternative Reference Rates Committee (“ARRC”) has identified the SOFR as its preferred alternative rate for U.S. dollar-based LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. However, some market participants are still evaluating what convention of SOFR will be adopted for various types of financial instruments and securitization vehicles. For example, the mortgage and derivatives markets have adopted the daily compounded and paid in arrears SOFR convention. In contrast, GSEs, such as Fannie Mae and

Freddie Mac, have begun issuing adjustable rate mortgages and mortgage-backed securities indexed to the 30-, 90-, and 180-day Average SOFR rates published by the Federal Reserve Bank of New York as well as term SOFR rates in the future.

We have material contracts that are indexed to USD-LIBOR and are monitoring this activity, evaluating the related risks and our exposure, and adding alternative language to contracts, where necessary. Certain contracts, such as interest rate swaps, have an orderly market transition already in process. However, it is not possible to predict the effect of any of these developments, and any future initiatives to regulate, reform or change the manner of administration of LIBOR could result in adverse consequences to the rate of interest payable and receivable on, market value of and market liquidity for LIBOR-based financial instruments. We do not currently intend to amend our 7.50% Series A-, 7.125% Series B-, 6.375% Series C- Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock to change the existing USD-LIBOR cessation fallback language.

The Financial Accounting Standards Board has issued accounting guidance that provides optional expedients and exceptions to contracts, hedging relationships and other transactions impacted by LIBOR transition if certain criteria are met. The guidance can be applied as of January 1, 2020. In preparation for the phase-out of LIBOR, the Company has adopted and implemented the SOFR index for its Freddie Mac and Fannie Mae adjustable-rate mortgages. For debt facilities that do not mature prior to the phase-out of LIBOR, the Company adopted the allowable contract modification relief optional expedient and has begun amending terms to transition to an alternative benchmark. During the year ended December 31, 2022, new and renewed facilities began adopting the SOFR index, while other facilities early adopted and transitioned to the SOFR index.

OUR PORTFOLIO

Our portfolio, as of December 31, 2022, is composed of servicing and origination, including our subsidiary operating entities, residential securities and loans and other investments, as described in more detail below (dollars in thousands).

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
December 31, 2022										
Investments	$ 2,066,798	$ 7,304,637	$ 2,091,507	$ 11,462,942	$ 8,289,277	$ 2,248,591	$ 363,756	$ 2,064,028	$ —	$ 24,428,594
Cash and cash equivalents	163,452	440,739	276,690	880,881	381,456	361	605	52,441	20,764	1,336,508
Restricted cash	24,316	136,933	69,347	230,596	4,604	4,627	15,930	25,369	—	281,126
Other assets	224,705	2,204,127	3,000,911	5,429,743	248,283	324,119	29,375	170,129	146,260	6,347,909
Goodwill	11,836	12,540	5,092	29,468	—	—	—	55,731	—	85,199
Total assets	$ 2,491,107	$10,098,976	$ 5,443,547	$ 18,033,630	$ 8,923,620	$ 2,577,698	$ 409,666	$ 2,367,698	$ 167,024	$ 32,479,336
Debt	$ 1,909,030	$ 4,751,454	$ 3,272,945	$ 9,933,429	$ 7,430,463	$ 1,937,395	$ 299,498	$ 1,733,579	$ 567,371	$ 21,901,735
Other liabilities	214,148	2,081,536	35,052	2,330,736	776,785	272,484	1,176	25,818	160,534	3,567,533
Total liabilities	2,123,178	6,832,990	3,307,997	12,264,165	8,207,248	2,209,879	300,674	1,759,397	727,905	25,469,268
Total equity	367,929	3,265,986	2,135,550	5,769,465	716,372	367,819	108,992	608,301	(560,881)	7,010,068
Noncontrolling interests in equity of consolidated subsidiaries	12,437	—	12,193	24,630	—	—	42,437	—	—	67,067
Total Rithm Capital stockholders' equity	$ 355,492	$ 3,265,986	$ 2,123,357	$ 5,744,835	$ 716,372	$ 367,819	$ 66,555	$ 608,301	$ (560,881)	$ 6,943,001
Investments in equity method investees	$ —	$ —	$ 72,437	$ 72,437	$ —	$ —	$ —	$ —	$ —	$ 72,437

Operating Investments

Origination

Our origination business operates within our Mortgage Company. We have a multi-channel lending platform, offering purchase and refinance loan products. We originate loans through our Retail channel, provide refinance opportunities to eligible existing servicing customers through our Direct to Consumer channel, and purchase originated loans through our Wholesale and Correspondent channels. We originate or purchase residential mortgage loans conforming to the underwriting standards of the Agencies, government-insured residential mortgage loans which are insured by the FHA, VA and USDA, and Non-Agency and non-QM loans, through our SMART Loan Series. Our non-QM loan products provide a variety of options for highly qualified borrowers who fall outside the specific requirements of Agency residential mortgage loans.

We generate revenue through sales of residential mortgage loans, including, but not limited to, gain on residential loans originated and sold and the value of MSRs retained on transfer of the loans. Profit margins per loan vary by channel, with

correspondent typically being the lowest and DTC being the highest. We sell conforming loans to the GSEs and securitize Non-QM residential loans. We utilize warehouse financing to fund loans at origination through the sale date.

For the full year ended December 31, 2022, funded loan origination volume was $67.6 billion, down from $123.3 billion in the year prior, primarily attributable to a higher interest rate environment that drove decreases in origination volumes across all channels. Additionally, 70% of all funded production during 2022 was purchase origination, up from 42% for the prior year. Lastly, for the full year ended December 31, 2022, approximately 58.0% of funded production was Agency, 37.0% was Government, 1.0% was Non-QM and 3.0% was Non-Agency residential mortgage loans.

Gain on sale margins for the full year ended December 31, 2022 was 1.70%, 19 bps higher than 1.51% for the same period in 2021. During 2022, gain on sale margins continued to level off to more normal levels largely driven by weakening demand for loans amid excess industry capacity due to an escalating interest rate environment weighing on the residential real estate market.

Included in our Origination segment are the financial results of two services businesses, eStreet and Avenue 365. EStreet offers appraisal valuation services and Avenue 365 provides title insurance and settlement services to our Mortgage Company and third parties.

The tables below provide selected operating statistics for our Origination segment:

	Unpaid Principal Balance for the Year Ended December 31,				Increase (Decrease)	
(in millions)	2022	% of Total	2021	% of Total	Amount	%
Production by Channel						
Direct to Consumer	$ 8,263	12%	$ 25,182	20%	$ (16,919)	(67)%
Retail	19,037	28%	16,781	14%	2,256	13 %
Wholesale	11,000	16%	16,189	13%	(5,189)	(32)%
Correspondent	29,308	44%	65,137	53%	(35,829)	(55)%
Total Production by Channel	$ 67,608	100%	$ 123,289	100%	$ (55,681)	(45)%
Production by Product						
Agency	$ 38,937	58%	88,272	72%	(49,335)	(56)%
Government	24,810	37%	32,380	26%	(7,570)	(23)%
Non-QM	1,356	1%	603	1%	753	125 %
Non-Agency	1,902	3%	1,690	1%	212	13 %
Other	603	1%	344	—%	259	75 %
Total Production by Product	$ 67,608	100%	$ 123,289	100%	$ (55,681)	(45)%
% Purchase	70 %		42 %			
% Refinance	30 %		58 %			

	Year Ended December 31,		Increase (Decrease)	
(dollars in thousands)	2022	2021	Amount	%
Gain on originated residential mortgage loans, held-for-sale, net(A)(B)(C)(D)	$ 1,039,939	$ 1,704,363	$ (664,424)	(39.0)%
Pull through adjusted lock volume	$ 61,138,009	$ 112,644,932	$ (51,506,923)	(45.7)%
Gain on originated residential mortgage loans, as a percentage of pull through adjusted lock volume, by channel:				
Direct to Consumer	3.70 %	3.97 %		
Retail	3.29 %	3.66 %		
Wholesale	1.09 %	1.09 %		
Correspondent	0.31 %	0.28 %		
Total gain on originated residential mortgage loans, as a percentage of pull through adjusted lock volume	1.70 %	1.51 %		

(A) Includes realized gains on loan sales and related new MSR capitalization, changes in repurchase reserves, changes in fair value of IRLCs, changes in fair value of loans held for sale and economic hedging gains and losses.

(B) Includes loan origination fees of $0.6 billion and $2.3 billion for the year ended December 31, 2022 and 2021, respectively.

(C) Excludes $46.3 million and $122.5 million of Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net for the year ended December 31, 2022 and 2021, respectively, related to the MSR Related Investments, Servicing, and Residential Securities and Mortgage Loans segments, as well as intercompany eliminations (Note 9 to the Consolidated Financial Statements).

(D) Excludes mortgage servicing rights revenue on recaptured loan volume delivered back to NRM.

Servicing

Our servicing business operates through our SMS performing and special servicing divisions. The performing loan servicing division services performing Agency and government-insured loans. SMS services delinquent government-insured, Agency and Non-Agency loans on behalf of the owners of the underlying mortgage loans. We are highly experienced in loan servicing, including loan modifications, and seek to help borrowers avoid foreclosure. As of December 31, 2022, the performing loan

servicing division serviced $393.3 billion UPB of loans and the special servicing division serviced $110.3 billion UPB of loans, for a total servicing portfolio of $503.6 billion UPB, representing a 4.3% increase from December 31, 2021.

The table below provides the mix of our serviced assets portfolio between subserviced performing servicing on behalf of Rithm Capital or its subsidiaries (labeled as "Performing Servicing") and subserviced non-performing, or special servicing (labeled as "Special Servicing") for third parties and delinquent loans subserviced for other Rithm Capital subsidiaries for the periods presented.

	Unpaid Principal Balance as of December 31,		Increase (Decrease)	
(in millions)	2022	2021	Amount	%
Performing Servicing				
MSR Assets	$ 391,284	$ 376,218	$ 15,066	4.0 %
Residential Whole Loans	1,932	7,539	(5,607)	(74.4)%
Third Party	83	509	(426)	(83.7)%
Total Performing Servicing	393,299	384,266	9,033	2.4 %
Special Servicing				
MSR Assets	$ 10,613	$ 13,634	$ (3,021)	(22.2)%
Residential Whole Loans	6,698	6,558	140	2.1 %
Third Party	92,953	78,305	14,648	18.7 %
Total Special Servicing	110,264	98,497	11,767	11.9 %
Total Servicing Portfolio	$ 503,563	$ 482,763	$ 20,800	4.3 %
Agency Servicing				
MSR Assets	$ 276,555	$ 272,919	$ 3,636	1.3 %
Third Party	9,286	11,027	(1,741)	(15.8)%
Total Agency Servicing	285,841	283,946	1,895	0.7 %
Government Servicing				
MSR Assets	$ 120,733	$ 109,577	$ 11,156	10.2 %
Total Government Servicing	120,733	109,577	11,156	10.2 %
Non-Agency (Private Label) Servicing				
MSR Assets	$ 4,609	$ 7,356	$ (2,747)	(37.3)%
Residential Whole Loans	8,630	14,097	(5,467)	(38.8)%
Third Party	83,750	67,787	15,963	23.5 %
Total Non-Agency (Private Label) Servicing	96,989	89,240	7,749	8.7 %
Total Servicing Portfolio	$ 503,563	$ 482,763	$ 20,800	4.3 %

The table below summarizes base servicing fees and other fees for the periods presented:

(in thousands)	Year Ended December 31, 2022	2021	Increase (Decrease) Amount	%
Base Servicing Fees				
MSR Assets	$ 1,187,130	$ 731,924	$ 455,206	62.2 %
Residential Whole Loans	11,354	16,448	(5,094)	(31.0)%
Third Party	92,589	103,617	(11,028)	(10.6)%
Total Base Servicing Fees	1,291,073	851,989	439,084	51.5 %
Other Fees				
Incentive	63,213	85,789	(22,576)	(26.3)%
Ancillary	53,019	49,900	3,119	6.3 %
Boarding	6,301	9,720	(3,419)	(35.2)%
Other	18,341	28,490	(10,149)	(35.6)%
Total Other Fees(A)	140,874	173,899	(33,025)	(19.0)%
Total Servicing Fees	$ 1,431,947	$ 1,025,888	$ 406,059	39.6 %

(A) Includes other fees earned from third parties of $39.5 million and $54.9 million for the year ended December 31, 2022 and 2021, respectively.

MSR Related Investments

MSRs and MSR Financing Receivables

Our MSR related investments include MSRs, MSR finance receivables and Excess MSRs. An MSR provides a mortgage servicer with the right to service a pool of residential mortgage loans in exchange for a portion of the interest payments made on the underlying residential mortgage loans, plus ancillary income and custodial interest. An MSR is made up of two components: a basic fee and an excess MSR. The basic fee is the amount of compensation for the performance of servicing duties (including advance obligations), and the Excess MSR is the amount that exceeds the basic fee.

We finance our investments in MSRs and MSR Financing Receivables with short- and medium-term bank and public capital markets notes. These borrowings are primarily recourse debt and bear both fixed and variable interest rates offered by the counterparty for the term of the notes of a specified margin over LIBOR or SOFR. The capital markets notes are typically issued with a collateral coverage percentage, which is a quotient expressed as a percentage equal to the aggregate note amount divided by the market value of the underlying collateral. The market value of the underlying collateral is generally updated on a quarterly basis and if the collateral coverage percentage becomes greater than or equal to a collateral trigger, generally 90%, we may be required to add funds, pay down principal on the notes, or add additional collateral to bring the collateral coverage percentage below 90%. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday."

See Note 19 to our Consolidated Financial Statements for further information regarding financing of our MSRs and MSR Financing Receivables.

We have contracted with certain subservicers to perform the related servicing duties on the residential mortgage loans underlying our MSRs. As of December 31, 2022, these subservicers include PHH, Mr. Cooper, LoanCare, Valon and Flagstar, which subservice 9.2%, 8.0%, 6.0%, 2.0% and 0.3% of the underlying UPB of the related mortgages, respectively (includes both MSRs and MSR Financing Receivables). The remaining 74.5% of the underlying UPB of the related mortgages is serviced by our Mortgage Company.

We are generally obligated to fund all future servicer advances related to the underlying pools of mortgages on our MSRs and MSR Financing Receivables, as well as Servicer Advance Investments. Generally, we will advance funds when the borrower fails to meet contractual payments (e.g., principal, interest, property taxes, insurance). We will also advance funds to maintain and report foreclosed real estate properties on behalf of investors. Advances are recovered through claims to the related investor and subservicers. Per the servicing agreements, we are obligated to make certain advances on mortgages to be in compliance with applicable requirements. In certain instances, the subservicer is required to reimburse us for any advances that were deemed nonrecoverable or advances that were not made in accordance with the related servicing contract.

We finance our servicer advances with short- and medium-term collateralized borrowings. These borrowings are non-recourse committed facilities that are not subject to margin calls and bear both fixed and variable interest rates offered by the counterparty for the term of the notes, generally less than one year, of a specified margin over LIBOR or SOFR. See Note 19 to our Consolidated Financial Statements for further information regarding financing of our servicer advances.

The table below summarizes our MSRs and MSR Financing Receivables as of December 31, 2022.

(dollars in millions)	Current UPB	Weighted Average MSR (bps)	Carrying Value
Agency	$ 364,879.1	30	$ 6,022.3
Non-Agency	53,881.9	46	794.4
Ginnie Mae	121,136.3	41	2,072.7
Total	$ 539,897.3	34	$ 8,889.4

The following tables summarize the collateral characteristics of the loans underlying our investments in MSRs and MSR Financing Receivables as of December 31, 2022 (dollars in thousands):

	Collateral Characteristics											
	Current Carrying Amount	Current Principal Balance	Number of Loans	WA FICO Score(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage %(B)	Three Month Average CPR(C)	Three Month Average CRR(D)	Three Month Average CDR(E)	Three Month Average Recapture Rate
Agency	$ 6,022,266	$ 364,879,106	1,957,959	755	3.7 %	279	52	1.4 %	5.3 %	5.2 %	— %	4.2 %
Non-Agency	794,459	53,881,903	484,870	635	4.3 %	289	200	10.0 %	6.6 %	4.7 %	1.9 %	2.9 %
Ginnie Mae	2,072,678	121,136,315	520,997	694	3.4 %	329	28	0.6 %	4.6 %	4.5 %	— %	5.3 %
Total	$ 8,889,403	$ 539,897,324	2,963,826	729	3.7 %	291	61	2.1 %	5.2 %	5.0 %	0.2 %	4.3 %

	Collateral Characteristics			
	Delinquency 90+ Days(F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency	0.5 %	0.2 %	— %	0.1 %
Non-Agency	5.0 %	6.1 %	0.8 %	2.5 %
Ginnie Mae	2.1 %	0.5 %	— %	0.5 %
Weighted Average	1.3 %	0.9 %	0.1 %	0.4 %

(A) Based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score when loans are refinanced or become delinquent.
(B) Represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
(C) Represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
(D) Represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
(E) Represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.
(F) Represents the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 90 or more days.

Excess MSRs

The tables below summarize the terms of our Excess MSRs:

		MSR Component(A)			Excess MSR
Direct Excess MSRs	Current UPB (billions)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	Interest in Excess MSR (%)	Carrying Value (millions)
Total/Weighted Average	$ 48.2	32	18	32.5% – 100%	$ 249.4

(A) The MSR is a weighted average as of December 31, 2022, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

(B) Serviced by Mr. Cooper and SLS, we also invested in related Servicer Advance Investments, including the basic fee component of the related MSR (Note 7 to our Consolidated Financial Statements) on $17.0 billion UPB underlying these Excess MSRs.

Excess MSRs Through Equity Method Investees	Current UPB (billions)	MSR Component[A] Weighted Average MSR (bps)	MSR Component[A] Weighted Average Excess MSR (bps)	Rithm Capital Interest in Investee (%)	Investee Interest in Excess MSR (%)	Rithm Capital Effective Ownership (%)	Investee Carrying Value (millions)
Agency	$ 19.3	33	21	50.0 %	66.7 %	33.3 %	$ 135.4

(A) The MSR is a weighted average as of December 31, 2022, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

The following tables summarize the collateral characteristics of the loans underlying our direct Excess MSR investments as of December 31, 2022 (dollars in thousands):

	Collateral Characteristics										
	Current Carrying Amount	Current Principal Balance	Number of Loans	WA FICO Score[A]	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Three Month Average CPR[C]	Three Month Average CRR[D]	Three Month Average CDR[E]	Three Month Average Recapture Rate
Total/Weighted Average[I]	$ 249,366	$48,154.644	326,497	711	4.4 %	247	156	7.1 %	6.5 %	0.7 %	13.0 %

	Collateral Characteristics			
	Delinquency 90+ Days[F]	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Total/Weighted Average[G]	1.8 %	2.8 %	0.7 %	0.3 %

(A) Based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score when loans are refinanced or become delinquent.
(B) Represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
(C) Constant prepayment rate represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
(D) Voluntary prepayment rate represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
(E) Involuntary prepayment rate represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.
(F) Represents the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 90 or more days.
(G) Weighted averages exclude collateral information for which collateral data was not available as of the report date.

The following tables summarize the collateral characteristics as of December 31, 2022 of the loans underlying Excess MSR investments made through joint ventures accounted for as equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 66.7% interest in the Excess MSRs.

	Collateral Characteristics											
	Current Carrying Amount	Current Principal Balance	Rithm Capital Effective Ownership (%)	Number of Loans	WA FICO Score[A]	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Three Month Average CPR[C]	Three Month Average CRR[B]	Three Month Average CDR[E]	Three Month Average Recapture Rate
Total/Weighted Average	$135,356	$19,299,726	33.3 %	188,183	722	4.5 %	229	116	7.7 %	7.6 %	0.1 %	21.0 %

	Collateral Characteristics			
	Delinquency 90+ Days[F]	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency[G]	1.2 %	0.5 %	0.1 %	0.1 %

(A) Based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score on a monthly basis.
(B) Represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
(C) Constant prepayment rate represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.

(D) Voluntary prepayment rate represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
(E) Involuntary prepayment rate represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.
(F) Represents the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 90 or more days.
(G) Weighted averages exclude collateral information for which collateral data was not available as of the report date.

Servicer Advance Investments

Servicer advances are a customary feature of residential mortgage securitization transactions and represent one of the duties for which a servicer is compensated since the advances are non-interest bearing. Servicer advances are generally reimbursable payments made by a servicer (i) when the borrower fails to make scheduled payments due on a residential mortgage loan or (ii) to support the value of the collateral property. Servicer Advance Investments are associated with specified pools of residential mortgage loans in which we have contractually assumed the servicing advance obligation and include the related outstanding servicer advances, the requirement to purchase future servicer advances and the rights to the basic fee component of the related MSR. We have purchased Servicer Advance Investments on certain loan pools underlying our Excess MSRs.

The following tables summarize our Servicer Advance Investments, including the right to the basic fee component of the related MSRs (dollars in thousands):

	December 31, 2022				
	Amortized Cost Basis	Carrying Value[(A)]	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans
Mr. Cooper and SLS serviced pools	$ 392,749	$ 398,820	$ 17,033,753	$ 341,628	2.0 %

(A) Carrying value represents the fair value of the Servicer Advance Investments, including the basic fee component of the related MSRs.

The following summarizes additional information regarding our Servicer Advance Investments, and related financing, as of and for the year ended, December 31, 2022 (dollars in thousands):

	Weighted Average Discount Rate	Weighted Average Life (Years)[(C)]	Year Ended December 31, 2022	Face Amount of Secured Notes and Bonds Payable	Loan-to-Value ("LTV")[(A)]		Cost of Funds[(B)]	
			Change in Fair Value		Gross	Net[(D)]	Gross	Net
Servicer Advance Investments[(E)]	5.7 %	8.4	$ (9,950)	$ 319,276	90.2 %	88.3 %	6.5 %	5.9 %

(A) Based on outstanding servicer advances, excluding purchased but unsettled servicer advances.
(B) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
(C) Represents the weighted average expected timing of the receipt of expected net cash flows for this investment.
(D) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.
(E) The following types of advances are included in Servicer Advance Investments:

	December 31, 2022
Principal and interest advances	$ 66,892
Escrow advances (taxes and insurance advances)	155,438
Foreclosure advances	119,298
Total	$ 341,628

MSR Related Services Businesses

Our MSR related investments segment also includes the activity from several wholly-owned subsidiaries or minority investments in companies that perform various services in the mortgage and real estate industries. Our subsidiary Guardian is a national provider of field services and property management services. We also made a strategic minority investment in Covius, a provider of various technology-enabled services to the mortgage and real estate industries. As of December 31, 2022, our ownership interest in Covius is 18.1%.

Residential Securities and Loans

Real Estate Securities

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of December 31, 2022 (dollars in thousands):

				Gross Unrealized						
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Gains	Losses	Carrying Value(A)	Count	Weighted Average Life (Years)	3-Month CPR(B)	Outstanding Repurchase Agreements
Agency RMBS	$ 7,463,522	$ 7,290,473	100.0 %	$ 91,770	$ (43,826)	$ 7,338,417	36	8.6	1.3 %	$ 6,821,788

(A) Carrying value equals fair value.
(B) Represents the annualized rate of the prepayments during the quarter as a percentage of the total amortized cost basis.

The following table summarizes the net interest spread of our Agency RMBS portfolio for the year ended December 31, 2022:

	Net Interest Spread(A)
Weighted Average Asset Yield	4.98 %
Weighted Average Funding Cost	4.14 %
Net Interest Spread	0.84 %

(A) The Agency RMBS portfolio consists of 100.0% fixed rate securities (based on amortized cost basis). See table above for details on rate resets of the floating rate securities.

We largely employ our Agency RMBS position as a hedge to our MSR portfolio. Our Agency RMBS portfolio was $7.3 billion as of December 31, 2022 compared to $8.4 billion as of December 31, 2021. We finance our Agency RMBS with short-term borrowings under master repurchase agreements. These borrowings generally bear interest rates offered by the counterparty for the term of the proposed repurchase transaction (e.g., 30 days, 60 days, etc.) of a specified margin over one-month LIBOR. The repurchase agreements represent uncommitted financing. At December 31, 2022 and 2021, the Company pledged Agency RMBS with a carrying value of approximately $7.1 billion and $8.4 billion, respectively, as collateral for borrowings under repurchase agreements. To the extent available on desirable terms, we expect to continue to finance our acquisitions of Agency RMBS with repurchase agreement financing. See Note 19 to our Consolidated Financial Statements for further information regarding financing of our Agency RMBS.

Non-Agency RMBS

Within our Non-Agency RMBS portfolio, we retain and own risk retention bonds from our securitizations in conjunction with risk retention regulations under the Dodd-Frank Act. As of December 31, 2022, 57.4% of our Non-Agency RMBS portfolio was related to bonds retained pursuant to required risk retention regulations.

The following table summarizes our Non-Agency RMBS portfolio as of December 31, 2022 (dollars in thousands):

			Gross Unrealized			
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value(A)	Outstanding Repurchase Agreements
Non-Agency RMBS	$ 17,907,412	$ 947,346	$ 128,567	$ (125,053)	$ 950,860	$ 608,675

(A) Fair value, which is equal to carrying value for all securities.

The following tables summarize the characteristics of our Non-Agency RMBS portfolio and of the collateral underlying our Non-Agency RMBS as of December 31, 2022 (dollars in thousands):

	Non- Agency RMBS Characteristics								
	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Principal Subordination(A)	Excess Spread(B)	Weighted Average Life (Years)	Weighted Average Coupon(C)
Non-Agency RMBS	669	$ 17,906,380	$ 946,814	100.0 %	$ 949,805	22.7 %	0.2 %	7.1	3.0 %

	Collateral Characteristics				
	Average Loan Age (years)	Collateral Factor(D)	3-Month CPR(E)	Delinquency(F)	Cumulative Losses to Date
Non-Agency RMBS	10.9	0.6	6.6 %	2.7 %	0.7 %

(A) The percentage of amortized cost basis of securities and residual interests that is subordinate to our investments. This excludes interest-only bonds.
(B) The current amount of interest received on the underlying loans in excess of the interest paid on the securities, as a percentage of the outstanding collateral balance for the quarter ended December 31, 2022.
(C) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $16.6 million and $1.1 million, respectively, for which no coupon payment is expected.
(D) The ratio of original UPB of loans still outstanding.
(E) Three month average constant prepayment rate and default rates.
(F) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

The following table summarizes the net interest spread of our Non-Agency RMBS portfolio as of December 31, 2022:

Net Interest Spread(A)	
Weighted Average Asset Yield	4.28 %
Weighted Average Funding Cost	6.45 %
Net Interest Spread	(2.17)%

(A) The Non-Agency RMBS portfolio consists of 35.0% floating rate securities and 65.0% fixed rate securities (based on amortized cost basis).

We finance our Non-Agency RMBS with short-term borrowings under master repurchase agreements. These borrowings generally bear interest rates offered by the counterparty for the term of the proposed repurchase transaction (e.g., 30 days, 60 days, etc.) of a specified margin over one-month LIBOR. The repurchase agreements represent uncommitted financing. At December 31, 2022 and 2021, the Company pledged Non-Agency RMBS with a carrying value of approximately $946.2 million and $924.9 million, respectively, as collateral for borrowings under repurchase agreements. A portion of collateral for borrowings under repurchase agreements is subject to daily mark-to-market fluctuations and margin calls. In addition, a portion of collateral for borrowings under repurchase agreements is not subject to daily margin calls unless the collateral coverage percentage, a quotient expressed as a percentage equal to the current carrying value of outstanding debt divided by the market value of the underlying collateral, becomes greater than or equal to a collateral trigger. The difference between the collateral coverage percentage and the collateral trigger is referred to as a “margin holiday.” See Note 19 to our Consolidated Financial Statements for further information regarding financing of our Non-Agency RMBS.

Call Rights

We hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Mr. Cooper whereby, when the UPB of the underlying residential mortgage loans falls below a pre-determined threshold, we can effectively purchase the underlying residential mortgage loans at par, plus unreimbursed servicer advances, resulting in the repayment of all of the outstanding securitization financing at par, in exchange for a fee of 0.75% of UPB paid to Mr. Cooper at the time of exercise. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts master serviced by SLS for no fee, and also with respect to certain securitization trusts serviced or master serviced by Ocwen subject to a fee of 0.5% of UPB on loans that are current or thirty (30) days or less delinquent, paid to Ocwen at the time of exercise. The aggregate UPB of the underlying residential mortgage loans within these various securitization trusts is approximately $76.0 billion.

We continue to evaluate the call rights we acquired from each of our servicers, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. See “Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.” The actual UPB of the residential mortgage loans on which we can successfully exercise call rights and realize the benefits therefrom may differ materially from our initial assumptions.

We have exercised our call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, we sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, we received par on the

securities issued by the called trusts which we owned prior to such trusts' termination. Refer to Note 9 in our Consolidated Financial Statements for further details on these transactions.

Refer to Note 24 in our Consolidated Financial Statements for further details on these transactions for additional discussion regarding call rights and transactions with affiliates.

Residential Mortgage Loans

We have accumulated our residential mortgage loan portfolio through various bulk acquisitions and the execution of call rights. Additionally, through our Mortgage Company, we originate residential mortgage loans for sale and securitization to third parties and we generally retain the servicing rights on the underlying loans.

Loans are accounted for based on our strategy for the loan and on whether the loan was performing or non-performing at the date of acquisition. Acquired performing loans means that at the time of acquisition it is likely the borrower will continue making payments in accordance with contractual terms. Purchased non-performing loans means that at the time of acquisition the borrower will not likely make payments in accordance with contractual terms (i.e., credit-impaired). We account for loans based on the following categories:

- Loans held-for-investment, at fair value
- Loans held-for-sale, at lower of cost or fair value
- Loans held-for-sale, at fair value

As of December 31, 2022, we had approximately $4.0 billion outstanding face amount of residential mortgage loans. These investments were financed with secured financing agreements with an aggregate face amount of approximately $2.6 billion and secured notes and bonds payable with an aggregate face amount of approximately 0.8 billion.

The following table presents the total residential mortgage loans outstanding by loan type at December 31, 2022 (dollars in thousands).

	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)
Total residential mortgage loans, held-for-investment, at fair value(B)	$ 538,710	$ 452,519	9,612	8.5 %	4.3
Acquired performing loans(C)	85,049	72,425	2,249	8.5 %	5.2
Acquired non-performing loans(D)	32,798	28,602	448	7.8 %	3.0
Total residential mortgage loans, held-for-sale, at lower of cost or market	$ 117,847	$ 101,027	2,697	8.3 %	4.6
Acquired performing loans(C)(E)	947,910	890,131	4,474	5.7 %	19.2
Acquired non-performing loans(D)(E)	369,220	340,342	1,938	4.3 %	27.9
Originated loans	2,070,758	2,066,798	5,760	6.5 %	29.5
Total residential mortgage loans, held-for-sale, at fair value	$ 3,387,888	$ 3,297,271	12,172	6.0 %	26.4

(A) For loans classified as Level 3 in the fair value hierarchy, the weighted average life is based on the expected timing of the receipt of cash flows. For Level 2 loans, the weighted average life is based on the contractual term of the loan.
(B) Residential mortgage loans, held-for-investment, at fair value is grouped and presented as part of Residential Loans and Variable Interest Entity Consumer Loans, Held-for-Investment, at Fair Value on the Consolidated Balance Sheets.
(C) Performing loans are generally placed on nonaccrual status when principal or interest is 90 days or more past due.
(D) As of December 31, 2022, Rithm Capital has placed non-performing loans, held-for-sale on non-accrual status, except as described in (E) below.
(E) Includes $523.1 million and $299.2 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

We consider the delinquency status, LTV ratios, and geographic area of residential mortgage loans as our credit quality indicators.

We finance a significant portion of our residential mortgage loans with borrowings under repurchase agreements. These recourse borrowings bear variable interest rates offered by the counterparty for the term of the proposed repurchase transaction, generally less than one year, of a specified margin over the one-month LIBOR or SOFR. At December 31, 2022 and 2021, the Company pledged residential mortgage loans with a carrying value of approximately $3.0 billion and $11.0 billion, respectively, as collateral for borrowings under repurchase agreements. A portion of collateral for borrowings under repurchase agreements is subject to daily mark-to-market fluctuations and margin calls. A portion of collateral for borrowings under repurchase agreements is not subject to daily margin calls unless the collateral coverage percentage, a quotient expressed as a percentage equal to the current carrying value of outstanding debt divided by the market value of the underlying collateral, becomes greater than or equal to a collateral trigger. The difference between the collateral coverage percentage and the collateral trigger is referred to as a "margin holiday." See Note 19 to our Consolidated Financial Statements for further information regarding financing of our residential mortgage loans.

Other

Consumer Loans

The table below summarizes the collateral characteristics of the consumer loans, including those held in the Consumer Loan Companies and those acquired from the Consumer Loan Seller, as of December 31, 2022 (dollars in thousands):

	Collateral Characteristics								
	UPB	Number of Loans	Weighted Average Coupon	Adjustable Rate Loan %	Average Loan Age (months)	Average Expected Life (Years)	Delinquency 90+ Days(A)	12-Month CRR(B)	12-Month CDR(C)
Consumer loans, held-for-investment	$ 330,428	55,281	17.9 %	13.7 %	216	3.4	1.4 %	21.3 %	4.3 %

(A) Represents the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 90 or more days.

(B) Represents the annualized rate of the voluntary prepayments during the three months as a percentage of the total principal balance of the pool.

(C) Represents the annualized rate of the involuntary prepayments (defaults) during the three months as a percentage of the total principal balance of the pool.

We have financed our investments in consumer loans with securitized non-recourse long-term notes with a stated maturity date of May 2036. See Note 19 to our Consolidated Financial Statements for further information regarding financing of our consumer loans.

Single-Family Rental ("SFR") Portfolio

We continue to invest in and grow our SFR portfolio and strive to become a leader in the SFR industry by acquiring and maintaining a geographically diversified portfolio of high-quality single-family homes. As of December 31, 2022, our SFR portfolio consisted of approximately 3,761 units with an aggregate carrying value of $971.3 million, up from 2,551 units with an aggregate carrying value of $579.6 million as of December 31, 2021. During the years ended December 31, 2022 and 2021, we acquired approximately 1,226 and 2,294 SFR units, respectively.

The following table summarizes certain key SFR property metrics as of December 31, 2022 (dollars in thousands):

	Number of SFR Properties	% of Total SFR Properties	Net Book Value	% of Total Net Book Value	Average Gross Book Value per Property	% of Rented SFR Properties	Average Monthly Rent	Average Sq. Ft.
Alabama	96	2.6 %	$ 17,949	1.8 %	$ 187	79.2 %	$ 1,480	1,578
Arizona	154	4.1 %	60,262	6.2 %	391	87.6 %	2,000	1,543
Florida	843	22.4 %	225,414	23.2 %	267	91.1 %	1,868	1,448
Georgia	757	20.1 %	178,190	18.3 %	235	83.3 %	1,811	1,769
Indiana	120	3.2 %	26,280	2.7 %	219	90.0 %	1,597	1,625
Mississippi	127	3.4 %	22,473	2.3 %	177	92.0 %	1,582	1,652
Missouri	362	9.6 %	71,227	7.3 %	197	75.3 %	1,542	1,469
Nevada	109	2.9 %	35,863	3.7 %	329	97.2 %	1,842	1,456
North Carolina	445	11.8 %	128,835	13.3 %	290	84.1 %	1,740	1,543
Oklahoma	57	1.5 %	12,898	1.3 %	226	80.7 %	1,521	1,627
Tennessee	88	2.3 %	29,192	3.0 %	332	87.5 %	1,909	1,500
Texas	571	15.2 %	154,494	15.9 %	271	93.5 %	1,903	1,811
Other U.S.	32	0.9 %	8,236	1.0 %	257	86.8 %	1,733	1,585
Total/Weighted Average	3,761	100.0 %	$ 971,313	100.0 %	$ 258	87.0 %	$ 1,786	1,606

We primarily rely on the use of credit facilities, term loans, and mortgage-backed securitizations to finance purchases of SFR properties. See Note 19 to our Consolidated Financial Statements for further information regarding financing of our SFR properties.

Mortgage Loans Receivable

Through our wholly owned subsidiary Genesis, we specialize in originating and managing a portfolio of primarily short-term mortgage loans to fund single-family and multi-family real estate developers with construction, renovation and bridge loans.

Construction — Loans provided for ground-up construction, including mid-construction refinancing of ground-up construction, and the acquisition of such properties.

Renovation — Acquisition or refinance loans for properties requiring renovation, excluding ground-up construction.

Bridge — Loans for initial purchase, refinance of completed projects, or rental properties.

We currently finance construction, renovation and bridge loans using a warehouse credit facility and revolving securitization structures.

Properties securing our loans are typically secured by a mortgage or a first deed of trust lien on real estate. Depending on loan type, the size of each loan committed is based on a maximum loan value in accordance with our lending policy. For construction and renovation loans, we generally use loan-to-cost ("LTC") or loan-to-after-repair-value ("LTARV") ratio. For bridge loans, we use an LTV ratio. LTC and LTARV are measured by the total commitment amount of the loan at origination divided by the total estimated cost of a project or value of a property after renovations and improvements to a property. LTV is measured by the total commitment amount of the loan at origination divided by the "as-complete" appraisal.

At the time of origination, the difference between the initial outstanding principal and the total commitment is the amount held back for future release subject to property inspections, progress reports and other conditions in accordance with the loan documents. Loan ratios described above do not reflect interim activity such as construction draws or interest payments capitalized to loans, or partial repayments of the loan.

Each loan is typically backed by a corporate or personal guarantee to provide further credit support for the loan. The guarantee may be collaterally secured by a pledge of the guarantor's interest in the borrower or other real estate or assets owned by the guarantor.

Loan commitments at origination are typically interest only and bear a variable interest rate tied to either LIBOR or the SOFR plus a spread ranging from 3.8% to 10.0%, and have initial terms typically ranging from 6 to 120 months in duration based on the size of the project and expected timeline for completion of construction, which we often elect to extend for several months based on our evaluation of the project. As of December 31, 2022, the average commitment size of our loans was $1.7 million and the weighted average remaining term to contractual maturity of our loans was 8.8 months.

We typically receive loan origination fees, or "points" of up to 5.3% of the total commitment at origination which varies in amount based upon the term of the loan and the quality of the borrower and the underlying collateral. In addition, we charge fees on past due receivables and receive reimbursements from borrowers for costs associated with services provided by us, such as closing costs, collection costs on defaulted loans, and inspection fees. In addition to origination fees, we earn loan extension fees when maturing loans are renewed or extended and amendment fees when loan terms are modified, such as increases in interest reserves and construction holdbacks in line with our underwriting criteria or upon modification of a loan. Loans are generally only renewed or extended if the loan is not in default and satisfies our underwriting criteria, including our maximum LTV ratios of the appraised value as determined at the time of loan origination or based on an updated appraisal, if required. Loan origination and renewal fees are deferred and recognized in income over the contractual maturity of the underlying loan.

Typical borrowers include real estate investors and developers. Loan proceeds are used to fund the construction, development, investment, land acquisition and refinancing of residential properties and to a lesser extent mixed-use properties. We also make loans to fund the renovation and rehabilitation of residential properties. Our loans are generally structured with partial funding at closing and additional loan installments disbursed to the borrower upon satisfactory completion of previously agreed stages of construction.

A principal source of new loans has been repeat business from our customers and their referral of new business. Our retention originations typically have lower customer acquisition costs than originations to new customers, positively impacting our profit margins.

As of December 31, 2022, we have loans in 33 states with the majority of loans located in California.

The following table summarizes certain information related to our mortgage loans receivable activity as of and for the year ended December 31, 2022 (dollars in thousands):

Loans originated	$	2,411,183
Loans repaid[(A)]	$	1,406,936
Number of loans originated		1,723
Unpaid principal balance	$	2,064,028
Total commitment	$	2,887,828
Average total commitment	$	1,722
Weighted average contractual interest[(B)]		9.6 %

(A) Based on commitment.
(B) Excludes loan fees and based on commitment at funding.

The following table summarizes our total mortgage loans receivable portfolio by loan purpose as of December 31, 2022 (dollars in thousands):

	Number of Loans	%	Total Commitment	%	Weighted Average Committed Loan Balance to Value[(A)]
Construction	622	37.1 %	$ 1,738,396	60.2 %	76.8% / 65.6%
Bridge	701	41.8 %	840,264	29.1 %	75.3%
Renovation	354	21.1 %	309,168	10.7 %	78.0%/ 66.1%
Total	1,677	100.0 %	$ 2,887,828	100.0 %	N/A

(A) Weighted by commitment LTV for bridge loans and LTC or LTARV for construction and renovation loans.

The following table summarizes our total mortgage loans receivable portfolio by geographic location as of December 31, 2022 (dollars in thousands):

	Number of Loans	% of Total	Total Commitment	% of Total
California	682	40.7 %	$ 1,522,338	52.7 %
Washington	144	8.6 %	293,768	10.2 %
New York	41	2.4 %	170,744	5.9 %
Other U.S.	810	48.3 %	900,978	31.2 %
Total	1,677	100.0 %	$ 2,887,828	100.0 %

TAXES

We have elected to be treated as a REIT for U.S. federal income tax purposes. As a REIT we generally pay no federal or state and local income tax on assets that qualify under the REIT requirements if we distribute out at least 90% of the current taxable income generated from these assets.

We hold certain assets, including Servicer Advance Investments and MSRs, in taxable REIT subsidiaries ("TRSs") that are subject to federal, state and local income tax because these assets either do not qualify under the REIT requirements or the status of these assets is uncertain. We also operate our securitization program, servicing, origination, and service businesses through TRSs.

As our operating investments continue to grow and become a larger component of our total consolidated income, we anticipate income subject to tax will increase, along with a corresponding increase in tax expense and our consolidated effective tax rate.

As of December 31, 2022, we recorded a deferred tax liability of $711.9 million, primarily composed of deferred tax liabilities generated through the deferral of gains from loans sold by our origination business with servicing retained by us as well as deferred tax liabilities generated from changes in fair value of MSRs, loans, and swaps held within taxable entities.

For the year ended December 31, 2022, we recognized deferred tax expense (benefit) of $271.2 million primarily reflecting deferred tax expense generated from changes in the fair value of MSRs, loans, and swaps held within taxable entities as well as income in our servicing and origination business segments.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The Company's accounting policies are more fully described in Note 2 of the Consolidated Financial Statements. As disclosed in Note 2, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments.

The mortgage and financial industries are operating in a challenging and uncertain economic environment. Financial and real estate companies continue to be affected by, among other things, market volatility, rapidly rising interest rates and inflationary pressures. We believe the estimates and assumptions underlying our consolidated financial statements are reasonable and supportable based on the information available as of December 31, 2022; however, uncertainty related to market volatility and inflationary pressures, as well as the geopolitical risks associated with the war in Ukraine, will have on the global economy generally, and our business in particular, makes any estimates and assumptions as of December 31, 2022 inherently less certain than they would be absent the current economic environment and the ongoing war in Ukraine. Actual results may materially differ from those estimates. Market volatility and inflationary pressures and the war in Ukraine and their impact on the current financial, economic and capital markets environment, and future developments in these and other areas present uncertainty and risk with respect to our financial condition, results of operations, liquidity and ability to pay distributions.

MSRs and MSR Financing Receivables

Classification and valuation — An MSR can be created or acquired through a variety of means, including explicitly through a contract or implicitly through the origination and sale of a loan with servicing retained. As an approved owner of MSRs, we account for our MSRs as servicing assets or servicing liabilities as we have undertaken an obligation to service financial assets. We measure our MSRs at fair value at acquisition and elect to subsequently measure at fair value at each reporting date using the fair value measurement method. Our MSRs are categorized as Level 3 under the GAAP fair value hierarchy, as described in Note 20 to our Consolidated Financial Statements. The inputs used in the valuation of MSRs include prepayment rate, delinquency rate, mortgage servicing amount, discount rate, and estimated market level future costs to service. These inputs are primarily based on current market data obtained from servicers and other third parties, which may be adjusted based on our expectations for the future, and requires significant judgement. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not result in an amount that is indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value.

In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our MSRs. The independent valuation firm determines an estimated fair value range based on its own models. We compare the range provided by the independent valuation firm to the values generated by our internal models. To date, we have not made any significant valuation adjustments as a result of the values provided by the third-party valuation adjustments.

In certain cases, we have legally purchased MSRs or the right to the economic interest in MSRs, however, we determined that the respective purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSRs, we have recorded an investment in MSR financing receivables. Income from this investment (net of subservicing fees) is recorded as interest income and is grouped and presented as part of Servicing Revenue, Net in the Consolidated Statements of Income. Additionally, we elected to measure MSR Financing Receivables at fair value, with changes in fair value flowing through Servicing Revenue, Net in the Consolidated Statements of Income. In order to evaluate the reasonableness of our fair value determinations, similar to MSRs, we engage an independent valuation firm to separately measure the fair value of our MSR Financing Receivables.

Revenue and interest income recognition — We recognize income from investment in MSRs and MSR Financing Receivables as Servicing Revenue, Net which comprises (i) income from the MSRs, plus or minus (ii) the mark-to-market on the MSRs including change in fair value due to realization of cash flows.

Servicer Advance Investments

Classification and valuation — We have elected to account for the Servicer Advance Investments at fair value. Accordingly, we estimate the fair value of the Servicer Advance Investments at each financial reporting date and reflect changes in the fair value of the Servicer Advance Investments as gains or losses.

We categorize Servicer Advance Investments under Level 3 of the GAAP hierarchy because we use internal pricing models to estimate the future cash flows related to the Servicer Advance Investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our Servicer Advance Investments. The independent valuation firm determines an estimated fair value range based on its own models.

Our estimations of future cash flows include the combined cash flows of all of the components that comprise the Servicer Advance Investments: existing advances, the requirement to purchase future advances and the right to the basic fee component

of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the servicer advance balance declines, (ii) the duration of outstanding servicer advances, which we estimate is approximately nine months on average for an advance balance at a given point in time (not taking into account new advances made with respect to the pool), and (iii) the UPB of the underlying loans with respect to which we have the obligation to make advances and own the basic fee component.

Interest income and expense recognition — We recognize income from Servicer Advance Investments in the form of interest income. Interest income is calculated using the interest method, with adjustments to the yield applied based upon changes in actual or expected cash flows under the retrospective method. The servicer advances are not interest-bearing, but we accrete the effective rate of interest applied to the aggregate cash flows from the servicer advances and the basic fee component of the related MSR.

We remit to our servicers a portion of the basic fee component of the MSR related to our Servicer Advance Investments as compensation for acting as servicer, as described in more detail under "—Our Portfolio—Servicing Related Assets—Servicer Advances." Our interest income is recorded net of the servicing fees owed to our servicers.

Real Estate and Other Securities

Classification and valuation — Our securities portfolio primarily consists of Agency and Non-Agency RMBS. Agency RMBS are securities issued or guaranteed as to principal and/or interest by a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the U.S. Government, such as Ginnie Mae. Non-Agency RMBS are not issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae and are therefore subject to credit risk. RMBS investments are classified as either available-for-sale or accounted for under the fair value option. We determine the appropriate classification of our securities at the time they are acquired and evaluate the appropriateness of such classifications at each balance sheet date. If classified as available-for-sale, investments are carried at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income. If classified under the fair value option, changes in fair value are recorded in the Consolidated Statements of Income as a component of Change in Fair Value of Investments.

We generally categorize Agency RMBS under Level 2 and Non-Agency as Level 3 of the GAAP hierarchy. We estimate the fair value of the majority of our RMBS based upon broker quotations, counterparty quotations or pricing service quotations. Pricing services generally develop their pricing of RMBS based on transaction prices of recent trades for similar financial instruments, when available. When recent trades for similar financial instruments are not available, cash flow models or other pricing models are used. The significant inputs used in the valuation of our securities include the discount rate, prepayment rates, default rates and loss severities, as well as other variables.

The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not be indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value.

Impairment — We evaluate the cost basis of investments in securities not accounted for under the fair value option on at least a quarterly basis under ASC 326-30, *Financial Instruments-Credit Losses: Available-for-Sale Debt Securities*. When the fair value of a security is less than its amortized cost basis as of the balance sheet date, the security's cost basis is considered impaired. We must evaluate the decline in the fair value of the impaired security and determine whether such decline resulted from a credit loss or non-credit related factors. In our assessment of whether a credit loss exists, we compare the present value of estimated future cash flows of the impaired security with the amortized cost basis of such security. The estimated future cash flows reflect those that a "market participant" would use and typically include assumptions related to fluctuations in interest rates, prepayment speeds, default rates, collateral performance, and the timing and amount of projected credit losses, as well incorporating observations of current market developments and events. Cash flows are discounted at an interest rate equal to the current yield used to accrete interest income. If the present value of estimated future cash flows is less than the amortized cost basis of the security, an expected credit loss exists and is included in Other Income (Loss) in the Consolidated Statements of Income. If it is determined as of the financial reporting date that all or a portion of a security's cost basis is not collectible, then we will recognize a realized loss to the extent of the adjustment to the security's cost basis. This adjustment to the amortized cost basis of the security is reflected in Gain (Loss) on Settlement of Investments, Net in the Consolidated Statements of Income.

Interest income recognition — There are several different accounting models that may be applicable for purposes of the recognition of interest income on RMBS depending on whether the security is designated as available-for-sale or fair value option.

The following accounting models apply to RMBS classified as available-for-sale:

(i) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, we expect to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that we would not recover substantially all of our recorded investment.

(ii) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that we would not recover substantially all of our recorded investment.

For RMBS of high credit quality accounted for under (i) above, we recognize interest income by applying the permitted "interest method," whereby purchase premiums and discounts are amortized and accreted, respectively, as an adjustment to contractual interest income accrued at each security's stated coupon rate. The interest method is applied at the individual security level based upon each security's effective interest rate. We calculate each security's effective interest rate at the time of purchase by solving for the discount rate that equates the present value of that security's remaining contractual cash flows (assuming no principal prepayments) to its purchase price. Because each security's effective interest rate does not reflect an estimate of future prepayments, we refer to this manner of applying the interest method as the "contractual effective interest method." When applying the contractual effective interest method to its investments in RMBS, as principal prepayments occur, a proportional amount of the unamortized premium or discount is recognized in interest income such that the contractual effective interest rate on the remaining security balance is unaffected.

For Non-Agency RMBS accounted for under (ii) above, we recognize interest income by applying the required prospective level-yield methodology. Interest income under this methodology is impacted by management judgments around both the amount and timing of credit losses (defaults) and prepayments. Consequently, interest income on these Non-Agency RMBS is recognized based on the timing and amount of cash flows expected to be collected, as opposed to being based on contractual cash flows. These securities are generally purchased at a discount to the principal amount. At the original acquisition date, we estimate the timing and amount of cash flows expected to be collected and calculate the present value of those amounts to our purchase price. In each subsequent balance sheet date, we revise our estimates of the remaining timing and amount of cash flows expected to be collected. If there is a positive change in the amount and timing of future cash flows expected to be collected from the previous estimate, the effective interest rate in future accounting periods may increase resulting in an increase in the reported amount of interest income in future periods. A positive change in the amount and timing of future cash flows expected to be collected is considered to have occurred when the net present value of future cash flows expected to be collected has increased from the previous estimate. This can occur from a change in either the timing of when cash flows are expected to be collected (i.e., from changes in prepayment speeds or the timing of estimated defaults) or in the amount of cash flows expected to be collected (i.e., from reductions in estimates of future defaults). If there is a negative or adverse change in the amount and timing of future cash flows expected to be collected from the previous estimate, and the security's fair value is below its amortized cost, an impairment loss equal to the adverse change in cash flows expected to be collected, discounted using the security's effective rate before impairment, is required to be recorded in current period earnings. Additionally, while the effective interest rate used to accrete interest income after an impairment has been recognized will generally be the same, the amount of interest income recorded in future periods will decline because of the reduced balance of the amortized cost basis of the investment to which such effective interest rate is applied.

The following accounting models apply to RMBS accounted for under the fair value option:

(iii) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, we expect to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that we would not recover substantially all of our recorded investment.

(iv) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that we would not recover substantially all of our recorded investment.

Interest income on RMBS accounted for in (iii) above is recognized based on the stated coupon rate and the outstanding principal amount. The original purchase premium or discount is not amortized or accreted as part of interest income but rather reflected as part of the security's fair value.

Interest income on Non-Agency RMBS accounted for in (iv) above is recognized in accordance with the model described in (ii) above.

Residential Mortgage Loans

Classification and valuation — Loans are classified as (i) held-for-investment at fair value, (ii) held-for-sale at fair value or (iii) held-for-sale at lower of cost or fair value. Loans are also eligible to be accounted for under the fair value option which are recorded on the Consolidated Balance Sheets at fair value and the periodic changes in fair value is recorded as a component of Change in Fair Value of Investments in the Consolidated Statements of Income. When we have the intent and ability to hold loans for the foreseeable future or to maturity/payoff, such loans are classified as held for investment. When we have the intent to sell loans, such loans are classified as held for sale.

Our loans are generally categorized as Level 2 or 3 under the GAAP fair value hierarchy, as described in Note 20 to our Consolidated Financial Statements. The fair value of loans is affected by, among other things, changes in interest rates, credit performance, prepayments, and market liquidity. To the extent interest rates change or market liquidity and or credit conditions materially change, the value of these loans could decline, which could have a material effect on reported earnings.

For originated residential mortgage loans measured at fair value, the fair value is generally determined using a market approach by utilizing either (i) the fair value of securities backed by similar residential mortgage loans, adjusted for certain factors to approximate the fair value of a whole residential mortgage loan, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics.

For acquired residential mortgage loans measured at fair value, the fair value is generally determined by discounting the expected future cash flows using inputs such as default rates, prepayment speeds and discount rates.

For loans measured at the lower of cost or fair value, we account for any excess of cost over fair value as a valuation allowance and include changes in the valuation allowance in in the period in which the change occurs. Purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred discounts or premiums are an adjustment to the basis of the loan and are included in the quarterly determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Interest income recognition — Interest income on mortgage loans is accrued based on the unpaid principal balance and the contractual interest rate. Interest earned on mortgage loans are reported in Interest Income in the Consolidated Statements of Income. If it's probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the original contractual terms of the loan agreement, or if the loan becomes 90 days delinquent, the Company will reverse all prior accrued and unpaid interest on such mortgage loan. The Company will return loans to accrual status only when we reinstate the loan and there is no significant uncertainty as to collectability.

Impairment — Subsequent to the adoption of CECL on January 1, 2020, all residential mortgage loans are carried at fair value or the lower of cost or fair value. As a result, these loans are not subject to an allowance for credit losses under the CECL impairment model.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans, are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when principal or interest is 90 days or more past due unless the loan is both well secured and in the process of collection. Loans held-for-sale are subject to the nonaccrual policy. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan. Our ability to recognize interest income on nonaccrual loans as cash interest payments are received rather than as a reduction of the carrying value of the loans is based on the recorded loan balance being deemed fully collectible.

Business Combinations and Asset Acquisitions

When the assets acquired and liabilities assumed constitute a business, then the acquisition is a business combination. If substantially all of the fair value of the gross asset acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the asset is not considered a business. Business combinations are accounted for under the acquisition method. On acquisition, the identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. In instances where the cost of acquisition is lower than the fair values of the identifiable net assets acquired (i.e., bargain purchase), the difference is recognized in earnings in the period of acquisition. The consideration transferred for an acquisition is measured at fair value of the consideration given. Acquisition related costs are expensed as incurred. The results of operations of acquired businesses are included from the date of acquisition.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we will recognize a measurement-period adjustment during the period in which we determine the amount of the adjustment, including the effect on earnings of any amounts we would have recorded in previous periods if the accounting had been completed at the acquisition date.

Investment Consolidation

Variable interest entities ("VIEs") are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, and only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered are the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders, the relation of the equity holders to each other and a determination of the primary beneficiary in entities in which we have a variable interest. These analyses involve estimates, based on our assumptions, as well as judgments regarding significance and the design of entities.

For additional information on VIEs, see "Item 8. Consolidated Financial Statements—Note 21. Variable Interest Entities."

Income Taxes

We intend to operate in a manner that allows us to qualify for taxation as a REIT. As a result of our expected REIT qualification, we do not generally expect to pay U.S. federal or state and local corporate level taxes on income earned outside of our TRSs. Many of the REIT requirements, however, are highly technical and complex. If we were to fail to meet the REIT requirements, we would be subject to U.S. federal, state and local income and franchise taxes, and we would face a variety of adverse consequences. See "Risk Factors—Risks Related to Our Taxation as a REIT." Rithm Capital operates various business segments, including servicing, origination, and MSR related investments, through TRSs that are subject to regular corporate income taxes.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to our Consolidated Financial Statements.

Accounting Impact of Valuation Changes

Rithm Capital's assets fall into three general categories as disclosed in the table below. These categories are:

Marked to Market Assets ("MTM Assets") — Assets that are marked to market through the Consolidated Statements of Income. Changes in the value of these assets (i) are recorded in the Consolidated Statement of Income, as unrealized gains or losses that impact net income, and (ii) impact our Total Rithm Capital Stockholders' Equity (net book value).

Other Comprehensive Income Assets ("OCI Assets") — Assets that are marked to market through the Consolidated Statements of Comprehensive Income. Changes in the value of these assets (i) are recorded in the Consolidated Statements of Comprehensive Income as unrealized gains or losses, and therefore do not impact net income on the Consolidated Statement of Income, and (ii) impact our Total Rithm Capital Stockholders' Equity (net book value).

Cost Assets — Assets that are not marked to market. Changes in value of these assets do not impact net income in the Consolidated Statement of Income nor do they impact our Total Rithm Capital Stockholders' Equity (net book value).

An exception to these descriptions results from changes in value that represent impairment. Any such change (i) is recorded in the Consolidated Statements of Income, as impairment that impacts net income, and (ii) impacts our Total Rithm Capital Stockholders' Equity (net book value). In the case of Residential Mortgage Loans, Held-for-Sale, at Lower of Cost or Fair Value, any reductions in value are considered impairment. Impairment on loans and REO as well as securities subsequent to the adoption of CECL on January 1, 2020 is subject to reversal if values subsequently increase.

All of Rithm Capital's liabilities, with the exception of derivatives, residential mortgage loan repurchase liability, certain debt accounted for under the fair value option and contingent consideration liabilities (which are marked to market through the Consolidated Statements of Income), are recorded at their amortized cost basis.

The table below summarizes Rithm Capital's assets by category as of December 31, 2022:

MTM Assets	OCI Assets	Cost Assets
Real estate and other securities accounted for under the fair value option	Real estate and other securities, available-for-sale	Residential mortgage loans, held-for-sale, at lower of cost or fair value
Excess MSRs		Single-family rental properties
Excess MSRs, equity method investees		Real estate owned (REO)
MSRs and MSR financing receivables		Servicer advances receivable
Servicer advance investments		Trades receivable
Certain assets within Other assets, primarily derivatives and equity investments		Deferred taxes
Residential mortgage loans, held-for-sale at fair value		Other assets, except as described above
Residential mortgage loans, held-for-investment, at fair value		
Consumer loans		
Mortgage loans receivable		

RESULTS OF OPERATIONS

Factors Impacting Comparability of Our Results of Operations

Our net income is primarily generated from net interest income, servicing fee revenue less cost, and gain on sale of loans less cost to originate. Changes in various factors such as market interest rates, prepayment speeds, estimated future cash flows, servicing costs and credit quality could affect the amount of basis premium to be amortized or discount to be accreted into interest income for a given period. Prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be affected by credit losses in excess of initial anticipations or unanticipated credit events experienced by borrowers whose mortgage loans underlie the MSRs, mortgage loans receivable, or the non-Agency RMBS held in our investment portfolio.

During the year ended December 31, 2022, interest rates increased and remained elevated. Higher interest rates can decrease a borrower's ability or willingness to enter into mortgage transactions, including residential, business purpose, and commercial loans. Higher interest rates also increase our financing costs.

On June 17, 2022, we entered into definitive agreements with the Former Manager to internalize our management function. As part of the termination of the existing Management Agreement, we paid $400.0 million (subject to certain adjustments) to the Former Manager. Following the Internalization, we no longer pay a management or incentive fee to the Former Manager.

In the second half of 2021, we completed two acquisitions, Caliber Home Loans, Inc. and Genesis Capital, LLC. As a result of these acquisitions, year over year operating revenues and expenses increased.

Summary of Results of Operations

The following tables summarize the changes in our results of operations for the year ended December 31, 2022 compared to 2021 year-to-year (dollars in thousands). Our results of operations are not necessarily indicative of our future performance.

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Revenues				
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ 1,831,964	$ 1,559,554	$ 272,410	17.5 %
Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(631,120) and $(1,192,646), respectively)	732,750	(575,353)	1,308,103	(227.4)%
Servicing revenue, net	2,564,714	984,201	1,580,513	160.6 %
Interest income	1,075,981	810,896	265,085	32.7 %
Gain on originated residential mortgage loans, held-for-sale, net	1,086,232	1,826,909	(740,677)	(40.5)%
	4,726,927	3,622,006	1,104,921	30.5 %
Expenses				
Interest expense and warehouse line fees	791,001	497,308	293,693	59.1 %
General and administrative	875,428	864,028	11,400	1.3 %
Compensation and benefits	1,231,446	1,159,810	71,636	6.2 %
Management fee to affiliate	46,174	95,926	(49,752)	(51.9)%
Termination fee to affiliate	400,000	—	400,000	n/m
	3,344,049	2,617,072	726,977	27.8 %
Other income (loss)				
Change in fair value of investments, net	1,108,290	11,723	1,096,567	n/m
Gain (loss) on settlement of investments, net	(1,359,679)	(234,561)	(1,125,118)	479.7 %
Other income (loss), net	131,312	181,712	(50,400)	(27.7)%
	(120,077)	(41,126)	(78,951)	192.0 %
Income before income taxes	1,262,801	963,808	298,993	31.0 %
Income tax expense	279,516	158,226	121,290	76.7 %
Net income	$ 983,285	$ 805,582	$ 177,703	22.1 %
Noncontrolling interests in income of consolidated subsidiaries	28,766	33,356	(4,590)	(13.8)%
Dividends on preferred stock	89,726	66,744	22,982	34.4 %
Net income attributable to common stockholders	$ 864,793	$ 705,482	$ 159,311	22.6 %

Percentage changes in the table above deemed “n/m” are not meaningful.

Servicing Revenue, Net

Servicing Revenue, Net consists of the following:

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ 1,699,587	$ 1,446,509	$ 253,078	17.5 %
Ancillary and other fees	132,377	113,045	19,332	17.1 %
Servicing fee revenue and fees	1,831,964	1,559,554	272,410	17.5 %
Change in fair value due to:				
Realization of cash flows	(631,120)	(1,192,646)	561,526	(47.1)%
Change in valuation inputs and assumptions[(A)]	1,449,134	680,088	769,046	113.1 %
Change in fair value of derivative instruments	(11,316)	(30,481)	19,165	(62.9)%
(Gain) loss realized	5,093	2,410	2,683	111.3 %
Gain (loss) on settlement of derivative instruments	(79,041)	(34,724)	(44,317)	127.6 %
Servicing revenue, net	$ 2,564,714	$ 984,201	$ 1,580,513	160.6 %

(A) The following table summarizes the components of servicing revenue, net related to changes in valuation inputs and assumptions:

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Changes in interest rates and prepayment rates	$ 2,165,802	$ 544,706	$ 1,621,096	297.6 %
Changes in discount rates	(187,494)	113,305	(300,799)	(265.5)%
Changes in other factors	(529,174)	22,077	(551,251)	n/m
Change in valuation and assumptions	$ 1,449,134	$ 680,088	$ 769,046	113.1 %

Percentage changes in the table above deemed "n/m" are not meaningful.

The table below summarizes the unpaid principal balances of our MSRs and MSR Financing Receivables:

	Unpaid Principal Balance as of December 31,		Increase (Decrease)	
(dollars in millions)	2022	2021	Amount	%
GSE	$ 364,879	$ 374,816	$ (9,937)	(2.7)%
Non-Agency	53,882	63,851	(9,969)	(15.6)%
Ginnie Mae	121,136	109,946	11,190	10.2 %
Total	$ 539,897	$ 548,613	$ (8,716)	(1.6)%

The table below summarizes loan UPB by Performing Servicing and Special Servicing:

	Unpaid Principal Balance as of December 31,		Increase (Decrease)	
(dollars in millions)	2022	2021	Amount	%
Performing Servicing	$ 393,299	$ 384,266	$ 9,033	2.4 %
Special Servicing	110,264	98,497	11,767	11.9 %
Total Servicing Portfolio	$ 503,563	$ 482,763	$ 20,800	4.3 %

Servicing revenue, net increased $1.6 billion, primarily driven by (i) a $0.8 billion net increase in the fair value of our MSR portfolio attributable to favorable mark-to-market adjustments related to slower projected prepayment rates and higher estimated custodial earnings due to an increase in projected forward interest rates, partially offset by higher discount rates, and (ii) a $0.6 billion decrease in realization of cash flows as a result of slower prepayments. In addition, the higher average unpaid principal balance year-over-year drove (iii) a $0.3 billion increase in servicing fee revenue and fees.

As of December 31, 2022, the performing loan servicing division serviced $393.3 billion UPB of loans and the special servicing division serviced $110.3 billion UPB of loans, for a total servicing portfolio of $503.6 billion UPB, representing a 4.3% increase from December 31, 2021.

Interest Income

Interest income for the year ended December 31, 2022 increased $265.1 million primarily driven by higher interest rates during 2022, including higher float income earned on custodial accounts associated with our MSRs, and the inclusion of results from Caliber and Genesis for the full year 2022.

Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net

The following table provides information regarding Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net as a percentage of pull through adjusted lock volume, by channel:

	Year Ended December 31,	
	2022	2021
Direct to Consumer	3.70 %	3.97 %
Retail	3.29 %	3.66 %
Wholesale	1.09 %	1.09 %
Correspondent	0.31 %	0.28 %
	1.70 %	1.51 %

The following table summarizes funded loan production by channel:

	Unpaid Principal Balance for the Year Ended December 31,				Increase (Decrease)	
(in millions)	2022	% of Total	2021	% of Total	Amount	%
Production by Channel						
Direct to Consumer	$ 8,263	12%	$ 25,182	20%	$ (16,919)	(67.2)%
Retail	19,037	28%	16,781	14%	2,256	13.4 %
Wholesale	11,000	16%	16,189	13%	(5,189)	(32.1)%
Correspondent	29,308	44%	65,137	53%	(35,829)	(55.0)%
Total Production by Channel	$ 67,608	100%	$ 123,289	100%	$ (55,681)	(45.2)%

Gain on originated residential mortgage loans, held-for-sale, net decreased $740.7 million year over year, primarily driven by a reduction in the pull through adjusted lock volume attributable to an increase in interest rates during the year, partially offset by the inclusion of the Caliber acquisition for the full year 2022. For the year ended December 31, 2022, loan origination volume was $67.6 billion, down from $123.3 billion in the prior year.

During 2022, gain on sale margins continued to revert to historical levels largely driven by weakening demand for loans amid excess industry capacity due to an escalating interest rate environment weighing on the residential real estate market. Gain on sale margin for the year ended December 31, 2022 was 1.70%, 19 bps higher than 1.51% for the prior year. The higher gain on sale margin for 2022 was driven by channel mix—funded loan production in our higher margin Retail channel outpaced production in lower margin channels. 70% of all funded origination volume during 2022 was purchase origination, up from 42% in 2021.

Interest Expense and Warehouse Line Fees

Interest expense increased $293.7 million year over year, primarily attributable to the higher interest rates in 2022.

General and Administrative

General and Administrative expenses consists of the following:

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Legal and professional	$ 78,837	$ 102,114	$ (23,277)	(22.8)%
Loan origination	108,149	196,989	(88,840)	(45.1)%
Occupancy	116,526	70,616	45,910	65.0 %
Subservicing	162,972	224,138	(61,166)	(27.3)%
Loan servicing	11,759	16,440	(4,681)	(28.5)%
Property and maintenance	93,689	69,083	24,606	35.6 %
Other	303,496	184,648	118,848	64.4 %
Total general and administrative expenses	$ 875,428	$ 864,028	$ 11,400	1.3 %

General and administrative expenses increased $11.4 million year over year. Legal and professional fees decreased primarily due to lower deal costs incurred in 2022. Loan origination, subservicing fees, and loan servicing fees decreased due to lower loan production volume throughout 2022 commensurate with the increasing rate environment. The increase in occupancy expense reflects a full year of Caliber and Genesis expenses for 2022. Property and maintenance expenses increased due to continued growth at Guardian. Other expenses increased primarily due to higher information technology and marketing expenses due to a full year of Caliber and Genesis expenses, and higher single family rental property expenses driven by property purchases.

Compensation and Benefits

Compensation and benefits increased $71.6 million year over year, primarily due to the Caliber and Genesis acquisitions in the latter half of 2021, which initially added over 7,000 in headcount. Additionally, on June 17, 2022, we entered into definitive agreements with the Former Manager to internalize our management function. Following the Internalization, we no longer pay a management fee to the Former Manager and we have assumed compensation and benefit expenses directly. These increases were partially offset by a reduction in headcount primarily within our Origination segment commensurate with aligning our expense base to a lower production environment. Total headcount at December 31, 2022 was 5,763, down from 12,296 at December 31, 2021.

Management Fee to Affiliate

Management fee to affiliate decreased $49.8 million year over year due to the Internalization effective June 17, 2022. See Notes 1, 24 and 26 to our Consolidated Financial Statements for further information regarding the management fee to affiliate.

Termination Fee to Affiliate

The termination fee to affiliate of $400.0 million for the year ended December 31, 2022 relates to the Internalization effective June 17, 2022. See Notes 1, 24 and 26 to our Consolidated Financial Statements for further information regarding the termination fee to affiliate.

Other Income (Loss)

Other Income (Loss) consists of the following:

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Change in fair value of investments, net	$ 1,108,290	$ 11,723	$ 1,096,567	n/m
Gain (loss) on settlement of investments, net	(1,359,679)	(234,561)	(1,125,118)	479.7 %
Other income (loss), net	131,312	181,712	(50,400)	(27.7)%
	$ (120,077)	$ (41,126)	$ (78,951)	192.0 %

Percentage changes in the table above deemed “n/m” are not meaningful.

The following table summarizes the components of Other income (loss):

	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	%
Real estate and other securities	$ 235,591	$ (400,369)	$ 635,960	(159)%
Residential mortgage loans	(173,644)	155,758	(329,402)	(211.5)%
Derivative instruments	1,094,467	298,803	795,664	266.3 %
Other[(A)]	(48,124)	(42,469)	(5,655)	13.3 %
Change in fair value of investments, net	1,108,290	11,723	1,096,567	n/m
Sale of real estate securities	(1,735,009)	(89,811)	(1,645,198)	n/m
Sale of acquired residential mortgage loans	55,298	120,680	(65,382)	(54.2)%
Settlement of derivatives	374,464	(172,581)	547,045	(317.0)%
Liquidated residential mortgage loans	(42,639)	(5,946)	(36,693)	617.1 %
Sale of REO	(4,148)	(6,622)	2,474	(37.4)%
Extinguishment of debt	—	(1,485)	1,485	(100.0)%
Other	(7,645)	(78,796)	71,151	(90.3)%
Gain (loss) on settlement of investments, net	(1,359,679)	(234,561)	(1,125,118)	479.7 %
Unrealized gain (loss) on secured notes and bonds payable	45,792	12,991	32,801	252.5 %
Rental revenue	54,567	13,750	40,817	296.9 %
Property and maintenance revenue	132,432	104,797	27,635	26.4 %
(Provision) reversal for credit losses on securities	(7,345)	5,201	(12,546)	(241.2)%
Valuation and credit loss (provision) reversal on loans and real estate owned	(7,617)	42,543	(50,160)	(117.9)%
Other income (loss)	(86,517)	2,430	(88,947)	n/m
Other income (loss), net	131,312	181,712	(50,400)	(27.7)%
Total other income (loss)	$ (120,077)	$ (41,126)	$ (78,951)	192.0 %

Percentage changes in the table above deemed “n/m” are not meaningful.

(A) Includes excess MSRs, servicer advance investments, consumer loans, and other.

Change in fair value of investments, net, together with Gain (loss) on settlement of investments, net, reflects the net change in unrealized and net realized gains (losses) on our investment portfolio, including real estate and other securities, residential mortgage loans, and derivative instruments.

Total other income (loss) was $(120.1) million for the full year 2022 compared to $(41.1) million for the prior year. The increase in loss year over year was primarily driven by the sale of Agency RMBS in 2022, offset by the associated interest rate swaps utilized as economic hedges—we recognized net realized and unrealized losses on our Agency RMBS of $1.0 billion, offset by net realized and unrealized gains on our interest rate swaps and of $1.3 billion. Losses on our Agency RMBS and net realized and unrealized gains on our interest rate swaps were driven by higher interest rates and widening yield spreads in 2022.

The change in fair value of residential mortgage loans decreased $329.4 million, primarily attributable to increasing interest rates throughout 2022.

Unrealized gains on secured notes and bonds payable increased $32.8 million, primarily driven by favorable mark-to-market adjustments related to our consumer loans and mortgage loans receivable.

Rental revenue increased $40.8 million, driven by growth within our SFR business attributable to continued growth in acquired properties and occupancy rates.

Property and maintenance revenue increased $27.6 million, primarily due to continued growth in operations at Guardian.

Other income (loss), net includes a $78.6 million loss recognized during 2022 attributable to unfavorable mark-to-market adjustments related to our ancillary investments, primarily reflecting the write-off of our remaining interest in Covius.

Income Tax Expense (Benefit)

Income tax expense increased $121.3 million, primarily driven by current and deferred tax expense resulting from changes in the fair value of MSRs, loans, and swaps held within taxable entities as well as income generated by the origination and servicing segments.

Dividends on Preferred Stock

The following table summarizes preferred shares (amounts in thousands, except per share data):

	Number of Shares		Liquidation Preference		Dividends Declared per Share	
	December 31,				Year Ended December 31,	
Series	2022	2021	2022	2021	2022	2021
Series A, 7.50% issued July 2019	6,200	6,210	$ 155,002	$ 155,250	$ 1.88	$ 1.88
Series B, 7.125% issued August 2019	11,261	11,300	281,518	282,500	1.78	1.78
Series C, 6.375% issued February 2020	15,903	16,100	397,584	402,500	1.59	1.59
Series D, 7.00% issued September 2021	18,600	18,600	465,000	465,000	1.75	0.72
Total	51,964	52,210	$ 1,299,104	$ 1,305,250	$ 7.00	$ 5.97

Dividends on preferred stock increased $23.0 million, primarily driven by the Preferred Series D shares issued in September 2021.

Other Comprehensive Income

See "—Accumulated Other Comprehensive Income (Loss)" below.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, and other general business needs. Additionally, to maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT taxable income. We note that a portion of this requirement may be able to be met in future years through stock dividends, rather than cash, subject to limitations based on the value of our stock.

Our primary sources of funds are cash provided by operating activities (primarily income from loan origination and servicing), sales of and repayments from our investments, potential debt financing sources, including securitizations, and the issuance of equity securities, when feasible and appropriate.

Our primary uses of funds are the payment of interest, servicing and subservicing expenses, outstanding commitments (including margins and mortgage loan originations), other operating expenses, repayment of borrowings and hedge obligations, dividends and funding of future servicer advances. Total cash and cash equivalents at December 31, 2022 and 2021 was $1.3 billion.

Our ability to utilize funds generated by the MSRs held in our servicer subsidiaries, NRM, Newrez and Caliber, is subject to and limited by certain regulatory requirements, including maintaining liquidity, tangible net worth and ratio of capital to assets. Moreover, our ability to access and utilize cash generated from our regulated entities is an important part of our dividend paying ability. As of December 31, 2022, approximately $0.9 billion of our cash and cash equivalents was held at NRM, Newrez and Caliber, of which $0.7 billion was in excess of regulatory liquidity requirements. NRM, Newrez and Caliber are expected to maintain compliance with applicable net worth requirements throughout the year.

Currently, our primary sources of financing are secured financing agreements and secured notes and bonds payable, although we have pursued in the past and may also pursue in the future one or more other sources of financing such as securitizations and other secured and unsecured forms of borrowing. As of December 31, 2022, we had outstanding secured financing agreements with an aggregate face amount of approximately $11.3 billion to finance our investments. The financing of our entire RMBS portfolio, which generally has 30- to 90-day terms, is subject to margin calls. Under secured financing agreements, we sell a

security to a counterparty and concurrently agree to repurchase the same security at a later date for a higher specified price. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the financing. The price at which the security is sold generally represents the market value of the security less a discount or "haircut," which can range broadly. During the term of the secured financing agreement, the counterparty holds the security as collateral. If the agreement is subject to margin calls, the counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the agreement. If this value declines by more than a de minimis threshold, the counterparty could require us to post additional collateral (or "margin") in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that may be subject to margin calls based on the value of such instruments. In addition, $5.0 billion face amount of our MSR and Excess MSR financing is subject to mandatory monthly repayment to the extent that the outstanding balance exceeds the market value (as defined in the related agreement) of the financed asset multiplied by the contractual maximum LTV ratio. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls or related requirements resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates.

Our ability to obtain borrowings and to raise future equity capital is dependent on our ability to access borrowings and the capital markets on attractive terms. We continually monitor market conditions for financing opportunities and at any given time may be entering or pursuing one or more of the transactions described above. Our senior management team has extensive long-term relationships with investment banks, brokerage firms and commercial banks, which we believe enhance our ability to source and finance asset acquisitions on attractive terms and access borrowings and the capital markets at attractive levels.

Our ability to fund our operations, meet financial obligations and finance acquisitions may be impacted by our ability to secure and maintain our secured financing agreements, credit facilities and other financing arrangements. Because secured financing agreements and credit facilities are short-term commitments of capital, lender responses to market conditions may make it more difficult for us to renew or replace, on a continuous basis, our maturing short-term borrowings and have imposed, and may continue to impose, more onerous conditions when rolling such financings. If we are not able to renew our existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under our financing facilities or if we are required to post more collateral or face larger haircuts, we may have to curtail our asset acquisition activities and/or dispose of assets.

The use of TBA dollar roll transactions generally increases our funding diversification, expands our available pool of assets, and increases our overall liquidity position, as TBA contracts typically have lower implied haircuts relative to Agency RMBS pools funded with repo financing. TBA dollar roll transactions may also have a lower implied cost of funds than comparable repo funded transactions offering incremental return potential. However, if it were to become uneconomical to roll our TBA contracts into future months it may be necessary to take physical delivery of the underlying securities and fund those assets with cash or other financing sources, which could reduce our liquidity position.

If the regulatory capital requirements imposed on our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also have revised and may continue to revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, including haircuts and requiring additional collateral in the form of cash, based on, among other factors, the regulatory environment and their management of actual and perceived risk. Moreover, the amount of financing we receive under our secured financing agreements will be directly related to our lenders' valuation of our assets that cover the outstanding borrowings.

On August 17, 2022, the FHFA and Ginnie Mae released updated capital and liquidity standard for loan sellers and servicers. In regards to capital requirements, the updated standards require all loan sellers and servicers to maintain a minimum tangible net worth of $2.5 million plus 25 bps for Fannie Mae, Freddie Mac and private label servicing UPB plus 35 bps for Ginnie Mae servicing. This change aligns the existing Ginnie Mae capital requirement with the FHFA's. In addition, the definition of tangible net worth has been changed to remove deferred tax assets, though the tangible net worth to tangible asset ratio remained unchanged at 6% or greater. In regard to liquidity requirements, the updated standards require all non-depositories to maintain base liquidity of 3.5 bps of Fannie Mae, Freddie Mac and private label servicing UPB plus 10 bps for Ginnie Mae servicing. This change is an increase in required liquidity for the Ginnie Mae balances and aligns with the FHFA's. Furthermore, specific to FHFA, all non-banks will have to hold additional origination liquidity of 50 bps times loans held for sale plus pipeline loans. Large non-banks with greater than $50 billion UPB in servicing will have to hold an additional liquidity buffer of 2 bps on Fannie Mae and Freddie Mac servicing balances and 5 bps on Ginnie Mae servicing. Notwithstanding Ginnie Mae's risk-based capital requirement, the updated standards will become effective on September 30, 2023. Noncompliance with the capital and liquidity requirements can result in the FHFA and Ginnie Mae taking various remedial actions up to and including removing the Company's ability to sell loans to and service loans on behalf of the FHFA

and Ginnie Mae. Currently, Ginnie Mae's risk-based capital requirement is expected to go into effect on December 31, 2024. The FHFA's revised requirements is expected to increase our capital and liquidity requirement and lower our return on capital.

On June 17, 2022, we entered into definitive agreements with the Former Manager to internalize our management function. As part of the termination of the existing Management Agreement, we agreed to pay $400.0 million (subject to certain adjustments) to the Former Manager. Following the Internalization, we no longer pay a management or incentive fee to the Former Manager. Consequently, we have assumed general and administrative, and compensation and benefit expenses directly. We anticipate a savings in operating costs as a result of the Internalization.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act. The Inflation Reduction Act introduces a new 15% corporate minimum tax, based on adjusted financial statement income of certain large corporations. Applicable corporations would be allowed to claim a credit for the minimum tax paid against regular tax in future years. The corporate minimum tax is effective for tax years beginning after December 31, 2022. The Inflation Reduction Act also includes an excise tax that would impose a 1% surcharge on stock repurchases. This excise tax is effective on stock repurchases after December 31, 2022. While we continue to evaluate the impact of the Inflation Reduction Act on our consolidated financial statements, we currently do not expect a material impact on our results, financial position, or cash flows.

With respect to the next 12 months, we expect that our cash on hand combined with our cash flow provided by operations and our ability to roll our secured financing agreements and servicer advance financings will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, potential margin calls, mortgage loan origination and operating expenses. Our ability to roll over short-term borrowings is critical to our liquidity outlook. We have a significant amount of near-term maturities, which we expect to be able to refinance. If we cannot repay or refinance our debt on favorable terms, we will need to seek out other sources of liquidity. While it is inherently more difficult to forecast beyond the next 12 months, we currently expect to meet our long-term liquidity requirements through our cash on hand and, if needed, additional borrowings, proceeds received from secured financing agreements and other financings, proceeds from equity offerings and the liquidation or refinancing of our assets.

These short-term and long-term expectations are forward-looking and subject to a number of uncertainties and assumptions, including those described under "—Market Considerations" as well as "Risk Factors." If our assumptions about our liquidity prove to be incorrect, we could be subject to a shortfall in liquidity in the future, and such a shortfall may occur rapidly and with little or no notice, which could limit our ability to address the shortfall on a timely basis and could have a material adverse effect on our business.

Our cash flow provided by operations differs from our net income due to these primary factors (i) the difference between (a) accretion and amortization and unrealized gains and losses recorded with respect to our investments and (b) cash received therefrom, (ii) unrealized gains and losses on our derivatives, and recorded impairments, if any, (iii) deferred taxes, and (iv) principal cash flows related to held-for-sale loans, which are characterized as operating cash flows under GAAP.

Debt Obligations

The following table summarizes information regarding our debt obligations (dollars in thousands):

	December 31, 2022									December 31, 2021
						Collateral				
Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value[(A)]	Final Stated Maturity[(B)]	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)	Carrying Value[(A)]
Secured Financing Agreements[(C)]										
Repurchase Agreements:										
Warehouse Credit Facilities-Residential Mortgage Loans[(F)]	$ 2,603,833	$ 2,601,327	Feb-23 to Jan-25	5.9 %	0.8	$ 3,187,716	$ 3,114,791	$3,020,575	21.3	$ 10,138,297
Warehouse Credit Facility-Mortgage Loans Receivable[(G)]	1,220,662	1,220,662	Mar-23 to Dec-23	6.9 %	0.6	1,451,279	1,451,279	1,451,279	0.8	1,252,660
Agency RMBS[(D)]	6,821,788	6,821,788	Jan-23 to Feb-23	4.1 %	0.1	7,213,920	7,082,133	7,123,127	8.5	8,386,538
Non-Agency RMBS[(E)]	609,282	609,282	Jan-23 to Oct-27	6.5 %	1.1	14,824,678	946,631	946,197	7.1	656,874
SFR Properties[(E)]	4,677	4,677	Dec-24	7.1 %	2.0	N/A	7,765	7,765	NA	158,515
Total Secured Financing Agreements	11,260,242	11,257,736		5.0 %	0.4					20,592,884
Secured Notes and Bonds Payable										
Excess MSRs[(H)]	227,596	227,596	Aug-25	3.7 %	2.6	67,454,370	260,828	317,146	6.1	237,835
MSRs[(I)]	4,800,001	4,791,543	Mar-23 to Nov-27	6.1 %	2.4	532,218,484	6,811,636	8,833,825	6.9	4,234,771
Servicer Advance Investments[(J)]	319,276	318,445	Aug-23 to Mar-24	6.5 %	1.2	341,628	392,749	398,820	8.4	355,722
Servicer Advances[(J)]	2,364,757	2,361,259	Feb-23 to Nov-26	4.1 %	1.1	2,847,234	2,825,485	2,825,485	0.7	2,355,969
Residential Mortgage Loans[(K)]	770,897	769,988	May-24 to Jul-43	5.4 %	1.9	775,314	791,534	791,534	28.5	802,526
Consumer Loans[(L)]	330,772	299,498	Sep-37	2.1 %	3.3	330,397	343,947	363,725	3.5	458,580
SFR Properties	863,029	817,695	Mar-23 to Sep-27	3.6 %	3.8	N/A	963,547	963,547	N/A	199,407
Mortgage Loans Receivable	524,062	512,919	Jul 26 to Dec-26	5.4 %	3.8	569,486	569,486	569,486	0.6	—
Total Secured Notes and Bonds Payable	10,200,390	10,098,943		5.2 %	2.2					8,644,810
Total/Weighted Average	$ 21,460,632	$ 21,356,679		5.1 %	1.2					$ 29,237,694

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity through the date of issuance were refinanced, extended or repaid.

(C) Includes approximately $80.5 million of associated interest payable as of December 31, 2022.

(D) All fixed interest rates.

(E) All LIBOR or SOFR-based floating interest rates.

(F) Includes $278.6 million which bear interest at an average fixed interest rate of 5.1% with the remaining having LIBOR or SOFR-based floating interest rates.

(G) All LIBOR or SOFR-based floating interest rates.

(H) Includes $227.6 million of corporate loans which bear interest at a fixed interest rate of 3.7%.

(I) Includes $3.0 billion of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or SOFR, and (ii) a margin ranging from 2.5% to 3.3%; and $1.8 billion of capital market notes with fixed interest rates ranging 3.0% to 5.4%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and MSR Financing Receivables securing these notes.

(J) $1.2 billion face amount of the notes has a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.2% to 3.3%. Collateral includes Servicer Advance Investments, as well as servicer advances receivable related to the MSRs and MSR Financing Receivables owned by NRM.

(K) Represents (i) $20.9 million of SAFT 2013-1 mortgage-backed securities issued with fixed interest rate of 3.7% and (ii) $750.0 million securitization backed by a revolving warehouse facility to finance newly originated first-lien, fixed- and adjustable-rate residential mortgage loans which bears interest equal to one-month LIBOR plus 1.1%.

(L) Includes the SpringCastle debt, comprising the following classes of asset-backed notes held by third parties: $277.7 million UPB of Class A notes with a coupon of 2.0% and a stated maturity date in September 2037 and $53.0 million UPB of Class B notes with a coupon of 2.7% and a stated maturity date in September 2037 (collectively, “SCFT 2020-A”).

Certain of the debt obligations included above are obligations of our consolidated subsidiaries, which own the related collateral. In some cases, such collateral is not available to other creditors of ours.

We have margin exposure on $11.3 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, we may be required to post margin, which could significantly impact our liquidity.

The following tables provide additional information regarding our short-term borrowings (dollars in thousands):

	Outstanding Balance at December 31, 2022	Year Ended December 31, 2022		
		Average Daily Amount Outstanding(A)	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
Secured Financing Agreements				
Agency RMBS	$ 6,821,788	$ 8,375,629	$ 13,403,573	1.7 %
Non-Agency RMBS	609,282	629,973	1,029,016	4.1 %
Residential mortgage loans	2,193,864	4,876,095	11,699,794	3.3 %
Secured Notes and Bonds Payable				
MSRs	742,000	779,137	1,147,000	4.9 %
Servicer advances	1,390,196	1,135,011	1,987,002	2.5 %
SFR properties	133,790	146,152	177,494	2.8 %
Total/Weighted Average	$ 11,890,920	$ 15,941,997	$ 29,443,879	2.4 %

(A) Represents the average for the period the debt was outstanding.

	Average Daily Amount Outstanding(A)			
	Three Months Ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Secured Financing Agreements				
Agency RMBS	$ 8,408,051	$ 8,200,636	$ 7,886,950	$ 9,015,478
Non-Agency RMBS	615,830	613,057	266,365	646,092
Residential mortgage loans	1,726,716	3,610,003	5,274,925	7,481,741

	Average Daily Amount Outstanding(A)			
	Three Months Ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Secured Financing Agreements				
Agency RMBS	$ 8,789,698	$ 10,098,123	$ 15,169,877	$ 13,833,811
Non-Agency RMBS	711,931	715,802	724,014	806,260
Residential mortgage loans	8,497,137	4,879,365	4,622,809	4,552,293
Real estate owned	5,609	9,923	19,294	2,282

(A) Represents the average for the period the debt was outstanding.

Corporate Debt

On September 16, 2020, we, as borrower, completed a private offering of $550.0 million aggregate principal amount of 6.250% senior unsecured notes due 2020 (the "2025 Senior Notes"). Interest on the 2025 Senior Notes accrue at the rate of 6.250% per annum with interest payable semi-annually in arrears on each April 15 and October 15, commencing on April 15, 2021. Net proceeds from the offering were approximately $544.5 million, after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by us.

The 2025 Senior Notes mature on October 15, 2025 and we may redeem some or all of the 2025 Senior Notes at our option, at any time from time to time, on or after October 15, 2022 at a price equal to the following fixed redemption prices (expressed as a percentage of principal amount of the 2025 Senior Notes to be redeemed):

Year	Price
2022	103.125%
2023	101.563%
2024 and thereafter	100.000%

Prior to October 15, 2022, we were entitled at our option on one or more occasions to redeem the 2025 Senior Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the 2025 Senior Notes originally issued prior to the applicable redemption date at a fixed redemption price of 106.250%.

We may from time to time seek to repurchase our outstanding 2025 Senior Notes, through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

For additional information on our debt activities, see Note 19 to our Consolidated Financial Statements.

Repurchase Agreements

Rithm Capital has outstanding repurchase agreements with terms that generally conform to the terms of the standard master repurchase agreement published by the Securities Industry and Financial Markets Association as to repayment, margin requirements and segregation of all securities sold under any repurchase transactions. In addition, each counterparty typically requires additional terms and conditions to the standard master repurchase agreement, including changes to the margin maintenance requirements, required haircuts, purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default provisions. These provisions may differ by counterparty and are not determined until Rithm Capital engages in a specific repurchase transaction.

Servicer Advance Notes Payable (the "Servicer Advance Notes")

Following their revolving period, principal will be paid on the Servicer Advance Notes to the extent of available funds and in accordance with the priorities of payments set forth in the related transaction documents. The following table sets forth information regarding these revolving periods as of December 31, 2022 (dollars in thousands):

Servicer Advance Note Amount	Revolving Period Ends[(A)]
$ 605,352	August 2023
600,000	September 2023
1,065,293	March 2024
4,168	July 2024
$ 2,274,813	

(A) On the earlier of this date or the occurrence of an early amortization event or a target amortization event.

Upon the occurrence of an early amortization event or a target amortization event, there is either an interest rate increase on the Servicer Advance Notes, a rapid amortization of the Servicer Advance Notes or an acceleration of principal repayment, or all of the foregoing.

The early amortization and target amortization events under the Servicer Advance Notes include (i) the occurrence of an event of default under the transaction documents, (ii) failure to satisfy an interest coverage test, (iii) the occurrence of any servicer default or termination event for pooling and servicing agreements representing 15% or more (by mortgage loan balance as of the date of termination) of all the pooling and servicing agreements related to the purchased basic fee subject to certain exceptions, (iv) failure to satisfy a collateral performance test measuring the ratio of collected advance reimbursements to the balance of advances, (v) for certain Servicer Advance Notes, failure to satisfy minimum tangible net worth requirements for the applicable servicer, the Buyer or Rithm Capital, (vi) for certain Servicer Advance Notes, failure to satisfy minimum liquidity requirements for the applicable servicer and the Buyer, (vii) for certain Servicer Advance Notes, failure to satisfy leverage tests for the applicable servicer, the Buyer or Rithm Capital, (viii) for certain Servicer Advance Notes, a change of control of the Buyer or Rithm Capital, (ix) for certain Servicer Advance Notes, a change of control of the applicable servicer, (x) for certain Servicer Advance Notes, the failure of the applicable servicer to maintain minimum servicer ratings, (xi) for certain Servicer Advance Notes, certain judgments against the Buyer or certain other subsidiaries of Rithm Capital in excess of certain thresholds, (xii) for certain Servicer Advance Notes, payment default under, or an acceleration of, other debt of the Buyer or certain other subsidiaries of Rithm Capital, (xiii) failure to deliver certain reports, and (xiv) material breaches of any of the transaction documents.

Certain of the Servicer Advance Notes accrue interest based on a floating rate of interest. Servicer advances and deferred servicing fees are non-interest bearing assets. The interest obligations in respect of certain of the Servicer Advance Notes are

not supported by any interest rate hedging instrument or arrangement. If the applicable index rate for purposes of determining the interest rates on the Servicer Advance Notes rises, there may not be sufficient collections on the servicer advances and deferred servicing fees and a target amortization event or an event of default could occur in respect of certain Servicer Advance Notes. This could result in a partial or total loss on our investment.

Maturities

Our debt obligations as of December 31, 2022, as summarized in Note 19 to our Consolidated Financial Statements, had contractual maturities as follows (in thousands):

Year Ending	Nonrecourse[(A)]	Recourse[(B)]	Total
2023	$ 1,359,547	$ 11,464,276	$ 12,823,823
2024	2,143,523	1,865,962	4,009,485
2025	—	2,017,629	2,017,629
2026	—	1,798,784	1,798,784
2027 and thereafter	1,080,910	280,000	1,360,910
	$ 4,583,980	$ 17,426,651	$ 22,010,631

(A) Includes secured notes and bonds payable of $4.6 billion.
(B) Includes Secured Financing Agreements and Secured Notes and Bonds Payable of $11.2 billion and $6.2 billion, respectively.

The weighted average differences between the fair value of the assets and the face amount of available financing for the Agency RMBS repurchase agreements (including amounts related to receivables for investments sold) and Non-Agency RMBS repurchase agreements were 4.2% and 35.6%, respectively, and for residential mortgage loans and SFR were 13.8% and 39.8%, respectively, during the year ended December 31, 2022.

Borrowing Capacity

The following table summarizes our borrowing capacity as of December 31, 2022 (in thousands):

Debt Obligations / Collateral	Borrowing Capacity	Balance Outstanding	Available Financing[(A)]
Secured Financing Agreements			
Residential mortgage loans and REO	$ 4,284,838	$ 1,978,037	$ 2,306,801
Loan origination	12,461,331	1,851,134	10,610,197
Secured Notes and Bonds Payable			
Excess MSRs	286,380	227,596	58,784
MSRs	5,806,207	4,800,001	1,006,207
Servicer advances	3,245,669	2,684,033	561,636
Residential mortgage loans	290,714	224,504	66,210
	$ 26,375,139	$ 11,765,305	$ 14,609,835

(A) Although available financing is uncommitted, our unused borrowing capacity is available to us if we have additional eligible collateral to pledge and meet other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate.

Covenants

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in our equity or failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. Additionally, with the expected phase out of LIBOR, we expect the calculated rate on certain debt obligations will be changed to another published reference standard before the planned cessation of LIBOR quotations in 2023. However, we do not anticipate this change having a significant effect on the terms and conditions, ability to access credit, or on our financial condition. We were in compliance with all of our debt covenants as of December 31, 2022.

Stockholders' Equity

Preferred Stock

Pursuant to our certificate of incorporation, we are authorized to designate and issue up to 100.0 million shares of preferred stock, par value of $0.01 per share, in one or more classes or series.

The following table summarizes our preferred shares:

	Number of Shares		Liquidation Preference(A)				Dividends Declared per Share		
	December 31,						Year Ended December 31,		
Series	2022	2021	2022	2021	Issuance Discount	Carrying Value(B)	2022	2021	2020
Series A, 7.50% issued July 2019(C)	6,200	6,210	$ 155,002	$ 155,250	3.15 %	$ 149,822	$ 1.88	$ 1.88	$ 1.88
Series B, 7.125% issued August 2019(C)	11,261	11,300	281,518	282,500	3.15 %	272,654	1.78	1.78	1.78
Series C, 6.375% issued February 2020(C)	15,903	16,100	397,584	402,500	3.15 %	385,289	1.59	1.59	1.60
Series D, 7.00% issued September 2021(D)	18,600	18,600	465,000	465,000	3.15 %	449,489	1.75	0.72	—
Total	51,964	52,210	$1,299,104	$1,305,250		$1,257,254	$ 7.00	$ 5.97	$ 5.26

(A) Each series has a liquidation preference of $25.00 per share.
(B) Carrying value reflects par value less discount and issuance costs.
(C) Fixed-to-floating rate cumulative redeemable preferred.
(D) Fixed-rate reset cumulative redeemable preferred.

Our Series A, Series B, Series C and Series D rank senior to all classes or series of our common stock and to all other equity securities issued by us that expressly indicate are subordinated to the Series A, Series B, Series C and Series D with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up. Our Series A, Series B, Series C, and Series D have no stated maturity, are not subject to any sinking fund or mandatory redemption and rank on parity with each other. Under certain circumstances upon a change of control, our Series A, Series B, Series C and Series D are convertible to shares of our common stock.

From and including the date of original issue, July 2, 2019, August 15, 2019, February 14, 2020, and September 17, 2021 but excluding August 15, 2024, August 15, 2024, February 15, 2025, and November 15, 2026, holders of shares of our Series A, Series B, Series C and Series D are entitled to receive cumulative cash dividends at a rate of 7.50%, 7.125%, 6.375%, and 7.00% per annum of the $25.00 liquidation preference per share (equivalent to $1.875, $1.781, $1.594, and $1.750 per annum per share), respectively, and from and including August 15, 2024, August 15, 2024 and February 15, 2025, at a floating rate per annum equal to the three-month LIBOR plus a spread of 5.802%, 5.640%, and 4.969% per annum, for our Series A, Series B and Series C, respectively. Holders of shares of our Series D, from and including November 15, 2026, are entitled to receive cumulative cash dividends based on the five-year treasury rate plus a spread of 6.223%. Dividends for the Series A, Series B, Series C and Series D are payable quarterly in arrears on or about the 15th day of each February, May, August and November.

The Series A and Series B will not be redeemable before August 15, 2024, the Series C will not be redeemable before February 15, 2025, and the Series D will not be redeemable before November 15, 2026, except under certain limited circumstances intended to preserve our qualification as a REIT for U.S. federal income tax purposes and except upon the occurrence of a Change of Control (as defined in the Certificate of Designations). On or after August 15, 2024 for the Series A and Series B, February 15, 2025 for the Series C and November 15, 2026 for the Series D, we may, at our option, upon not less than 30 nor more than 60 days' written notice, redeem the Series A, Series B, Series C, and Series D in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date, without interest.

We may from time to time seek to repurchase our outstanding preferred stock, through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Additionally, with the expected phase out of LIBOR in 2023, we do not currently intend to amend our any of our 7.50% Series A-, 7.125% Series B- or 6.375% Series C- Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock to change the existing USD-LIBOR cessation fallback language. Consequently, higher interest rates on dividends paid on our preferred stock that reset to floating rates would adversely affect our cash flows.

Common Stock

Our certificate of incorporation authorizes 2.0 billion shares of common stock, par value $0.01 per share.

On April 14, 2021, we priced our underwritten public offering of 45,000,000 shares of its common stock at a public offering price of $10.10 per share. In connection with the offering, we granted the underwriters an option for a period of 30 days to purchase up to an additional 6,750,000 shares of common stock at a price of $10.10 per share. On April 16, 2021, the underwriters exercised their option, in part, to purchase an additional 6,725,000 shares of common stock. The offering closed on April 19, 2021. To compensate the Former Manager for its successful efforts in raising capital for us, we granted options to the Former Manager relating to 5.2 million shares of Rithm Capital's common stock at $10.10 per share. We used the net proceeds of approximately $512.0 million from the offering, along with cash on hand and other sources of liquidity, to finance the Caliber acquisition (see Note 3 to our Consolidated Financial Statements).

On September 14, 2021, we priced our underwritten public offering of 17,000,000 of our 7.00% fixed-rate reset series D cumulative redeemable preferred stock, par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $449.5 million. The offering closed on September 17, 2021. In connection with the offering, we granted the underwriters an option for a period of 30 days to purchase up to an additional 2,550,000 shares of preferred stock at a price of $24.2125 per share. On September 22, 2021, the underwriters exercised their option, in part, to purchase an additional 1,600,000 shares of preferred stock. To compensate the Former Manager for its successful efforts in raising capital for us, we granted options to the Former Manager relating to approximately 1.9 million shares of our common stock at $10.89 per share.

On August 5, 2022, we entered into a Distribution Agreement to sell shares of our common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). No share issuances were made during the year ended December 31, 2022.

In December 2022, in order to continue the existing share repurchase program, which was set to expire on December 31, 2022, our board of directors authorized the repurchase of up to $200.0 million of our common stock and $100.0 million of our preferred stock through December 31, 2023. Repurchases may be made at any time and from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Exchange Act, by means of one or more tender offers, or otherwise, in each case, as permitted by securities laws and other legal and contractual requirements. The amount and timing of the purchases will depend on a number of factors including the price and availability of our shares, trading volume, capital availability, our performance and general economic and market conditions. The share repurchase programs may be suspended or discontinued at any time. During the year ended December 31, 2022, we repurchased 245,878 shares of preferred stock for approximately $5.2 million.

The following table summarizes outstanding options as of December 31, 2022:

Held by the Former Manager	21,471,990
Issued to the Former Manager and subsequently assigned to certain of the Former Manager's employees	—
Issued to the independent directors	5,000
Total	21,476,990

As of December 31, 2022, outstanding options had a weighted average exercise price of $13.84.

Accumulated Other Comprehensive Income (Loss)

During the year ended December 31, 2022, our accumulated other comprehensive income changed due to the following factors (in thousands):

	Total Accumulated Other Comprehensive Income
Balance at December 31, 2021	$ 90,253
Unrealized gain (loss) on available-for-sale securities, net	(52,602)
Reclassification of realized (gain) loss on available-for-sale securities, net into net income	—
Balance at December 31, 2022	$ 37,651

Activity with accumulated other comprehensive income reflect changes in the fair value of our real estate and other securities portfolio. The change in fair value is primarily associated with changes in interest rates and credit spreads during the reporting period.

See "—Market Considerations" above for a further discussion of recent trends and events affecting our unrealized gains and losses as well as our liquidity.

Common Dividends

We are organized and intend to conduct our operations to qualify as a REIT for U.S. federal income tax purposes. We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our taxable income, we could be required to sell assets or raise capital to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

We make distributions based on a number of factors, including an estimate of taxable earnings per common share. Dividends distributed and taxable and GAAP earnings will typically differ due to items such as fair value adjustments, differences in premium amortization and discount accretion, other differences in method of accounting, non-deductible general and administrative expenses, taxable income arising from certain modifications of debt instruments and investments held in TRSs. Our quarterly dividend per share may be substantially different than our quarterly taxable earnings and GAAP earnings per share.

We will continue to monitor market conditions and the potential impact the ongoing volatility and uncertainty may have on our business. Our board of directors will continue to evaluate the payment of dividends as market conditions evolve, and no definitive determination has been made at this time. While the terms and timing of the approval and declaration of cash dividends, if any, on shares of our capital stock is at the sole discretion of our board of directors and we cannot predict how market conditions may evolve, we intend to distribute to our stockholders an amount equal to at least 90% of our REIT taxable income determined before applying the deduction for dividends paid and by excluding net capital gains consistent with our intention to maintain our qualification as a REIT under the Code.

Cash Flows

The following table summarizes changes to our cash, cash equivalents, and restricted cash for the periods presented:

	For the Year Ended December 31,		
	2022	**2021**	**Increase (Decrease)**
Beginning of period — cash, cash equivalents, and restricted cash	$ 1,528,442	$ 1,080,473	$ 447,969
Net cash provided by (used in) operating activities	6,874,063	2,883,872	3,990,191
Net cash provided by (used in) investing activities	198,253	2,306,253	(2,108,000)
Net cash provided by (used in) financing activities	(6,983,124)	(4,742,156)	(2,240,968)
Net increase (decrease) in cash, cash equivalents, and restricted cash	89,192	447,969	(358,777)
End of period — cash, cash equivalents, and restricted cash	$ 1,617,634	$ 1,528,442	$ 89,192

Operating Activities

Net cash provided by operating activities were approximately $6.9 billion and $2.9 billion for the year ended December 31, 2022 and 2021, respectively. Operating cash inflows for the year ended December 31, 2022 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale, servicing fees received and net interest income received. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale, loan originations, management fees and termination fees paid to the Former Manager, compensation and benefits, general and administrative expenses, and subservicing fees paid.

Investing Activities

Cash flows provided by investing activities were $0.2 billion and $2.3 billion for the year ended December 31, 2022 and 2021, respectively. Investing activities primarily consisted of cash paid for SFR properties, purchases of real estate securities, and funding of servicer advance investments, net of principal repayments from servicer advance investments, proceeds from sales and principal repayments of real estate securities, and derivative cash flows.

Financing Activities

Cash flows used in financing activities were approximately $7.0 billion and $4.7 billion for the year ended December 31, 2022 and 2021, respectively. Financing activities consisted primarily of borrowings net of repayments under debt obligations, margin deposits net of returns, and payment of dividends.

INTEREST RATE, CREDIT AND SPREAD RISK

We are subject to interest rate, credit and spread risk with respect to our investments. These risks are further described in "Quantitative and Qualitative Disclosures About Market Risk."

OFF-BALANCE SHEET ARRANGEMENTS

We have material off-balance sheet arrangements related to our non-consolidated securitizations of residential mortgage loans treated as sales in which we retained certain interests. We believe that these off-balance sheet structures presented the most efficient and least expensive form of financing for these assets at the time they were entered, and represented the most common market-accepted method for financing such assets. Our exposure to credit losses related to these non-recourse, off-balance sheet financings is limited to $0.9 billion. As of December 31, 2022, there was $12.0 billion in total outstanding unpaid principal balance of residential mortgage loans underlying such securitization trusts that represent off-balance sheet financings.

We are party to mortgage loan participation purchase and sale agreements, pursuant to which we have access to uncommitted facilities that provide liquidity for recently sold MBS up to the MBS settlement date. These facilities, which we refer to as gestation facilities, are a component of our financing strategy and are off-balance sheet arrangements.

TBA dollar roll transactions represent a form of off-balance sheet financing accounted for as derivative instruments. In a TBA dollar roll transaction, we do not intend to take physical delivery of the underlying agency MBS and will generally enter into an offsetting position and net settle the paired-off positions in cash. However, under certain market conditions, it may be uneconomical for us to roll our TBA contracts into future months and we may need to take or make physical delivery of the underlying securities. If we were required to take physical delivery to settle a long TBA contract, we would have to fund our total purchase commitment with cash or other financing sources and our liquidity position could be negatively impacted.

As of December 31, 2022, we did not have any other commitments or obligations, including contingent obligations, arising from arrangements with unconsolidated entities or persons that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

CONTRACTUAL OBLIGATIONS

As of December 31, 2022, we had the following material contractual obligations:

Contract	Terms
Debt Obligations	
Secured Financing Agreements	Described under Note 19 to our Consolidated Financial Statements.
Secured Notes and Bonds Payable	Described under Note 19 to our Consolidated Financial Statements.
Unsecured Senior Notes	Described under Note 19 to our Consolidated Financial Statements.
Other Contractual Obligations	
Lease Liability	Described under Note 17 to our Consolidated Financial Statements.
Interest Rate Swaps	Described under Note 18 to our Consolidated Financial Statements.

See Notes 23 and 27 to our Consolidated Financial Statements for information regarding commitments and material contracts entered into subsequent to December 31, 2022, if any. As described in Note 23, we have committed to purchase certain future servicer advances. The actual amount of future advances is subject to significant uncertainty. However, we currently expect that net recoveries of servicer advances will exceed net fundings for the foreseeable future. This expectation is based on judgments, estimates and assumptions, all of which are subject to significant uncertainty as further described in "—Critical Accounting Policies and Use of Estimates—Servicer Advance Investments." In addition, the Consumer Loan Companies have invested in loans with an aggregate of $214.4 million of unfunded and available revolving credit privileges as of December 31, 2022. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at management's discretion. Lastly, Genesis had commitments to fund up to $823.8 million of additional advances on existing mortgage loans as of December 31, 2022. These commitments are generally subject to loan agreements with covenants regarding the financial performance of the customer and other terms regarding advances that must be met before Genesis funds the commitment.

INFLATION

Virtually all of our assets and liabilities are financial in nature. As a result, interest rates and other factors affect our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors primarily based on our taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation. See "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices, equity prices and other market based risks. The primary market risks that we are exposed to are interest rate risk, mortgage basis spread risk, prepayment rate risk, and credit risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and derivative positions (other than TBAs) are for non-trading purposes only. For a further discussion of how market risk may affect our financial position or results of operations, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Use of Estimates."

Interest Rate Risk

Changes in interest rates, including changes in expected interest rates or "yield curves," affect our investments in various ways, the most significant of which are discussed below.

Fair Value Impact

Changes in the level of interest rates also affect the yields required by the marketplace on interest rate instruments. Increasing interest rates would decrease the value of the fixed rate assets we hold at the time because higher required yields result in lower prices on existing fixed rate assets in order to adjust their yield upward to meet the market.

Changes in unrealized gains or losses resulting from changes in market interest rates do not directly affect our cash flows, or our ability to pay a dividend, to the extent the related assets are expected to be held and continue to perform as expected, as their fair value is not relevant to their underlying cash flows. Changes in unrealized gains or losses would impact our ability to realize gains on existing investments if they were sold. Furthermore, with respect to changes in unrealized gains or losses on investments which are carried at fair value, changes in unrealized gains or losses would impact our net book value and, in certain cases, our net income.

Changes in interest rates can also have ancillary impacts on our investments. Generally, in a declining interest rate environment, residential mortgage loan prepayment rates increase which in turn would cause the value of MSRs, MSR Financing Receivables, Excess MSRs and the rights to the basic fee components of MSRs to decrease, because the duration of the cash flows we are entitled to receive becomes shortened, and the value of loans and Non-Agency RMBS to increase, because we generally acquired these investments at a discount whose recovery would be accelerated. With respect to a significant portion of our MSRs, we have recapture agreements, as described in Note 6 to our Consolidated Financial Statements. These recapture agreements help to protect these investments from the impact of increasing prepayment rates. In addition, to the extent that the loans underlying our MSRs, MSR Financing Receivables, Excess MSRs and the rights to the basic fee components of MSRs are well-seasoned with credit-impaired borrowers who may have limited refinancing options, we believe the impact of interest rates on prepayments would be reduced. Conversely, in an increasing interest rate environment, prepayment rates decrease which in turn would cause the value of MSRs, MSR Financing Receivables, Excess MSRs and the rights to the basic fee components of MSRs to increase and the value of loans and Non-Agency RMBS to decrease. To the extent we do not hedge against changes in interest rates, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, our investments as interest rates change. However, rising interest rates could result from more robust market conditions, which could reduce the credit risk associated with our investments. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed below under "—Prepayment Rate Exposure."

Changes in the value of our assets could affect our ability to borrow and access capital. Also, if the value of our assets subject to short term financing were to decline, it could cause us to fund margin, or repay debt, and affect our ability to refinance such assets upon the maturity of the related financings, adversely impacting our rate of return on such investments.

We are subject to margin calls on our secured financing agreements. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that are subject to margin calls, or mandatory repayment, based on the value of such instruments. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls, or required repayments, resulting from decreases in value related to a reasonably possible (in our opinion) change in interest rates but there can be no assurance that our cash reserves will be sufficient.

In addition, changes in interest rates may impact our ability to exercise our call rights and to realize or maximize potential profits from them. A significant portion of the residential mortgage loans underlying our call rights bear fixed rates and may decline in value during a period of rising market interest rates. Furthermore, rising rates could cause prepayment rates on these loans to decline, which would delay our ability to exercise our call rights. These impacts could be at least partially offset by potential declines in the value of Non-Agency RMBS related to the call rights, which could then be acquired more cheaply, and in credit spreads, which could offset the impact of rising market interest rates on the value of fixed rate loans to some degree. Conversely, declining interest rates could increase the value of our call rights by increasing the value of the underlying loans.

We believe our consumer loan investments generally have limited interest rate sensitivity given that our portfolio is mostly composed of very seasoned loans with credit-impaired borrowers who are paying fixed rates, who we believe are relatively unlikely to change their prepayment patterns based on changes in interest rates.

We believe our business purpose loan investments generally have limited interest rate sensitivity given that our portfolio is mostly composed of short duration mortgage loans.

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control.

The interest rates on our secured financing agreements, as well as adjustable-rate mortgage loans in our securitizations, are generally based on LIBOR, which is subject to national, international, and other regulatory guidance for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted with precision. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the rates on our secured financing facilities, securitizations or residential loans held for longer-term investment. If LIBOR is discontinued or is no longer quoted, the applicable base rate used to calculate interest on our repurchase agreements will be determined using alternative methods. The U.S. Federal Reserve, in conjunction with the ARRC, a steering committee comprised of large U.S. financial institutions, started replacing U.S. dollar LIBOR with SOFR. It is possible that not all of our assets and liabilities will transition away from LIBOR at the same time, and it is possible that not all of our assets and liabilities will transition to the same alternative reference rate, in each case increasing the difficulty of hedging. We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. The process of transition involves operational risks. It is also possible that no transition will occur for many financial instruments. Any additional changes announced by the regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which reference rates are determined may result in a sudden or prolonged increase or decrease in the reported reference rates. If that were to occur, the level of interest payments we incur may change. See "Risk Factors—Risks Related to Our Business—Changes in banks' inter-bank lending rate reporting practices or how the method pursuant to which LIBOR is determined may adversely affect the value of the financial obligations to be held or issued by us that are linked to LIBOR."

The table below provides comparative estimated changes in our book value based on a parallel shift in the yield curve (assuming an unchanged mortgage basis) including changes in our book value resulting from potential related changes in discount rates.

	Estimated Change in Book Value (in millions)	
Interest rate change (bps)	**December 31, 2022**	**December 31, 2021**
+50bps	+403.4	+488.5
+25bps	+203.3	+253.6
-25bps	-203.3	-253.6
-50bps	-411.5	-519.8

Mortgage Basis Spread Risk

Mortgage basis measures the spread between the yield on current coupon mortgage backed securities and benchmark rates including treasuries and swaps. The level of mortgage basis is driven by demand and supply of mortgage backed instruments relative to other rate-sensitive assets. Changes in the mortgage basis have an impact on prepayment rates driven by the ability of borrowers underlying our portfolio to refinance. A lower mortgage basis would imply a lower mortgage rate which would increase prepayment speeds due to higher refinance activity and, therefore, lower fair value of our mortgage portfolio. The mortgage basis is also correlated with other spread products such as corporate credit, and in the crisis of the last decade it was at a generational wide not seen before or since.

The table below provides comparative estimated changes in our book value based on changes in mortgage basis.

	Estimated Change in Book Value (in millions)	
Mortgage basis change (bps)	**December 31, 2022**	**December 31, 2021**
+20bps	+0.9	+145.4
+10bps	+0.6	+76.5
-10bps	-0.6	-76.5
-20bps	-1.8	-157.9

Prepayment Rate Exposure

Prepayment rates significantly affect the value of MSRs and MSR Financing Receivables, Excess MSRs, the basic fee component of MSRs (which we own as part of our Servicer Advance Investments), Non-Agency RMBS and loans, including consumer loans. Prepayment rate is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. The price we pay to acquire certain investments will be based on, among other things, our projection of the cash flows from the related pool of loans. Our

expectation of prepayment rates is a significant assumption underlying those cash flow projections. If the fair value of MSRs and MSR Financing Receivables, Excess MSRs or the basic fee component of MSRs decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment rates could materially reduce the ultimate cash flows we receive from MSRs and MSR Financing Receivables, Excess MSRs or our right to the basic fee component of MSRs, and we could ultimately receive substantially less than what we paid for such assets. Conversely, a significant decrease in prepayment rates with respect to our loans or RMBS could delay our expected cash flows and reduce the yield on these investments.

We seek to reduce our exposure to prepayment through the structuring of our investments. For example, in our MSR and Excess MSR investments, we seek to enter into "recapture agreements" whereby our MSR or Excess MSR is retained if the applicable servicer or subservicer originates a new loan the proceeds of which are used to repay a loan underlying an MSR or Excess MSR in our portfolio. We seek to enter into such recapture agreements in order to protect our returns in the event of a rise in voluntary prepayment rates.

Credit Risk

We are subject to varying degrees of credit risk in connection with our assets. Credit risk refers to the ability of each individual borrower underlying our MSRs and MSR Financing Receivables, Excess MSRs, Servicer Advance Investments, securities and loans to make required interest and principal payments on the scheduled due dates. If delinquencies increase, then the amount of servicer advances we are required to make will also increase, as would our financing cost thereof. We may also invest in loans and Non-Agency RMBS which represent "first loss" pieces; in other words, they do not benefit from credit support although we believe they predominantly benefit from underlying collateral value in excess of their carrying amounts. We do not expect to encounter credit risk in our Agency RMBS, and we do anticipate credit risk related to Non-Agency RMBS, residential mortgage loans and consumer loans.

We seek to reduce credit risk through prudent asset selection, actively monitoring our asset portfolio and the underlying credit quality of our holdings and, where appropriate and achievable, repositioning our investments to upgrade their credit quality. Our pre-acquisition due diligence and processes for monitoring performance include the evaluation of, among other things, credit and risk ratings, principal subordination, prepayment rates, delinquency and default rates, and vintage of collateral.

For our MSRs and MSR Financing Receivables, and Excess MSRs on Agency collateral and our Agency RMBS, delinquency and default rates have an effect similar to prepayment rates. Our Excess MSRs on Non-Agency portfolios are not directly affected by delinquency rates because the servicer continues to advance principal and interest until a default occurs on the applicable loan, so delinquencies decrease prepayments therefore having a positive impact on fair value, while increased defaults have an effect similar to increased prepayments. For our Non-Agency RMBS and loans, higher default rates can lead to greater loss of principal. For our call rights, higher delinquencies and defaults could reduce the value of the underlying loans, therefore reducing or eliminating the related potential profit.

Market factors that could influence the degree of the impact of credit risk on our investments include (i) unemployment and the general economy, which impact borrowers' ability to make payments on their loans, (ii) home prices, which impact the value of collateral underlying residential mortgage loans, (iii) the availability of credit, which impacts borrowers' ability to refinance, and (iv) other factors, all of which are beyond our control.

Liquidity Risk

The assets that comprise our asset portfolio are generally not publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions.

Investment Specific Sensitivity Analyses

MSRs and MSR Financing Receivables

The following table summarizes the estimated change in fair value of our interests in the Agency MSRs, owned as of December 31, 2022 given several parallel shifts in the discount rate, prepayment rate and delinquency rate (dollars in thousands):

Fair value at December 31, 2022	$ 6,022,266			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 6,465,226	$ 6,236,108	$ 5,822,299	$ 5,634,990
Change in estimated fair value:				
Amount	$ 442,960	$ 213,842	$ (199,967)	$ (387,276)
Percentage	7.4 %	3.6 %	(3.3)%	(6.4)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 6,315,071	$ 6,162,026	$ 5,902,317	$ 5,788,848
Change in estimated fair value:				
Amount	$ 292,805	$ 139,760	$ (119,949)	$ (233,418)
Percentage	4.9 %	2.3 %	(2.0)%	(3.9)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 6,114,811	$ 6,072,475	$ 5,964,450	$ 5,899,718
Change in estimated fair value:				
Amount	$ 92,545	$ 50,209	$ (57,816)	$ (122,548)
Percentage	1.5 %	0.8 %	(1.0)%	(2.0)%

The following table summarizes the estimated change in fair value of our interests in the Non-Agency MSRs, including MSR Financing Receivables, owned as of December 31, 2022 given several parallel shifts in the discount rate, prepayment rate and delinquency rate (dollars in thousands):

Fair value at December 31, 2022	$ 794,459			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 848,320	$ 820,578	$ 769,838	$ 746,602
Change in estimated fair value:				
Amount	$ 53,861	$ 26,119	$ (24,621)	$ (47,857)
Percentage	6.8 %	3.3 %	(3.1)%	(6.0)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 821,546	$ 806,823	$ 784,780	$ 774,700
Change in estimated fair value:				
Amount	$ 27,087	$ 12,364	$ (9,679)	$ (19,759)
Percentage	3.4 %	1.6 %	(1.2)%	(2.5)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 819,091	$ 807,392	$ 780,436	$ 765,497
Change in estimated fair value:				
Amount	$ 24,632	$ 12,933	$ (14,023)	$ (28,962)
Percentage	3.1 %	1.6 %	(1.8)%	(3.6)%

The following table summarizes the estimated change in fair value of our interests in the Ginnie Mae MSRs, owned as of December 31, 2022 given several parallel shifts in the discount rate, prepayment rate and delinquency rate (dollars in thousands):

Fair value at December 31, 2022	$ 2,072,678			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 2,235,342	$ 2,150,948	$ 1,999,920	$ 1,932,140
Change in estimated fair value:				
Amount	$ 162,664	$ 78,270	$ (72,758)	$ (140,538)
Percentage	7.8 %	3.8 %	(3.5)%	(6.8)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 2,186,119	$ 2,126,528	$ 2,022,729	$ 1,976,292
Change in estimated fair value:				
Amount	$ 113,441	$ 53,850	$ (49,949)	$ (96,386)
Percentage	5.5 %	2.6 %	(2.4)%	(4.7)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	$ 2,249,518	$ 2,165,307	$ 1,972,937	$ 1,867,606
Change in estimated fair value:				
Amount	$ 176,840	$ 92,629	$ (99,741)	$ (205,072)
Percentage	8.5 %	4.5 %	(4.8)%	(9.9)%

Each of the preceding sensitivity analyses is hypothetical and should be used with caution. In particular, the results are calculated by stressing a particular economic assumption independent of changes in any other assumption; in practice, changes in one factor may result in changes in another, which might counteract or amplify the sensitivities. Also, changes in the fair value based on a 10% variation in an assumption generally may not be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

Index to Consolidated Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)	112
Report on Internal Control Over Financial Reporting of Independent Registered Public Accounting Firm	115
Consolidated Balance Sheets	116
Consolidated Statements of Income	117
Consolidated Statements of Comprehensive Income	118
Consolidated Statements of Changes in Stockholders' Equity	119
Consolidated Statements of Cash Flows	122
Notes to Consolidated Financial Statements	123
Signatures	216

All schedules have been omitted because either the required information is included in the Company's consolidated financial statements and notes thereto or it is not applicable.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Rithm Capital Corp. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rithm Capital Corp. and Subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in 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 Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables

Description of the Matter

The Company invests in Mortgage Servicing Rights and Mortgage Servicing Rights Financing Receivables (collectively "MSRs") totaling $8,889 million as of December 31, 2022 as included in Note 6 to the consolidated financial statements. The Company records MSRs at fair value on a recurring basis with changes in fair value recognized in the income statement. These fair value estimates are based on valuation techniques used to estimate future cash flows that incorporate significant unobservable assumptions. As included in Note 20 to the consolidated financial statements, MSRs are classified as Level 3 in the fair value hierarchy.

Auditing management's fair value of MSRs and related changes in fair value was complex because the valuation is driven by significant assumptions, including discount rates and prepayment rates, that are judgmental and are unobservable in nature. Additionally, selecting and applying audit procedures to address the estimation uncertainty involves auditor subjectivity and industry-specific knowledge of MSRs including the current market conditions considered by a market participant.

How We Addressed the Matter in Our Audit

We evaluated and tested the design and operating effectiveness of the Company's internal controls addressing the valuation of MSRs. For example, we tested controls over management's review of significant assumptions, including discount rates and prepayment speeds, against historical results and available market information. Additionally, we tested controls over management's review of internally developed fair values in comparison to independent fair value ranges that management obtained from independent valuation firms to evaluate the reasonableness of the fair values developed by the Company. We also tested management's controls over model functionality and the completeness and accuracy of objective inputs used in the valuations.

In order to test the valuation of MSRs, our audit procedures included involving an internal valuation specialist to evaluate the reasonableness of significant assumptions, identify potential sources of contrary information, and independently develop a range of fair value for the MSRs based on consideration of available market information and compare management's estimates to our ranges. We also tested the accuracy and completeness of model objective inputs and evaluated the competence and objectivity of management's independent valuation firms. We evaluated the Company's fair value disclosures included in Note 20 for consistency with US GAAP.

Valuation of Residential Mortgage Loans

Description of the Matter

The Company holds residential mortgage loans ("RMLs") which are measured at fair value on a recurring basis or, for those measured at the lower of cost or fair value, are measured at fair value on a non-recurring basis as described in Note 9 to the consolidated financial statements. As included in Note 20 to the consolidated financial statements, RMLs with a carrying value of $815 million as of December 31, 2022 are classified as Level 3 in the fair value hierarchy.

Auditing management's fair value of the RMLs classified as Level 3 in the fair value hierarchy was complex because observable trade data to determine fair value is not readily available. Additionally, selecting and applying audit procedures to address the estimation uncertainty involved auditor subjectivity and industry-specific knowledge of RMLs including the current market conditions considered by a market participant.

How We Addressed the Matter in Our Audit

We evaluated and tested the design and operating effectiveness of the Company's internal controls addressing the valuation of RMLs. This included testing management's controls over the review of valuations against available market information, the functionality of the valuation models, and the completeness and accuracy of objective inputs (e.g., loan level data) used in the valuations.

In order to test the valuation of RMLs, our audit procedures included, among others, testing the accuracy and completeness of model objective inputs and involving an internal valuation specialist to independently develop a range of fair value for a sample of loan pools and compare management's estimates to our ranges. We developed the ranges based on collateral characteristics of the pools selected for testing and consideration of available market information. We also performed a sensitivity analysis on certain assumptions to evaluate the changes in fair value of the RMLs resulting from changes in the assumptions. We evaluated the Company's fair value disclosures included in Note 20 for consistency with US GAAP.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

New York, New York
February 16, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Rithm Capital Corp. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Rithm Capital Corp. and Subsidiaries' 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, Rithm Capital Corp. and Subsidiaries (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 consolidated balance sheets of Rithm Capital Corp. and Subsidiaries as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in 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

New York, New York
February 16, 2023

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	December 31,	
	2022	2021
Assets		
Mortgage servicing rights and mortgage servicing rights financing receivables, at fair value(A)	$ 8,889,403	$ 6,858,803
Real estate and other securities	8,289,277	9,396,539
Residential loans and variable interest entity consumer loans, held-for-investment, at fair value(A)	816,275	1,077,224
Residential mortgage loans, held-for-sale ($3,297,271 and $11,214,924 at fair value, respectively)	3,398,298	11,347,845
Single-family rental properties, held-for-investment	971,313	579,607
Mortgage loans receivable, at fair value	2,064,028	1,515,762
Residential mortgage loans subject to repurchase(B)	1,219,890	1,787,314
Cash and cash equivalents(A)	1,336,508	1,332,575
Restricted cash(A)	281,126	195,867
Servicer advances receivable	2,825,485	2,855,148
Receivable for investments sold	473,126	—
Other assets(A)	1,914,607	2,795,506
	$ 32,479,336	$ 39,742,190
Liabilities and Equity		
Liabilities		
Secured financing agreements(A)	$ 11,257,736	$ 20,592,884
Secured notes and bonds payable ($632,404 and $511,107 at fair value, respectively)(A)	10,098,943	8,644,810
Residential mortgage loan repurchase liability(B)	1,219,890	1,787,314
Unsecured senior notes, net of issuance costs	545,056	543,293
Payable for investments purchased	731,216	—
Due to affiliates	—	17,819
Dividends payable	129,760	127,922
Accrued expenses and other liabilities(A)	1,486,667	1,358,768
	25,469,268	33,072,810
Commitments and Contingencies		
Equity		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, 51,964,122 and 52,210,000 issued and outstanding, $1,299,104 and $1,305,250 aggregate liquidation preference, respectively	1,257,254	1,262,481
Common stock, $0.01 par value, 2,000,000,000 shares authorized, 473,715,100 and 466,758,266 issued and outstanding, respectively	4,739	4,669
Additional paid-in capital	6,062,019	6,059,671
Retained earnings (accumulated deficit)	(418,662)	(813,042)
Accumulated other comprehensive income (loss)	37,651	90,253
Total Rithm Capital stockholders' equity	6,943,001	6,604,032
Noncontrolling interests in equity of consolidated subsidiaries	67,067	65,348
Total Equity	7,010,068	6,669,380
	$ 32,479,336	$ 39,742,190

(A) The Company's Consolidated Balance Sheets include assets of consolidated variable interest entities ("VIEs") that can only be used to settle obligations and liabilities of the VIE for which creditors do not have recourse to the primary beneficiary (Rithm Capital). As of December 31, 2022, and December 31, 2021, total assets of consolidated VIEs were $2.3 billion and $2.8 billion, respectively, and total liabilities of consolidated VIEs were $1.8 billion and $2.1 billion, respectively. See Note 21 for further details.

(B) See Note 6 for details.

See Notes to Consolidated Financial Statements.

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except share and per share data)

	Year Ended December 31,		
	2022	2021	2020
Revenues			
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ 1,831,964	$ 1,559,554	$ 1,642,272
Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(631,120), $(1,192,646) and $(1,583,628), respectively)	732,750	(575,353)	(2,168,909)
Servicing revenue, net	2,564,714	984,201	(526,637)
Interest income	1,075,981	810,896	794,965
Gain on originated residential mortgage loans, held-for-sale, net	1,086,232	1,826,909	1,399,092
	4,726,927	3,622,006	1,667,420
Expenses			
Interest expense and warehouse line fees	791,001	497,308	584,469
General and administrative	875,428	864,028	548,441
Compensation and benefits	1,231,446	1,159,810	571,646
Management fee to affiliate	46,174	95,926	89,134
Termination fee to affiliate	400,000	—	—
	3,344,049	2,617,072	1,793,690
Other income (loss)			
Change in fair value of investments, net	1,108,290	11,723	(148,758)
Gain (loss) on settlement of investments, net	(1,359,679)	(234,561)	(930,131)
Other income (loss), net	131,312	181,712	(135,609)
	(120,077)	(41,126)	(1,214,498)
Income (loss) before income taxes	1,262,801	963,808	(1,340,768)
Income tax expense	279,516	158,226	16,916
Net income (loss)	$ 983,285	$ 805,582	$ (1,357,684)
Noncontrolling interests in income of consolidated subsidiaries	28,766	33,356	52,674
Dividends on preferred stock	89,726	66,744	54,295
Net income (loss) attributable to common stockholders	$ 864,793	$ 705,482	$ (1,464,653)
Net income (loss) per share of common stock			
Basic	$ 1.84	$ 1.56	$ (3.52)
Diluted	$ 1.80	$ 1.51	$ (3.52)
Weighted average number of shares of common stock outstanding			
Basic	468,836,718	451,276,742	415,513,187
Diluted	481,636,125	467,665,006	415,513,187
Dividends declared per share of common stock	$ 1.00	$ 0.90	$ 0.50

See Notes to Consolidated Financial Statements.

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	December 31,		
	2022	**2021**	**2020**
Net income (loss)	$ 983,285	$ 805,582	$ (1,357,684)
Other comprehensive income (loss), net of tax:			
Net unrealized gain (loss) on available-for-sale securities, net	(52,602)	29,944	123,855
Reclassification of net realized (gain) loss on available-for-sale securities, net into net income	—	(5,388)	(740,309)
Comprehensive income (loss)	930,683	830,138	(1,974,138)
Comprehensive income (loss) attributable to noncontrolling interests	28,766	33,356	52,674
Dividends on preferred stock	89,726	66,744	54,295
Comprehensive income (loss) attributable to common stockholders	$ 812,191	$ 730,038	$ (2,081,107)

See Notes to Consolidated Financial Statements.

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(dollars in thousands, except share and per share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2021	52,210,000	$ 1,262,481	466,758,266	$ 4,669	$ 6,059,671	$ (813,042)	$ 90,253	$ 6,604,032	$ 65,348	$ 6,669,380
Dividends declared on common stock, $1.00 per share	—	—	—	—	—	(470,413)	—	(470,413)	—	(470,413)
Dividends declared on preferred stock	—	—	—	—	—	(89,726)	—	(89,726)	—	(89,726)
Capital distributions	—	—	—	—	—	—	—	—	(27,047)	(27,047)
Repurchases of preferred stock	(245,878)	(5,227)	—	—	—	—	—	(5,227)	—	(5,227)
Cashless exercise of 2020 Warrants	—	—	6,858,347	69	(69)	—	—	—	—	—
Director share grants and non-cash stock-based compensation	—	—	98,487	1	2,417	—	—	2,418	—	2,418
Comprehensive income (loss)										
Net income (loss)	—	—	—	—	—	954,519	—	954,519	28,766	983,285
Unrealized gain (loss) on available-for-sale securities, net	—	—	—	—	—	—	(52,602)	(52,602)	—	(52,602)
Total comprehensive income (loss)	—	—	—	—	—	—	—	901,917	28,766	930,683
Balance at December 31, 2022	51,964,122	$ 1,257,254	473,715,100	$ 4,739	$ 6,062,019	$ (418,662)	$ 37,651	$ 6,943,001	$ 67,067	$ 7,010,068

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021
(dollars in thousands, except share and per share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2020	33,610,000	$ 812,992	414,744,518	$ 4,148	$ 5,547,108	$ (1,108,929)	$ 65,697	$ 5,321,016	$ 108,668	$ 5,429,684
Dividends declared on common stock, $0.90 per share	—	—	—	—	—	(409,595)	—	(409,595)	—	(409,595)
Dividends declared on preferred stock	—	—	—	—	—	(66,744)	—	(66,744)	—	(66,744)
Capital distributions	—	—	—	—	—	—	—	—	(55,600)	(55,600)
Issuance of common stock	—	—	51,903,346	519	512,902	—	—	513,421	—	513,421
Issuance of preferred stock	18,600,000	449,489	—	—		—	—	449,489	—	449,489
Purchase of non-controlling interest					(1,447)			(1,447)	(21,076)	(22,523)
Director share grants	—	—	110,402	2	1,108	—	—	1,110	—	1,110
Comprehensive income (loss)										
Net income (loss)	—	—	—	—	—	772,226	—	772,226	33,356	805,582
Unrealized gain (loss) on available-for-sale securities, net	—	—	—	—	—	—	29,944	29,944	—	29,944
Reclassification of realized (gain) loss on available-for-sale securities, net into net income	—	—	—	—	—	—	(5,388)	(5,388)	—	(5,388)
Total comprehensive income (loss)	—	—	—	—	—	—	—	796,782	33,356	830,138
Balance at December 31, 2021	52,210,000	$ 1,262,481	466,758,266	$ 4,669	$ 6,059,671	$ (813,042)	$ 90,253	$ 6,604,032	$ 65,348	$ 6,669,380

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020
(dollars in thousands, except share and per share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
	Shares	Amount	Shares	Amount						
Balance at December 31, 2019	17,510,000	$ 423,444	415,520,780	$ 4,156	$ 5,498,226	$ 549,733	$ 682,151	$ 7,157,710	$ 78,550	$ 7,236,260
Cumulative adjustment for the adoption of ASU 2016-13	—	—	—	—	—	13,658	—	13,658	16,795	30,453
2020 Warrants	—	—	—	—	53,462	—	—	53,462	—	53,462
Dividends declared on common stock, $0.50 per share	—	—	—	—	—	(207,667)	—	(207,667)	—	(207,667)
Dividends declared on preferred stock	—	—	—	—	—	(54,295)	—	(54,295)	—	(54,295)
Capital contributions	—	—	—	—	—	—	—	—	2,449	2,449
Capital distributions	—	—	—	—	—	—	—	—	(41,800)	(41,800)
Issuance of common stock	—	—	97,394	1	1,662	—	—	1,663	—	1,663
Repurchase of common stock	—	—	(1,000,000)	(10)	(7,452)	—	—	(7,462)	—	(7,462)
Issuance of preferred stock	16,100,000	389,548	—	—	—	—	—	389,548	—	389,548
Director share grants	—	—	126,344	1	1,210	—	—	1,211	—	1,211
Comprehensive income (loss)										
Net income (loss)	—	—	—	—	—	(1,410,358)	—	(1,410,358)	52,674	(1,357,684)
Unrealized gain (loss) on available-for-sale securities, net	—	—	—	—	—	—	123,855	123,855	—	123,855
Reclassification of realized (gain) loss on available-for-sale securities, net into net income	—	—	—	—	—	—	(740,309)	(740,309)	—	(740,309)
Total comprehensive income (loss)	—	—	—	—	—	—	—	(2,026,812)	52,674	(1,974,138)
Balance at December 31, 2020	33,610,000	$ 812,992	414,744,518	$ 4,148	$ 5,547,108	$ (1,108,929)	$ 65,697	$ 5,321,016	$ 108,668	$ 5,429,684

See Notes to Consolidated Financial Statements.

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	December 31,		
	2022	2021	2020
Cash Flows From Operating Activities			
Net income (loss)	$ 983,285	$ 805,582	$ (1,357,684)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in fair value of investments, net	(1,108,366)	(11,723)	148,758
Change in fair value of equity investments	13,265	(5,986)	54,455
Change in fair value of secured notes and bonds payable	(45,792)	(12,991)	966
(Gain) loss on settlement of investments, net	1,359,679	234,561	930,131
(Gain) loss on sale of originated residential mortgage loans, held-for-sale, net	(1,086,232)	(1,826,909)	(1,399,092)
(Gain) loss on transfer of loans to REO	(7,726)	(3,752)	(7,945)
Accretion and other amortization	(91,891)	(49,382)	(151,540)
Provision (reversal) for credit losses on securities, loans and real estate owned	14,962	(47,744)	123,612
Non-cash portions of servicing revenue, net	(645,361)	575,353	2,168,909
Deferred tax provision	271,167	151,200	15,029
Mortgage loans originated and purchased for sale, net of fees	(76,420,262)	(130,737,605)	(64,384,894)
Sales proceeds and loan repayment proceeds for residential mortgage loans, held-for-sale	83,313,008	132,834,967	65,246,335
Interest received from servicer advance investments, RMBS, loans and other	62,375	153,539	225,467
Changes in:			
Servicer advances receivable, net	(36,695)	226,173	336,589
Other assets	405,469	939,953	105,585
Due to affiliates	(17,819)	8,369	(94,432)
Accrued expenses and other liabilities	(89,003)	(349,733)	(86,543)
Net cash provided by (used in) operating activities	6,874,063	2,883,872	1,873,706
Cash Flows From Investing Activities			
Business acquisitions, net of cash required	—	(1,173,171)	—
Purchase of servicer advance investments	(988,847)	(1,286,526)	(1,294,757)
Purchase of MSRs, MSR financing receivables and servicer advances receivable	(542)	(23,015)	(539,889)
Purchase of RMBS	(15,629,483)	(6,099,550)	(23,243,731)
Purchase of residential mortgage loans	(7,182)	—	—
Purchase of SFR properties, real estate owned and other assets	(416,068)	(1,367,302)	(41,403)
Draws on revolving consumer loans	(29,615)	(29,002)	(33,041)
Net settlement of derivatives	311,073	(182,971)	(50,330)
Return of investments in Excess MSRs	17,701	54,037	60,112
Principal repayments from servicer advance investments	1,033,326	1,382,344	1,338,101
Principal repayments from RMBS	1,091,538	2,330,850	1,509,560
Principal repayments from residential mortgage loans	85,836	119,841	139,561
Principal repayments from consumer loans	140,574	214,619	229,218
Principal repayments from MSRs and MSR financing receivables	1,509	1,930	80,838
Proceeds from sale of MSRs and MSR financing receivables	9,189	61,041	14,694
Proceeds from sale of RMBS	14,565,043	8,238,974	30,379,637
Proceeds from sale of residential mortgage loans	—	9,922	—
Proceeds from sale of real estate owned	14,201	54,232	79,108
Net cash provided by (used in) investing activities	198,253	2,306,253	8,627,678

RITHM CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

	December 31,		
	2022	**2021**	**2020**
Cash Flows From Financing Activities			
Repayments of secured financing agreements	(55,998,234)	(69,206,600)	(122,526,887)
Repayments of warehouse credit facilities	(83,793,352)	(130,744,991)	(64,520,481)
Net settlement of margin deposits under repurchase agreements and derivatives	1,460,458	249,367	(75,777)
Repayments of secured notes and bonds payable	(4,696,136)	(8,078,073)	(10,052,948)
Deferred financing fees	(11,062)	(8,385)	(43,705)
Dividends paid on common and preferred stock	(558,301)	(438,544)	(383,567)
Borrowings under secured financing agreements	54,385,892	64,749,425	113,228,180
Borrowings under warehouse credit facilities	76,069,417	129,899,057	63,453,603
Borrowings under secured notes and bonds payable	6,192,823	7,964,077	10,517,333
Issuance of common and preferred stock	—	962,910	391,211
Repurchase of common and preferred stock	(5,227)	—	(7,462)
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(27,047)	(78,123)	(39,351)
Payment of contingent consideration	(2,355)	(12,276)	(51,994)
Net cash provided by (used in) financing activities	(6,983,124)	(4,742,156)	(10,111,845)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	89,192	447,969	389,539
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	$ 1,528,442	$ 1,080,473	$ 690,934
Cash, Cash Equivalents, and Restricted Cash, End of Period	$ 1,617,634	$ 1,528,442	$ 1,080,473
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest	734,232	505,978	512,139
Cash paid during the period for income taxes	4,012	23,506	3,629
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Dividends declared but not paid on common and preferred stock	140,984	139,170	97,306
Transfer from residential mortgage loans to real estate owned and other assets	14,936	30,020	69,812
Real estate securities retained from loan securitizations	206,082	173,631	518,515
Residential mortgage loans subject to repurchase	1,219,890	1,787,314	1,452,005
Purchase of Agency RMBS, settled after quarter-end	731,216	—	—
Cashless exercise of 2020 Warrants (par)	69	—	—
Warrants issued with term loan	—	—	53,462
Purchase of investments, primarily Agency and Non-Agency RMBS, settled after year end	—	—	154
Sale of investments, primarily Agency RMBS settled after year end	—	—	4,180
MSR purchase price holdback	—	—	(45,013)
Seller financing in Genesis acquisition	—	1,256,279	—

See Notes to Consolidated Financial Statements.

1. BUSINESS AND ORGANIZATION

In August 2022, New Residential Investment Corp. ("New Residential" or "NRZ") changed its name to Rithm Capital Corp. (together with its consolidated subsidiaries, "Rithm Capital," or the "Company"). In addition, the Company's ticker symbol on the New York Stock Exchange changed from "NRZ" to "RITM."

Prior to June 17, 2022, Rithm Capital operated under a management agreement (the "Management Agreement") with FIG LLC (the "Former Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"). For its services, the Former Manager was entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. On June 17, 2022 Rithm Capital entered into an Internalization Agreement with the Former Manager (the "Internalization Agreement"), pursuant to which the Management Agreement was terminated effective June 17, 2022 (the "Effective Date"), except that certain indemnification and other obligations survive, and the Company internalized its management functions in accordance with the Internalization Agreement (such transactions, the "Internalization"). As a result of the Internalization, Rithm Capital ceased to be externally managed, and following the Internalization Rithm Capital operates as an internally managed REIT. In connection with the termination of the Management Agreement, the Company agreed to pay the Former Manager $400.0 million (subject to certain adjustments). Following the Internalization, the Company no longer pays a management or incentive fee to the Former Manager. Refer to Note 26 for further discussion.

Rithm Capital is a Delaware corporation that was formed as a limited liability company in September 2011 (commenced operations on December 8, 2011) for the purpose of making real estate related investments. Rithm Capital is an independent publicly traded REIT primarily focused on providing capital and services to the mortgage and financial services industries. Rithm Capital's investment portfolio is composed of mortgage servicing related assets (full and excess MSRs and servicer advances), residential securities (and associated call rights), loans, and single family rental properties. Rithm Capital's investments in operating entities include leading origination and servicing platforms held through its wholly-owned subsidiaries, Newrez LLC ("Newrez") and Caliber Home Loans Inc. ("Caliber") (together with Newrez, "Mortgage Company"), and Genesis Capital LLC ("Genesis"), as well as investments in affiliated businesses that provide mortgage related services.

Rithm Capital has elected and intends to qualify to be taxed as a REIT for U.S. federal income tax purposes. As such, Rithm Capital will generally not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements. See Notes 2 and 25 for additional information regarding Rithm Capital's taxable REIT subsidiaries.

Rithm Capital, through its wholly-owned subsidiaries New Residential Mortgage LLC ("NRM") and the Mortgage Company, is licensed or otherwise eligible to service residential mortgage loans in all states within the U.S. and the District of Columbia. NRM and the Mortgage Company are also approved to service mortgage loans on behalf of investors, including the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") (collectively, Government Sponsored Enterprises or "GSEs") and, in the case of the Mortgage Company, Government National Mortgage Association ("Ginnie Mae"). The Mortgage Company is also eligible to perform servicing on behalf of other servicers (subservicing) and investors.

The Mortgage Company originates, sells and securitizes conventional (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as "Agency" loans), government-insured Federal Housing Administration ("FHA") and Department of Veterans Affairs ("VA"), and U.S. Department of Agriculture ("USDA") and non-qualified ("Non-QM") residential mortgage loans. The GSEs or Ginnie Mae guarantee securitizations are completed under their applicable policies and guidelines. Rithm Capital generally retains the right to service the underlying residential mortgage loans sold and securitized by the Mortgage Company. NRM and the Mortgage Company are required to conduct aspects of their operations in accordance with applicable policies and guidelines published by FHA, VA, USDA, Fannie Mae, Freddie Mac and Ginnie Mae.

Genesis is a lender specializing in providing capital to developers of new construction, fix and flip, and rental hold projects across the residential spectrum (including single family, multi-family and production home building). Genesis supports the Company's growing single-family rental strategy.

Rithm Capital, through its wholly-owned subsidiary Guardian Asset Management, provides property preservation and maintenance services for residential properties. Services offered include repairs, bids, inspections, landscaping, janitorial, inspections, and HOA and utility payment services.

As of December 31, 2022, Rithm Capital conducted its business through the following segments (i) Origination, (ii) Servicing, (iii) MSR Related Investments, (iv) Residential Securities, Properties and Loans, (v) Consumer Loans, (vi) Mortgage Loans Receivable and (vii) Corporate.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP'' or "U.S. GAAP"). The consolidated financial statements include the accounts of Rithm Capital and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. Rithm Capital consolidates those entities in which it has control over significant operating, financial and investing decisions of the entity, as well as those entities deemed to be variable interest entities ("VIEs") in which Rithm Capital is determined to be the primary beneficiary. For entities over which Rithm Capital exercises significant influence, but which do not meet the requirements for consolidation, Rithm Capital uses the equity method of accounting whereby it records its share of the underlying income of such entities. Distributions from equity method investees are classified in the Statements of Cash Flows based on the cumulative earnings approach, where all distributions up to cumulative earnings are classified as distributions of earnings.

Reclassifications — Certain prior period amounts in Rithm Capital's Consolidated Financial Statements and respective notes have been reclassified to be consistent with the current period presentation. Such reclassifications had no impact on net income, total assets, total liabilities, or stockholders' equity.

Restructuring Charges — The termination fee payment to the Former Manager under the Internalization Agreement is recorded within Termination Fee to Affiliate in the Consolidated Statements of Income. See Note 26 for additional discussion of the restructuring charges related to the Internalization.

Risks and Uncertainties — In the normal course of business, Rithm Capital encounters primarily two significant types of economic risk: credit and market. Credit risk is the risk of default on Rithm Capital's investments that results from a borrower's or counterparty's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of investments due to changes in prepayment rates, interest rates, spreads or other market factors, including risks that impact the value of the collateral underlying Rithm Capital's investments. Taking into consideration these risks along with estimated prepayments, financings, collateral values, payment histories, and other information, Rithm Capital believes that the carrying values of its investments are reasonable. Furthermore, for each of the periods presented, a significant portion of Rithm Capital's assets are dependent on its servicers' and subservicers' ability to perform their obligations servicing the residential mortgage loans underlying Rithm Capital's Excess MSRs, MSRs, MSR Financing Receivables, Servicer Advance Investments, Non-Agency RMBS and loans. If a servicer is terminated, Rithm Capital's right to receive its portion of the cash flows related to interests in servicing related assets may also be terminated.

The mortgage and financial industries are operating in a challenging and uncertain economic environment. Financial and real estate companies continue to be affected by, among other things, market volatility, rapidly rising interest rates and inflationary pressures. Should macroeconomic conditions continue to worsen, there is no assurance that such conditions will not result in an overall decline in the fair value of many assets, including those in which the Company invests, and potential impairment of the carrying value of goodwill or other intangible assets. The ultimate duration and impact of the current economic environment remain uncertain.

Rithm Capital is subject to significant tax risks. If Rithm Capital were to fail to qualify as a REIT in any taxable year, Rithm Capital would be subject to U.S. federal corporate income tax (including any applicable alternative minimum tax), which could be material. Unless entitled to relief under certain statutory provisions, Rithm Capital would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

Use of Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and

liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Business Combinations and Assets Acquisitions — When the assets acquired and liabilities assumed constitute a business, then the acquisition is a business combination. If substantially all of the fair value of the gross asset acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the asset is not considered a business. Business combinations are accounted for under ASC 805, *Business Combinations*, ("ASC 805") using the acquisition method which requires, among other things, that the assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. In a business combination, the initial allocation of the purchase price is considered preliminary and therefore subject to change until the end of the measurement period (up to one year from the acquisition date). Goodwill is calculated as the excess of the consideration transferred over the net assets acquired that meet the criteria for separate recognition and represents the estimated future economic benefits arising from these and other assets acquired that could not be individually identified or do not qualify for recognition as a separate asset. Likewise, a bargain purchase gain is recognized in current earnings when the aggregate fair value of the consideration transferred and any noncontrolling interests in the acquiree is less than the fair value of the identifiable net assets acquired. Acquisition related costs are expensed as incurred. The results of operations of acquired businesses are included from the date of acquisition.

Common control transactions include a transfer of net assets or an exchange of equity interests between entities under the control of the same parent. Common control transactions have characteristics that are similar to a business combination but do not meet the requirements to be accounted for as a business combination. The accounting and reporting for a transaction between entities under common control is addressed in the ASC 805-50, *Transactions Between Entities Under Common Control*, which requires that the receiving entity recognize the net assets received at their historical carrying amounts.

Investment Consolidation and Transfers of Financial Assets — For each investment made, the Company evaluates the underlying entity that issued the securities acquired or to which the Company makes a loan to determine the appropriate accounting. A similar analysis is performed for each entity with which the Company enters into an agreement for management, servicing or related services. In performing the analysis, the Company refers to guidance in ASC 810-10, *Consolidation*. In situations where the Company is the transferor of financial assets, the Company refers to the guidance in ASC 860-10, *Transfers and Servicing*. In VIEs, an entity is subject to consolidation under ASC 810-10 if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs within the scope of ASC 810-10 are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analyses. Further, ASC 810-10 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE. In accordance with ASC 810-10, all transferees, including variable interest entities, must be evaluated for consolidation. If the Company determines that consolidation is not required, it will then assess whether the transfer of the underlying assets would qualify as a sale, should be accounted for as secured financings under GAAP, or should be accounted for as an equity method investment, depending on the circumstances.

A Special Purpose Entity ("SPE") is an entity designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to an SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

The Company may periodically enter into transactions in which it transfers assets to a third party. Upon a transfer of financial assets, the Company will sometimes retain or acquire subordinated interests in the related assets. Pursuant to ASC 860-10, a determination must be made as to whether a transferor has surrendered control over transferred financial assets. That

determination must consider the transferor's continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under ASC 860-10 limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. Under ASC 860-10, after a transfer of financial assets that meets the criteria for treatment as a sale-legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint and transferred control-an entity recognizes the financial and servicing assets it acquired or retained and the liabilities it has incurred, derecognizes financial assets it has sold and derecognizes liabilities when extinguished. The transferor would then determine the gain or loss on sale of financial assets by allocating the carrying value of the underlying mortgage between securities or loans sold and the interests retained based on their fair values. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the securities or loans sold. When a transfer of financial assets does not qualify for sale accounting, ASC 860-10 requires the transfer to be accounted for as a secured borrowing with a pledge of collateral.

From time to time, the Company may securitize mortgage loans it holds if such financing is available. Depending upon the structure of the securitization transaction, these transactions will be recorded in accordance with ASC 860-10 and will be accounted for as either a sale and the loans will be removed from the Consolidated Balance Sheets or as a financing and the loans will remain on the Consolidated Balance Sheets. ASC 860-10 is a standard that may require the Company to exercise significant judgment in determining whether a transaction should be recorded as a sale or a financing.

For certain consolidated VIEs, Rithm Capital has elected to account for the assets and liabilities of these entities as collateralized financing entities ("CFE"). A CFE is a variable interest entity that holds financial assets and issues beneficial interests in those assets, and these beneficial interests have contractual recourse only to the related assets of the CFE. Accounting guidance under GAAP for CFEs allows companies to elect to measure both the financial assets and financial liabilities of a CFE using the more observable of the fair value of the financial assets or fair value of the financial liabilities. The net equity in an entity accounted for under the CFE election effectively represents the fair value of the beneficial interests Rithm Capital owns in the entity.

Excess MSRs — Excess MSRs refer to the excess servicing spread related to mortgage servicing rights, whose underlying collateral is securitized in a trust. Upon acquisition, Rithm Capital has elected to record each of such investments at fair value. Rithm Capital elected to record its investments at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on Excess MSRs. Under this election, Rithm Capital records a valuation adjustment on its Excess MSRs on a quarterly basis to recognize the changes in fair value in net income. Excess MSRs are aggregated into pools as applicable; each pool of Excess MSRs is accounted for in the aggregate. Interest income for Excess MSRs is accreted into earnings on an effective yield or "interest" method, based upon the expected excess mortgage servicing amount through the expected life of the underlying mortgages. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the interest income recognized for a reporting period is measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, Rithm Capital's policy is to recognize interest income only on its Excess MSRs in existing eligible underlying mortgages. The difference between the fair value of Excess MSRs and their amortized cost basis is recorded as Change in Fair Value of Investments. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Excess MSRs, and therefore may differ from their effective yields. Excess MSRs is grouped and presented as part of Other Assets on the Consolidated Balance Sheets.

MSRs and MSR Financing Receivables — MSRs represent the contractual right to service residential mortgage loans. The Company recognizes MSRs created through the sale of loans it originates. Under the accounting guidance for transfers and servicing, the Company initially measures a mortgage servicing asset that qualifies for separate recognition at fair value on the date of transfer. Rithm Capital elected to record its investments at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on MSRs. Under this election, Rithm Capital records a valuation adjustment on its MSRs on a quarterly basis to recognize the changes in fair value in net income. MSRs are aggregated into pools as applicable; each pool of MSRs is accounted for in the aggregate. Income from MSRs is

recorded in Servicing Revenue, Net and comprises (i) income from the MSRs, plus or minus (ii) the mark-to-market on the MSRs including change in fair value due to realization of cash flows. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the MSRs.

In certain cases, Rithm Capital has legally purchased MSRs or the right to the economic interest in MSRs; however, Rithm Capital has determined that the purchase agreement would not be treated as a sale under GAAP. Therefore, rather than recording an investment in MSRs, Rithm Capital records an investment in MSR Financing Receivables. Income from this investment (net of subservicing fees) is recorded as interest income and is grouped and presented as part of Servicing Revenue, Net in the Consolidated Statements of Income. Additionally, Rithm Capital has elected to measure MSR Financing Receivables at fair value, with changes in fair value flowing through Servicing Revenue, Net in the Consolidated Statements of Income.

Servicer Advance Investments — Rithm Capital accounts for its Servicer Advance Investments similarly to its Excess MSRs. Interest income for Servicer Advance Investments is accreted into earnings on an effective yield or "interest" method, based upon the expected aggregate cash flows of the Servicer Advance Investments, including the basic fee component of the related MSR (but excluding any Excess MSR component) through the expected life of the underlying mortgages, net of a portion of the basic fee component of the MSR that Rithm Capital remits to the servicer as compensation for the servicer's servicing activities. Changes to expected cash flows result in a cumulative retrospective adjustment, which is recorded in the period in which the change in expected cash flows occurs. Refer to "—Excess MSRs" for a description of the retrospective method. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Servicer Advance Investments, and therefore may differ from their effective yields. Servicer Advance Investments is grouped and presented as part of Other Assets on the Consolidated Balance Sheets.

Real Estate and Other Securities — Agency and Non-Agency RMBS are classified as either available-for-sale or accounted for under the fair value option. The Company determines the appropriate classification of its securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. If classified as available-for-sale, investments are carried at fair value, with net unrealized gains or losses reported as a component of accumulated other comprehensive income. If classified under the fair value option, changes in fair value are recorded in the Consolidated Statements of Income as a component of Change in Fair Value of Investments.

Fair value is determined under the guidance of ASC 820, *Fair Value Measurements and Disclosures*. Management's judgment is used to arrive at the fair value of the Company's RMBS investments, taking into account prices obtained from third-party pricing providers and other applicable market data. The third-party pricing providers use pricing models that generally incorporate such factors as coupons, primary and secondary mortgage rates, rate reset periods, issuer, prepayment speeds, credit enhancements and expected life of the security. The Company's application of ASC 820 guidance is discussed in further detail in Note 20.

Investment securities transactions are recorded on the trade date. At disposition, the net realized gain or loss is determined on the basis of the cost of the specific investment and is included in net income.

There are several different accounting models that may be applicable for purposes of the recognition of interest income on RMBS depending on whether the security is designated as available-for-sale or fair value option.

The following accounting models apply to RMBS classified as available-for-sale:

(i) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, the Company expects to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that the Company would not recover substantially all of its recorded investment.

(ii) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that the Company would not recover substantially all of its recorded investment.

For RMBS of high credit quality accounted for under (i) above, the Company recognizes interest income by applying the permitted "interest method," whereby purchase premiums and discounts are amortized and accreted, respectively, as an adjustment to contractual interest income accrued at each security's stated coupon rate. The interest method is applied at the individual security level based upon each security's effective interest rate. The Company calculates each security's effective

interest rate at the time of purchase by solving for the discount rate that equates the present value of that security's remaining contractual cash flows (assuming no principal prepayments) to its purchase price. Because each security's effective interest rate does not reflect an estimate of future prepayments, the Company refers to this manner of applying the interest method as the "contractual effective interest method." When applying the contractual effective interest method to its investments in RMBS, as principal prepayments occur, a proportional amount of the unamortized premium or discount is recognized in interest income such that the contractual effective interest rate on the remaining security balance is unaffected.

For Non-Agency RMBS accounted for under (ii) above, the Company recognizes interest income by applying the required prospective level-yield methodology. Interest income under this methodology is impacted by management judgments around both the amount and timing of credit losses (defaults) and prepayments. Consequently, interest income on these Non-Agency RMBS is recognized based on the timing and amount of cash flows expected to be collected, as opposed to being based on contractual cash flows. These securities are generally purchased at a discount to the principal amount. At the original acquisition date, the Company estimates the timing and amount of cash flows expected to be collected and calculates the present value of those amounts to the Company's purchase price. In each subsequent balance sheet date, the Company revises its estimates of the remaining timing and amount of cash flows expected to be collected. If there is a positive change in the amount and timing of future cash flows expected to be collected from the previous estimate, the effective interest rate in future accounting periods may increase resulting in an increase in the reported amount of interest income in future periods. A positive change in the amount and timing of future cash flows expected to be collected is considered to have occurred when the net present value of future cash flows expected to be collected has increased from the previous estimate. This can occur from a change in either the timing of when cash flows are expected to be collected (i.e., from changes in prepayment speeds or the timing of estimated defaults) or in the amount of cash flows expected to be collected (i.e., from reductions in estimates of future defaults). If there is a negative or adverse change in the amount and timing of future cash flows expected to be collected from the previous estimate, and the security's fair value is below its amortized cost, an impairment loss equal to the adverse change in cash flows expected to be collected, discounted using the security's effective rate before impairment, is required to be recorded in current period earnings. Additionally, while the effective interest rate used to accrete interest income after an impairment has been recognized will generally be the same, the amount of interest income recorded in future periods will decline because of the reduced balance of the amortized cost basis of the investment to which such effective interest rate is applied.

The following accounting models apply to RMBS accounted for under the fair value option:

(iii) RMBS of high credit quality rated 'AA' or higher that, at the time of purchase, the Company expects to collect all contractual cash flows and the security cannot be contractually prepaid in such a way that the Company would not recover substantially all of its recorded investment.

(iv) Non-Agency RMBS which are not of high credit quality at the time of purchase or that can be contractually prepaid or otherwise settled in such a way that the Company would not recover substantially all of its recorded investment.

Interest income on RMBS accounted for in (iii) above is recognized based on the stated coupon rate and the outstanding principal amount. The original purchase premium or discount is not amortized or accreted as part of interest income but rather reflected as part of the security's fair value.

Interest income on Non-Agency RMBS accounted for in (iv) above is recognized in accordance with the model described in (ii) above.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* ("CECL"). This new guidance changed how entities measure credit losses for most financial assets that are not measured at fair value with changes in fair value recognized through net income. The Company adopted the new guidance as of January 1, 2020.

Subsequent to the adoption of CECL on January 1, 2020, the Company evaluates its RMBS classified as available-for-sale on a quarterly basis to assess whether a decline in the fair value below the amortized cost basis should be recognized in net income or other comprehensive income. The presence of an impairment is based upon a fair value decline below a security's amortized cost basis and a corresponding adverse change in expected cash flows due to credit related factors as well as non-credit factors, such as changes in interest rates and market spreads. A security is considered to be impaired if the Company (i) intends to sell the security, (ii) will more likely than not be required to sell the security before recovering its cost basis, or (iii) does not expect to recover the security's entire amortized cost basis, even if the Company does not intend to sell the security, or the Company

believes it is more likely than not that it will be required to sell the security before recovering its cost basis. Under these scenarios, the full amount of impairment is recognized currently in net income and the cost basis of the security is adjusted. However, if the Company does not intend to sell the impaired security and it is more likely than not that it will not be required to sell before recovery, the impairment is separated into (i) the estimated amount relating to credit loss, or the credit component, and (ii) the amount relating to all other factors, or the non-credit component. Credit related impairment is recognized as an allowance on the balance sheet with a corresponding adjustment to net income, with the remainder of the loss recognized in accumulated other comprehensive income (loss). The allowance for credit loss as well as adjustment to net income can be reversed for subsequent changes in the estimate of expected credit loss. Impairment has been classified within Provision (Reversal) for Credit Losses on Securities in the Consolidated Statements of Income.

Residential Mortgage Loans and Consumer Loans — The Company's loan portfolio primarily consists of residential mortgage and consumer loans. The Company’s loans are classified as (i) held-for-investment at fair value, (ii) held-for-sale at fair value or (iii) held-for-sale at lower of cost or fair value. Loans are also eligible to be accounted for under the fair value option which are recorded on the Consolidated Balance Sheets at fair value and the periodic changes in fair value is recorded as a component of Change in Fair Value of Investments in the Consolidated Statements of Income. When the Company has the intent and ability to hold loans for the foreseeable future or to maturity/payoff, such loans are classified as held for investment. When the Company has the intent to sell loans, such loans are classified as held for sale.

For originated residential mortgage loans measured at fair value, Rithm Capital reports the change in the fair value within Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net in the Consolidated Statements of Income. Fair value is generally determined using a market approach by utilizing either (i) the fair value of securities backed by similar residential mortgage loans, adjusted for certain factors to approximate the fair value of a whole residential mortgage loan, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics.

For acquired residential mortgage loans measured at fair value, Rithm Capital reports the change in the fair value within Change in Fair Value of Investments in the Consolidated Statements of Income. Fair value is generally determined by discounting the expected future cash flows using inputs such as default rates, prepayment speeds and discount rates.

For loans measured at the lower of cost or fair value, the Company accounts for any excess of cost over fair value as a valuation allowance and include changes in the valuation allowance in Other Income (Loss) in the Consolidated Statements of Income in the period in which the change occurs. Purchase price discounts or premiums are deferred in a contra loan account until the related loan is sold. The deferred discounts or premiums are an adjustment to the basis of the loan and are included in the quarterly determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Interest income on mortgage loans is accrued based on the unpaid principal balance and the contractual interest rate. Interest earned on mortgage loans are reported in Interest Income in the Consolidated Statements of Income. If it’s probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the original contractual terms of the loan agreement, or if the loan becomes 90 days delinquent, the Company will reverse all prior accrued and unpaid interest on such mortgage loan. The Company will return loans to accrual status only when we reinstate the loan and there is no significant uncertainty as to collectability.

Rithm Capital elected to apply the fair value option for all consumer loans. The fair value option provides an election which allows a company to irrevocably elect fair value for certain financial asset and liabilities on an instrument-by-instrument basis. The Company elected the fair value option for these loans to better align reported results with the underlying economic changes in value of the loans on the Company’s Consolidated Balance Sheets. Unrealized gains (losses) from the change in fair value of consumer loans are recognized in Change in Fair Value of Investments in the Consolidated Statements of Income. Realized gains (losses) are recorded in Gain on Settlement of Investments, Net in the Consolidated Statements of Income. Interest income is recognized over the life of the loan using the effective interest method and is recorded on the accrual basis.

The Company’s residential mortgage loans and consumer loans are carried at fair value or the lower of cost or fair value. As a result, these loans are not subject to an allowance for credit losses under the CECL impairment model.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans, are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt,

which generally occurs when principal or interest is 90 days or more past due unless the loan is both well secured and in the process of collection. Loans held-for-sale are subject to the nonaccrual policy. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan. Rithm Capital's ability to recognize interest income on nonaccrual loans as cash interest payments are received rather than as a reduction of the carrying value of the loans is based on the recorded loan balance being deemed fully collectible.

Single-Family Rental ("SFR") Properties, Net — Purchases of SFR properties are accounted for as asset acquisitions and recorded at their purchase price, which is allocated between land, building and improvements, and in-place lease intangibles (when a resident is in place at the acquisition date) based upon their relative fair values at the date of acquisition. The purchase price for purposes of this allocation is inclusive of acquisition costs which typically include legal fees, title fees, payments made to cure tax, utility, HOA, as well as other closing costs.

SFR properties are classified as held for investment and carried at cost less accumulated depreciation expense and impairment. From time to time, the Company may identify SFR properties to be sold. If the Company identifies a property to be sold, depreciation on the property is ceased, the property is measured at the lower of its carrying amount or its fair value less estimated costs to sell, and is presented separately from SFR properties classified as held for investment.

Costs to acquire, renovate, and prepare SFR properties to be leased are capitalized as a component of each residential rental real estate property using specific identification and relative allocation methodologies, including renovation costs and other costs associated with activities that are directly related to preparing the properties for use as rental real estate. Other costs include interest costs, property taxes, property insurance, utilities, and HOA fees. The capitalization period associated with renovation activities begins at the time that such activities commence and conclude at the time that an SFR property is available to be leased. Once a property is ready for its intended use, expenditures for ordinary maintenance and repairs thereafter are expensed to operations as incurred, while expenditures that improve or extend the life of a property, such as certain furniture and fixtures additions, are capitalized. The determination of which costs to capitalize requires judgment and can involve many factors with no one factor necessarily determinative. Expenditures for repairs and maintenance recognized immediately are included in General and Administrative expenses in the Company's Consolidated Statements of Income.

Except for land, costs capitalized in connection with SFR property acquisitions are depreciated over their estimated useful lives on a straight-line basis. The depreciation period commences upon the completion of renovation-related activities or upon the completion of improvements made on an ongoing basis. For those costs capitalized in connection with residential property acquisitions and renovation activities and those capitalized on an ongoing basis, the average useful life is approximately 15 years.

SFR properties are continuously monitored to assess whether there have been any events or changes in circumstances indicating that the carrying amount may be impaired and not recoverable. Significant indicators of impairment may include, but are not limited to, declines in home values, rental rates and occupancy percentages, as well as significant changes in the economy. To the extent an event or change in circumstance is identified, an SFR property is considered to be impaired only if its carrying value cannot be recovered through estimated future undiscounted cash flows from the use and eventual disposition of the property. To the extent an impairment has occurred, the carrying amount is adjusted to its estimated fair value. Impairment charges are included in Other Income (Loss) in the Company's Consolidated Statements of Income.

Under ASC 842, *Leases*, an allowance for doubtful accounts for estimated losses is not permitted. Rather, when collectability is not deemed probable, the Company writes-off the tenant's receivables and limits lease income to cash received.

Revenues associated with SFR properties consist of rents collected under lease agreements, net of any concessions and bad debt (including write-offs, credit reserves, and uncollectible amounts) and other income, including tenant reimbursements for utilities and other charge-backs such as late fees and non-refundable deposits. Leases typically have a term of one to two years. Rental revenues are included in Other Income in the Company's Consolidated Statements of Income.

All of the Company's SFR properties are managed by an external property manager.

Mortgage Loans Receivable — Rithm Capital, through its wholly owned subsidiary Genesis, originates and manages a portfolio of primarily short-term mortgage loans to fund the construction and development of, or investment in, residential properties.

Rithm Capital elected to apply the fair value option for all mortgage loans receivable. The fair value option provides an election which allows a company to irrevocably elect fair value for certain financial asset and liabilities on an instrument-by-instrument basis. The Company elected the fair value option for these loans to better align reported results with the underlying economic changes in value of the loans on the Company's Consolidated Balance Sheets. Furthermore, as a result of the election to apply the fair value option, these loans are not subject to an allowance for credit losses under the CECL impairment model. Rithm Capital reports the change in the fair value within Change in Fair Value of Investments in the Consolidated Statements of Income. Fair value approximates carrying value due to the short duration of the mortgage loans receivable.

Mortgage loans receivable are presented net of construction holdbacks and interest reserves on the Consolidated Balance Sheets. The construction holdback represents amounts withheld from the funding of construction loans and released as the project progresses. The interest reserve represents amounts withheld from the funding of certain mortgage loans in order to satisfy monthly interest payments for all or part of the term of the related loan. Accrued interest is paid out of the interest reserve and recognized as interest income on a monthly basis.

Mortgage loans receivable can be placed in contractual default status for (i) an interest payment is more than 30 days past due or sooner, if collection is considered doubtful, (ii) a loan matures and the borrower fails to make payment of all amounts owed or extend the loan, or (iii) the collateral becomes impaired in such a way that the ultimate collection of the loan receivable is doubtful. The accrual of interest income is suspended when a loan is in contractual default unless the interest is paid in cash or collectability of all amounts due is reasonably assured. In addition, in certain instances, where the interest reserve on a current loan has been fully depleted and the interest payment is not expected to be collected from the borrower, the Company may place a current loan on non-accrual status and recognize interest income on a cash basis. Interest previously accrued may be reversed at that time, and such reversal is offset against interest income. The accrual of interest income resumes only when the suspended loan becomes contractually current or a credit analysis supports the ability to collect in accordance with the terms of the loan.

In addition to interest income, the Company generates loan fee income, including loan origination fees, loan renewal fees and inspection fees. The majority of fee income is composed of loan origination fees, or "points," with interest rates based on the total commitment at origination. In addition to origination fees, the Company earns loan extension fees when maturing loans are renewed or extended and amendment fees when loan terms are modified, such as increases in interest reserves and construction holdbacks. Loans are generally only renewed or extended if the loan is not in default and satisfies the Company's underwriting criteria. Loan fee income is recognized as interest income at origination or amendment given the Company's election of the fair value option.

Both interest and loan fee income earned on mortgage loans is reported in Interest Income in the Consolidated Statements of Income.

Residential Mortgage Loan Repurchases — The Mortgage Company, as approved issuer of Ginnie Mae MBS, originate and securitize government-insured residential mortgage loans. As issuer of Ginnie Mae-guaranteed securitizations, the Mortgage Company has the unilateral right to repurchase loans from the securitizations when they are delinquent for more than 90 days. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. Under GAAP, the Mortgage Company is required to recognize the right to loans on its balance sheet and establish a corresponding liability upon the triggering of the repurchase right regardless of whether the Mortgage Company intends to repurchase the loans. Upon recognizing loans eligible for repurchase, the Company does not change the accounting for MSRs related to previously sold loans. Upon reacquisition of a loan the MSR is written off.

Cash, Cash Equivalents and Restricted Cash — Rithm Capital considers all highly liquid short-term investments with maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits.

Servicer Advances Receivable — Represents servicer advances due to Rithm Capital's servicer subsidiary, NRM (Note 6). The servicer advances receivable purchased in conjunction with MSRs are recorded with purchase discounts. Subsequent advances are recorded at cost, subject to impairment. Any related purchase discounts are accreted into Servicing Revenue, Net on a straight-line basis over the estimated weighted average life of the advances.

Goodwill and Intangible Assets **—** Rithm Capital qualitatively assesses its goodwill assigned to each of its reporting units during the fourth quarter of each year. This qualitative assessment evaluates various events and circumstances, such as macro-economic conditions, industry and market conditions, cost factors, relevant events and financial trends, that may impact a reporting unit's fair value. Using this qualitative assessment, the Company determines whether it is more-likely-than-not the reporting unit's fair value exceeds its carrying value. If it is determined that it is not more-likely-than-not the reporting unit's fair value exceeds the carrying value, or upon consideration of other factors, including recent acquisition, restructuring or divestiture activity, the Company performs a quantitative, "step one," goodwill impairment analysis. In addition, the Company may test goodwill in between annual test dates if an event occurs or circumstances change that could more-likely-than-not reduce the fair value of a reporting unit below its carrying value. Rithm Capital did not recognize any impairment for the year ended December 31, 2022.

As a result of the various acquisitions (see Note 3), Rithm Capital identified intangible assets in the form of licenses, customer relationships, business relationships, and trade names. Rithm Capital recorded the intangible assets at fair value at the acquisition date and amortizes the value of finite-lived intangibles into expense over the expected useful life. Amortization of acquired intangible assets is included in General and Administrative expenses in Rithm Capital's Consolidated Statements of Income. If impairment events occur, they could accelerate the timing of acquired intangible asset charges. Licenses and certain trade names acquired are deemed to have an indefinite useful life and are evaluated for impairment annual during the fourth quarter and in interim periods if indicators of impairment exist. Rithm Capital did not recognize any impairment for the year ended December 31, 2022.

Leases **—** Rithm Capital determines if an arrangement is a lease at inception. Operating lease right-of-use ("ROU") assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the net present value of lease payments over the lease term. The majority of Rithm Capital's lease agreements do not provide an implicit rate. As a result, Rithm Capital used an incremental borrowing rate based on the information available as of the lease commencement dates in determining the present value of lease payments. The operating lease ROU asset reflects any upfront lease payments made as well as lease incentives received. The lease terms may include options to extend or terminate the lease and these are factored into the determination of the ROU asset and lease liability at lease inception when and if it is reasonably certain that Rithm Capital will exercise that option. Lease expense for fixed lease payments is recognized on a straight-line basis over the lease term.

Rithm Capital has certain lease agreements with nonlease components such as maintenance and executory costs, which are accounted for separately and not included in ROU assets.

ROU assets are tested for impairment whenever changes in facts or circumstances indicate that the carrying amount of an asset may not be recoverable. Modification of a lease term would result in re-measurement of the lease liability and a corresponding adjustment to the ROU asset.

Income Taxes — Rithm Capital operates so as to qualify as a REIT under the requirements of the Internal Revenue Code of 1986, as amended. Requirements for qualification as a REIT include various restrictions on ownership of Rithm Capital's stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders (subject to certain adjustments). Distributions may extend until timely filing of Rithm Capital's tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

Certain activities of Rithm Capital are conducted through taxable REIT subsidiaries ("TRSs") and therefore are subject to federal and state income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases upon the change in tax status. Deferred tax assets and liabilities are measured using enacted tax rates expected to

apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Rithm Capital recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in the Consolidated Statements of Income.

Secured Financing Agreements and Secured Notes and Bonds Payable — The Company finances the acquisition of certain assets within its investment portfolio using secured financing agreements, including repurchase agreements and warehouse credit facilities. Repurchase agreements and warehouse credit facilities are treated as collateralized financing transactions and carried at their contractual amounts, including accrued interest, as specified in the respective agreements. The carrying amount of the Company's secured financing agreements and warehouse credit facilities approximates fair value. The Company pledges certain securities, loans or other assets as collateral under secured financing agreements and warehouse credit facilities with financial institutions, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amounts available to be borrowed under repurchase agreements and warehouse credit facilities are dependent upon the fair value of the securities, or loans pledged as collateral, which can fluctuate with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance and real estate industries.

Derivative Financial Instruments — The Company's enters into derivative contracts, including interest rate swaps, swaptions, futures, interest rate caps, and TBA securities to manage its interest rate risk and, from time to time, enhance investment returns. The Company's derivatives are recorded as either assets or liabilities in the Consolidated Balance Sheets and measured at fair value. The Company's derivative financial instrument contracts are not designated as hedges for U.S. GAAP; accordingly, all changes in fair value are recognized in earnings. The Company estimates the fair value of its derivative instruments as described in Note 20 of these consolidated financial statements.

The Company may also utilize forward contracts for the purchase or sale of TBA Agency MBS. The Company accounts for TBA Agency MBS as derivative instruments if it is reasonably possible that it will not take or make physical delivery of the Agency MBS upon settlement of the contract. The Company accounts for TBA dollar roll transactions as a series of derivative transactions. The Company may also purchase and sell TBA Agency MBS as a means of investing in and financing Agency MBS (thereby increasing "at risk" leverage) or as a means of disposing of or reducing its exposure to Agency MBS (thereby reducing "at risk" leverage). The Company agrees to purchase or sell, for future delivery, Agency MBS with certain principal and interest terms and certain types of collateral, but the particular Agency Securities to be delivered are not identified until shortly before the TBA settlement date. The Company may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a "pair off"), net settling the paired off positions for cash, and simultaneously purchasing or selling a similar TBA Agency MBS for a later settlement date. This transaction is commonly referred to as a "dollar roll." When it is reasonably possible that the Company will pair off a TBA Agency MBS, it accounts for that contract as a derivative.

Stock-Based Compensation — The Company grants stock-based compensation awards to certain employees and all directors in the form of restricted shares of common stock. The Company accounts for equity-based awards under ASC 718, *Compensation — Stock Compensation*, which requires the Company to expense the cost of services received in exchange for equity-based awards based on the grant-date fair value of the awards. This expense is recognized ratably over the requisite service period following the date of grant. The fair value of the Company's restricted stock award ("RSA") is typically equivalent to the closing stock price on the grant date. The unrecognized compensation cost relating to such awards is recognized as an expense over the awards' remaining vesting periods. Equity compensation expense is included in Compensation and Benefits expense on the Company's Consolidated Statements of Income. The Company has elected to account for forfeitures when they occur.

Residential Mortgage Origination Reserves — The Mortgage Company originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. In connection with the transfer of loans to the GSEs or mortgage investors, the Mortgage Company provides representations and warranties regarding certain attributes of the loans and, subsequent to the sale, if it is determined that a sold loan is in breach of these representations and warranties, the Mortgage Company generally has an obligation to cure the breach. If the Mortgage Company is unable to cure the breach, the purchaser may require the Mortgage Company to repurchase the loan. Rithm Capital records a reserve for sales recourse at the time of sale to cover all potential recourse obligations based on the outstanding balance of residential mortgage loans subject to

recourse as well as historical and estimated future loss rates. Rithm Capital evaluates the ongoing adequacy of the reserve based on actual experience and changing circumstances, making adjustments to the reserve as deemed necessary.

Offering Costs — The Company has incurred offering costs in connection with common stock offerings, registration statements, preferred stock offerings and exchanges. Where applicable, the offering costs were paid out of the proceeds of the respective offerings. Offering costs in connection with common stock offerings and costs in connection with registration statements have been accounted for as a reduction of additional paid-in capital. Offering costs in connection with preferred stock offerings have been accounted for as a reduction of their respective gross proceeds. Exchange costs in connection with the Company's preferred stock exchanges have been accounted for as a reduction to the Company's retained earnings.

Earnings (Loss) Per Share — In accordance with the provisions of ASC 260, *Earnings Per Share*, Rithm Capital calculates basic income (loss) per share by dividing net income (loss) available to common stockholders for the period by weighted average shares of the Company's common stock outstanding for that period. Diluted income per share takes into account the effect of dilutive instruments, such as stock options and warrants but uses the average share price for the period in determining the number of incremental shares that are to be added to the weighted average number of shares outstanding. In periods in which the Company records a net loss, potentially dilutive securities are excluded from the diluted loss per share calculation, as their effect on loss per share is anti-dilutive.

Comprehensive Income — Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For Rithm Capital's purposes, comprehensive income represents net income, as presented in the Consolidated Statements of Income, adjusted for unrealized gains or losses on certain securities classified as available for sale.

Recent Accounting Pronouncements — In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The standard was issued to ease the accounting effects of reform to the London Interbank Offered Rate ("LIBOR") and other reference rates. The standard provides optional expedients and exceptions for applying GAAP to debt, derivatives, and other contracts affected by reference rate reform. The standard is effective for all entities as of March 12, 2020 through December 31, 2022 and may be elected over time as reference rate reform activities occur. Additionally, in December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The standard defers the expiration date of ASC 848 from December 31, 2022 to December 31, 2024. ASU 2022-06 became effective upon issuance. The Company is continuing to assess the impact of the LIBOR transition and does not expect the transition or the adoption of the standard to have a material impact on the Consolidated Financial Statements. The Company's primary exposure to LIBOR includes certain financing arrangements, interest rate swaps, and the 7.50% Series A-, 7.125% Series B-, 6.375% Series C- Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock. The Company's financing arrangements either have provisions in place that provide for an alternative to LIBOR upon its phase-out or contain maturities of one year or less and therefore would mature prior to the phase out of LIBOR in June 2023. In addition, the Company has amended terms of certain financing arrangements, where necessary, to transition or direct the transition to an alternative benchmark. Interest rate swaps will experience an orderly market transition prior to the cessation of LIBOR, although the Company has begun transitioning its interest rate swap portfolio away from LIBOR benchmarks. The Company does not currently intend to amend the 7.50% Series A-, 7.125% Series B-, 6.375% Series C- Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock to change the existing USD-LIBOR cessation fallback language.

In August 2020, the FASB issued ASU 2020-06, *Debt–Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging–Contracts in Entity's Own Equity (Topic 815)*. The standard simplifies the accounting for convertible instruments by reducing the number of accounting models. A convertible debt instrument will generally be reported as a single liability at its amortized cost with no separate accounting for embedded conversion features. The standard also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. ASU 2020-06 was effective for Rithm Capital beginning on January 1, 2022. The adoption of the new standard did not have a material impact on the Company's Consolidated Financial Statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The standard requires entities to recognize and measure contract assets and

contract liabilities acquired in a business combination in accordance with ASC 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update will generally result in an entity recognizing contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than at fair value. The new standard is effective on a prospective basis for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted the new standard effective January 1, 2022. The adoption of the new standard did not have an impact to its operating results, financial position, or cash flows.

In March 2022, the FASB issued ASU 2022-01, *Derivative and Hedging (Topic 815): Fair Value Hedging–Portfolio Layer Method*. The standard clarifies the accounting and promotes consistency in reporting for hedges where the portfolio layer method is applied. The new standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company does not expect the adoption of the new standard to have a material effect on its Consolidated Financial Statements.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The standard clarifies that a contractual restriction on the sale of an equity security is not considered in measuring the security's fair value. The standard also requires certain disclosures for equity securities that are subject to contractual restrictions. The new standard is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company does not expect the adoption of the new standard to have a material effect on its Consolidated Financial Statements.

3. BUSINESS ACQUISITIONS

Rithm Capital completed the Caliber and Genesis acquisitions in 2021 as part of its strategy to expand its origination, servicing and asset management capabilities. Rithm Capital accounted for these transactions using the acquisition method which requires, among other things, that the assets acquired and liabilities assumed be recognized at fair value as of the acquisition date.

Purchase Price Allocation

The following table summarizes the allocation of the total consideration paid to acquire the assets and assume the liabilities of companies acquired:

	2021		
($ in millions)	**Caliber**	**Genesis**	**Total**
Total Consideration	$ 1,318.5	$ 1,634.6	$ 2,953.1
Assets			
Mortgage servicing rights, at fair value	$ 1,507.5	$ —	$ 1,507.5
Residential mortgage loans, held-for-sale, at fair value	7,685.7	—	7,685.7
Mortgage loans receivable, at fair value	—	1,505.6	1,505.6
Residential mortgage loans subject to repurchase	666.8	—	666.8
Cash and cash equivalents	472.7	16.4	489.1
Restricted cash	30.6	—	30.6
Servicer advance receivable	108.3	—	108.3
Intangible assets(A)(B)	41.0	56.8	97.8
Other assets	609.7	14.5	624.2
Total Assets Acquired	$ 11,122.3	$ 1,593.3	$ 12,715.6
Liabilities			
Secured financing agreements	$ 7,090.6	$ —	$ 7,090.6
Secured notes and bonds payable	1,121.8	—	1,121.8
Residential mortgage loans repurchase liability	666.8	—	666.8
Accrued expenses and other liabilities	918.6	14.4	933.0
Total Liabilities Assumed	$ 9,797.8	$ 14.4	$ 9,812.2
Net Assets	$ 1,324.5	$ 1,578.9	$ 2,903.4
Goodwill (bargain purchase gain)	$ (6.0)	$ 55.7	$ 49.7

(A) Includes intangible assets acquired as part of the Caliber acquisition in the form of purchased technology and trade name/trademarks. These intangibles are being amortized over a finite life of up to seven years.

(B) Includes intangible assets acquired as part of the Genesis acquisition in the form of customer relationships, trade name and a license. Customer relationships and the trade name are being amortized over a finite life of nine years and five years, respectively. Rithm Capital has determined that the license has an indefinite useful life.

Acquisition of Caliber Home Loans Inc.

On April 14, 2021, Rithm Capital entered into a Stock Purchase Agreement (the "SPA") with LSF Pickens Holdings, LLC ("LSF"), a Delaware limited liability company and an affiliate of Lone Star Funds, and Caliber, a leading mortgage originator and servicer and then-wholly owned subsidiary of LSF. The SPA provided that, upon the terms and subject to the conditions set forth therein, the Company or one of its subsidiaries will purchase all of the issued and outstanding equity interests of Caliber

from LSF. On August 23, 2021, Rithm Capital completed its acquisition of all of the outstanding equity interests of Caliber from LSF for a purchase price of $1.318 billion in cash.

At acquisition, Rithm Capital recognized a bargain purchase gain of approximately $3.3 million and the amount is grouped and presented as part of Other Income in the Consolidated Statements of Income. The bargain purchase gain was primarily driven by differences in Caliber's projected net income versus actuals between the period of Caliber acquisition announcement and its closing. During the fourth quarter of 2021, the Company recognized a $2.7 million measurement period adjustment related to certain return to provision adjustments which increased the total bargain purchase gain to $6.0 million.

The estimate of fair value of assets and liabilities required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows, including projected revenues and expenses, and the applicable discount rates. These estimates were based on assumptions that management believes to be reasonable; however, actual results may differ from these estimates.

The results of Caliber's operations have been included in the Company's Consolidated Statements of Income for the year ended December 31, 2021 from the date of the acquisition and represent $659.8 million of revenue and $25.9 million of net income.

Acquisition-related costs are expensed in the period incurred. Rithm Capital recognized $9.6 million of acquisition-related costs that were expensed for the year ended December 31, 2021. These costs are grouped and presented within General and Administrative Expenses in the Consolidated Statements of Income.

Intangible assets consist of purchased technology and trademarks/trade names. Rithm Capital amortizes intangible assets on a straight-line basis over their respective useful lives. The weighted average life of the total acquired identifiable intangible assets is 6.6 years. The following table presents the details of identifiable intangible assets acquired:

	Estimated Useful Life	Amount
Purchased technology	7	$ 38,545
Trademarks/trade names	1	2,483
Total identifiable intangible assets		$ 41,028

Measurement Period Adjustments — The following table summarizes the provisional amounts recognized related to the Caliber acquisition as of September 30, 2021, as well as the measurement period adjustments made in the fourth quarter of 2021:

($ in millions)	Acquisition Date Amounts Recognized as of September 30, 2021	Subsequent Adjustments to Fair Value	Acquisition Date Amounts Recognized as of December 31, 2021 (As Adjusted)
Total Consideration	$ 1,318.5	$ —	$ 1,318.5
Assets			
Mortgage servicing rights, at fair value	$ 1,507.5	$ —	$ 1,507.5
Residential mortgage loans, held-for-sale, at fair value	7,685.7	—	7,685.7
Residential mortgage loans subject to repurchase	666.8	—	666.8
Cash and cash equivalents	472.7	—	472.7
Restricted cash	30.6	—	30.6
Servicer advance receivable	108.3	—	108.3
Intangible assets	41.0	—	41.0
Other assets(A)	605.4	4.3	609.7
Total Assets Acquired	$ 11,118.0	$ 4.3	$ 11,122.3
Liabilities			
Secured financing agreements	$ 7,090.6	$ —	$ 7,090.6
Secured notes and bonds payable	1,121.8	—	1,121.8
Residential mortgage loans repurchase liability	666.8	—	666.8
Accrued expenses and other liabilities(A)	917.0	1.6	918.6
Total Liabilities Assumed	$ 9,796.2	$ 1.6	$ 9,797.8
Net Assets	$ 1,321.8	$ 2.7	$ 1,324.5
Goodwill (bargain purchase gain)	$ (3.3)	$ (2.7)	$ (6.0)

(A) The adjustments to Other assets and Accrued expenses and other liabilities primarily reflect the impact on deferred tax assets and related liabilities attributable to certain return to provision adjustments.

Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined revenues and income before income taxes for the year ended December 31, 2021 and 2020 prepared as if the Caliber acquisition had been consummated on January 1, 2020:

Pro Forma (in millions)	Year Ended December 31, 2021	2020
Revenues	$ 5,422.7	$ 4,453.4
Income (loss) before income taxes	1,258.6	(529.9)

The unaudited supplemental pro forma financial information reflects, among others, financing adjustments, amortization of intangibles, and transactions costs. The unaudited supplemental pro forma financial information has not been adjusted to reflect all conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the Caliber acquisition and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been

achieved had the Caliber acquisition occurred on January 1, 2020, the beginning of the earliest period presented.

Acquisition of Genesis Capital LLC

On December 20, 2021, Rithm Capital acquired 100% of the outstanding interest of Genesis, a leading mortgage loan lender, along with a related portfolio of loans, from affiliates of Goldman Sachs. Cash consideration for the Genesis acquisition totaled approximately $1.63 billion.

The Company recognized goodwill of approximately $55.7 million related to the Genesis acquisition and primarily relates to anticipated synergies, the value of the assembled workforce and intangible assets that do not qualify for separate recognition at the time of the acquisition. Goodwill is reflected within the Mortgage Loans Receivable reporting segment and the amount is grouped and presented as part of Other Assets on the Consolidated Balance Sheets. Purchased goodwill is expected to be deductible for income tax purposes over 15 years. Rithm Capital will assess the goodwill annually during the fourth quarter and in interim periods in case of events or circumstances make it more likely than not that an impairment may have occurred.

The estimate of fair value of assets and liabilities required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows and the applicable discount rates. These estimates were based on assumptions that management believes to be reasonable; however, actual results may differ from these estimates.

The results of Genesis's operations have been included in the Company's Consolidated Statements of Income for the year ended December 31, 2021 from the date of the acquisition and represent $4.2 million of revenue and $1.4 million of net income.

Acquisition-related costs are expensed in the period incurred. Rithm Capital recognized $6.7 million of acquisition-related costs that were expensed for the year ended December 31, 2021. These costs are grouped and presented within General and Administrative expenses in the Consolidated Statements of Income.

Intangible assets consist of customer relationships, trade name, and license. Rithm Capital amortizes finite-lived customer relationships and trade name intangible assets on a straight-line basis over their respective useful lives. Rithm Capital has determined that the license has an indefinite useful life. The weighted average life of the total acquired identifiable intangible assets is 8.5 years. The following table presents the details of identifiable intangible assets acquired:

	Estimated Useful Life	Amount
Customer relationships	9	$ 44,700
Trade name	5	5,900
License	Indefinite	5,500
Total identifiable intangible assets		$ 56,100

Unaudited Supplemental Pro Forma Financial Information — The following table presents unaudited pro forma combined revenues and income before income taxes for the year ended December 31, 2021 and 2020 prepared as if the Genesis acquisition had been consummated on January 1, 2020:

	Year Ended December 31,	
Pro Forma (in millions)	**2021**	**2020**
Revenues	$ 3,643.4	$ 1,693.0
Income (loss) before income taxes	981.8	(1,316.1)

The unaudited supplemental pro forma financial information reflects, among others, amortization of intangibles and transactions costs. The unaudited supplemental pro forma financial information has not been adjusted to reflect all conforming of accounting policies. The unaudited supplemental pro forma financial information does not include any anticipated synergies or other anticipated benefits of the Genesis acquisition and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the Genesis acquisition occurred on January 1, 2020, the beginning of the earliest period presented.

4. SEGMENT REPORTING

At December 31, 2022, Rithm Capital’s reportable segments include (i) Origination, (ii) Servicing, (iii) MSR Related Investments, (iv) Residential Securities, Properties and Loans, (v) Consumer Loans, (vi) Mortgage Loans Receivable and (vii) Corporate. The Corporate segment primarily consists of general and administrative expenses, corporate cash and related interest income, unsecured senior notes (Note 19) and related interest expense.

In 2021, Rithm Capital reevaluated the composition and number of its reportable segments based on the significance of certain business activities to its operations and performance evaluation, which drive resource allocation. Based on this reevaluation, the Company revised its presentation and composition of reportable segments. In the beginning of the third quarter of 2021, MSR assets serviced by Newrez (previously reflected within the MSR Related Investments Segment) and Caliber are reflected within Servicing. MSRs owned by third-parties but serviced by the Company’s subsidiaries are also reflected within Servicing. MSR assets sub-serviced by third-parties (PHH, LoanCare, Flagstar, Valon and Mr. Cooper) continue to be reflected as part of the MSR Related Investments. During the fourth quarter of 2021, the Mortgage Loans Receivable segment was added to reflect Genesis and consists of a platform that originates construction, renovation and bridge loans. Segment information for prior periods have been restated to reflect these changes.

The following tables summarize segment financial information, which in total reconciles to the same data for Rithm Capital as a whole:

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing[A]	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
Year Ended December 31, 2022										
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ —	$ 1,431,947	$ 400,017	$ 1,831,964	$ —	$ —	$ —	$ —	$ —	$ 1,831,964
Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(631,120))	—	731,222	1,528	732,750	—	—	—	—	—	732,750
Servicing revenue, net	—	2,163,169	401,545	2,564,714	—	—	—	—	—	2,564,714
Interest income	173,947	152,687	105,279	431,913	298,544	89,476	68,788	166,479	20,781	1,075,981
Gain on originated residential mortgage loans, held-for-sale, net	1,039,939	87,343	—	1,129,787	—	(43,555)	—	—	—	1,086,232
Total revenues	1,213,886	2,403,199	506,824	4,126,414	298,544	45,921	68,788	166,479	20,781	4,726,927
Interest expense	123,350	201,706	107,849	432,905	166,937	78,706	8,066	64,188	40,199	791,001
G&A and other	1,219,271	503,434	195,415	1,918,120	3,720	60,682	8,277	64,277	497,972	2,553,048
Total operating expenses	1,342,621	705,140	303,264	2,351,025	170,657	139,388	16,343	128,465	538,171	3,344,049
Change in fair value of investments	—	(1,812)	(11,386)	(13,198)	1,055,346	37,102	(36,739)	65,779	—	1,108,290
Gain (loss) on settlement of investments, net	—	(1,378)	(5,883)	(7,261)	(1,382,605)	67,465	—	(37,345)	67	(1,359,679)
Other income (loss), net	6,256	767	42,635	49,658	(9,174)	76,895	26,548	12,243	(24,858)	131,312
Total other income (loss)	6,256	(2,423)	25,366	29,199	(336,433)	181,462	(10,191)	40,677	(24,791)	(120,077)
Income (loss) before income taxes	(122,479)	1,695,636	228,926	1,804,588	(208,546)	87,995	42,254	78,691	(542,181)	1,262,801
Income tax (benefit) expense	(30,397)	357,715	40,678	367,996	—	(5,333)	33	(7,792)	(75,388)	279,516
Net income (loss)	$ (92,082)	$ 1,337,921	$ 188,248	$ 1,436,592	$ (208,546)	$ 93,328	$ 42,221	$ 86,483	$ (466,793)	$ 983,285
Noncontrolling interests in income (loss) of consolidated subsidiaries	2,716	—	2,850	5,566	—	—	23,200	—	—	28,766
Dividends on preferred stock	—	—	—	—	—	—	—	—	89,726	89,726
Net income (loss) attributable to common stockholders	$ (94,798)	$ 1,337,921	$ 185,398	$ 1,431,026	$ (208,546)	$ 93,328	$ 19,021	$ 86,483	$ (556,519)	$ 864,793

(A) Includes elimination of intercompany transactions of $2.5 million primarily related to loan sales.

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
December 31, 2022										
Investments	$ 2,066,798	$ 7,304,637	$ 2,091,507	$ 11,462,942	$ 8,289,277	$ 2,248,591	$ 363,756	$ 2,064,028	$ —	$ 24,428,594
Cash and cash equivalents	163,452	440,739	276,690	880,881	381,456	361	605	52,441	20,764	1,336,508
Restricted cash	24,316	136,933	69,347	230,596	4,604	4,627	15,930	25,369	—	281,126
Other assets	224,705	2,204,127	3,000,911	5,429,743	248,283	324,119	29,375	170,129	146,260	6,347,909
Goodwill	11,836	12,540	5,092	29,468	—	—	—	55,731	—	85,199
Total assets	$ 2,491,107	$ 10,098,976	$ 5,443,547	$ 18,033,630	$ 8,923,620	$ 2,577,698	$ 409,666	$ 2,367,698	$ 167,024	$ 32,479,336
Debt	$ 1,909,030	$ 4,751,454	$ 3,272,945	$ 9,933,429	$ 7,430,463	$ 1,937,395	$ 299,498	$ 1,733,579	$ 567,371	$ 21,901,735
Other liabilities	214,148	2,081,536	35,052	2,330,736	776,785	272,484	1,176	25,818	160,534	3,567,533
Total liabilities	2,123,178	6,832,990	3,307,997	12,264,165	8,207,248	2,209,879	300,674	1,759,397	727,905	25,469,268
Total equity	367,929	3,265,986	2,135,550	5,769,465	716,372	367,819	108,992	608,301	(560,881)	7,010,068
Noncontrolling interests in equity of consolidated subsidiaries	12,437	—	12,193	24,630	—	—	42,437	—	—	67,067
Total Rithm Capital stockholders' equity	$ 355,492	$ 3,265,986	$ 2,123,357	$ 5,744,835	$ 716,372	$ 367,819	$ 66,555	$ 608,301	$ (560,881)	$ 6,943,001
Investments in equity method investees	$ —	$ —	$ 72,437	$ 72,437	$ —	$ —	$ —	$ —	$ —	$ 72,437

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing[(A)]	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
Year Ended December 31, 2021										
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ (4,089)	$ 1,025,888	$ 537,755	$ 1,559,554	$ —	$ —	$ —	$ —	$ —	$ 1,559,554
Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(1,192,646))	—	(313,655)	(261,698)	(575,353)	—	—	—	—	—	(575,353)
Servicing revenue, net	(4,089)	712,233	276,057	984,201	—	—	—	—	—	984,201
Interest income	188,053	20,629	49,162	257,844	293,989	139,658	93,847	4,219	21,339	810,896
Gain on originated residential mortgage loans, held-for-sale, net	1,704,363	101,764	(138,505)	1,781,204	9,878	35,827	—	—	—	1,826,909
Total revenues	1,888,327	834,626	186,714	3,023,249	303,867	175,485	93,847	4,219	21,339	3,622,006
Interest expense	121,392	97,696	104,838	323,926	47,037	76,273	10,999	1,000	38,073	497,308
G&A and other	1,223,668	395,007	273,748	1,892,423	4,620	90,377	10,856	1,802	119,686	2,119,764
Total operating expenses	1,345,060	492,703	378,586	2,216,349	51,657	166,650	21,855	2,802	157,759	2,617,072
Change in fair value of investments	—	—	(22,336)	(22,336)	(101,566)	155,758	(20,133)	—	—	11,723
Gain (loss) on settlement of investments, net	—	(4,766)	(35,116)	(39,882)	(254,672)	60,164	—	—	(171)	(234,561)
Other income (loss), net	2,346	742	79,355	82,443	3,515	94,765	1,935	—	(946)	181,712
Total other income (loss)	2,346	(4,024)	21,903	20,225	(352,723)	310,687	(18,198)	—	(1,117)	(41,126)
Income (loss) before income taxes	545,613	337,899	(169,969)	827,125	(100,513)	319,522	53,794	1,417	(137,537)	963,808
Income tax (benefit) expense	115,289	17,828	(26,553)	106,564	—	51,579	83	—	—	158,226
Net income (loss)	$ 430,324	$ 320,071	$ (143,416)	$ 720,561	$ (100,513)	$ 267,943	$ 53,711	$ 1,417	$ (137,537)	$ 805,582
Noncontrolling interests in income (loss) of consolidated subsidiaries	11,298	—	(1,800)	9,498	—	—	23,858	—	—	33,356
Dividends on preferred stock	—	—	—	—	—	—	—	—	66,744	66,744
Net income (loss) attributable to common stockholders	$ 419,026	$ 320,071	$ (141,616)	$ 711,063	$ (100,513)	$ 267,943	$ 29,853	$ 1,417	$ (204,281)	$ 705,482

(A) Includes elimination of intercompany transactions of $113.6 million primarily related to loan sales.

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
December 31, 2021										
Investments	$ 8,829,598	$ 5,439,613	$ 2,776,078	$ 17,045,289	$ 9,396,539	$ 3,099,294	$ 507,291	$ 1,515,762	$ —	$ 31,564,175
Cash and cash equivalents	587,685	250,294	288,900	1,126,879	197,559	22	1,437	5,653	1,025	1,332,575
Restricted cash	32,803	95,785	27,182	155,770	15,342	2,482	21,961	—	312	195,867
Other assets	969,338	2,728,253	1,926,482	5,624,073	389,309	125,647	39,662	106,615	279,068	6,564,374
Goodwill	11,836	12,540	5,092	29,468	—	—	—	55,731	—	85,199
Total assets	$ 10,431,260	$ 8,526,485	$ 5,023,734	$ 23,981,479	$ 9,998,749	$ 3,227,445	$ 570,351	$ 1,683,761	$ 280,405	$ 39,742,190
Debt	$ 8,251,702	$ 4,131,297	$ 3,561,342	$ 15,944,341	$ 9,040,309	$ 2,440,693	$ 460,314	$ 1,252,660	$ 642,670	$ 29,780,987
Other liabilities	425,582	2,323,315	182,460	2,931,357	6,991	179,260	583	8,541	165,091	3,291,823
Total liabilities	8,677,284	6,454,612	3,743,802	18,875,698	9,047,300	2,619,953	460,897	1,261,201	807,761	33,072,810
Total equity	1,753,976	2,071,873	1,279,932	5,105,781	951,449	607,492	109,454	422,560	(527,356)	6,669,380
Noncontrolling interests in equity of consolidated subsidiaries	15,683	—	10,251	25,934	—	—	39,414	—	—	65,348
Total Rithm Capital stockholders' equity	$ 1,738,293	$ 2,071,873	$ 1,269,681	$ 5,079,847	$ 951,449	$ 607,492	$ 70,040	$ 422,560	$ (527,356)	$ 6,604,032
Investments in equity method investees	$ —	$ —	$ 105,592	$ 105,592	$ —	$ —	$ —	$ —	$ —	$ 105,592

	Origination and Servicing				Residential Securities, Properties and Loans					
	Origination	Servicing	MSR Related Investments	Total Origination and Servicing[(A)]	Real Estate Securities	Properties and Residential Mortgage Loans	Consumer Loans	Mortgage Loans Receivable	Corporate	Total
Year Ended December 31, 2020										
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ (11,519)	$ 891,191	$ 762,600	$ 1,642,272	$ —	$ —	$ —	$ —	$ —	$ 1,642,272
Change in fair value of MSRs and MSR financing receivables (includes realization of cash flows of $(1,583,628))	—	(1,094,339)	(1,074,570)	(2,168,909)	—	—	—	—	—	(2,168,909)
Servicing revenue, net	(11,519)	(203,148)	(311,970)	(526,637)	—	—	—	—	—	(526,637)
Interest income	63,160	16,897	58,517	138,574	355,916	175,963	124,512	—	—	794,965
Gain on originated residential mortgage loans, held-for-sale, net	1,289,584	47,277	23,860	1,400,552	(13,398)	11,938	—	—	—	1,399,092
Total revenues	1,341,225	(138,974)	(229,593)	1,012,489	342,518	187,901	124,512	—	—	1,667,420
Interest expense	45,676	76,884	157,230	279,790	157,371	87,958	22,587	—	36,763	584,469
G&A and other	494,398	368,208	155,882	1,018,488	7,639	62,900	10,301	—	109,893	1,209,221
Total operating expenses	540,074	445,092	313,112	1,298,278	165,010	150,858	32,888	—	146,656	1,793,690
Change in fair value of investments	—	—	(18,958)	(18,958)	(25,012)	(107,604)	2,816	—	—	(148,758)
Gain (loss) on settlement of investments, net	—	(5,486)	(11,227)	(16,713)	(828,525)	(19,655)	(4,183)	—	(61,055)	(930,131)
Other income (loss), net	433	(1,738)	39,690	38,385	(11,071)	(113,428)	(8,386)	—	(41,109)	(135,609)
Total other income (loss)	433	(7,224)	9,505	2,714	(864,608)	(240,687)	(9,753)	—	(102,164)	(1,214,498)
Income (loss) before income taxes	801,584	(591,290)	(533,200)	(283,075)	(687,100)	(203,644)	81,871	—	(248,820)	(1,340,768)
Income tax (benefit) expense	211,359	(58,288)	(71,719)	81,352	—	(65,215)	779	—	—	16,916
Net income (loss)	$ 590,225	$ (533,002)	$ (461,481)	$ (364,427)	$ (687,100)	$ (138,429)	$ 81,092	$ —	$ (248,820)	$ (1,357,684)
Noncontrolling interests in income (loss) of consolidated subsidiaries	15,625	—	891	16,516	—	—	36,158	—	—	52,674
Dividends on preferred stock	—	—	—	—	—	—	—	—	54,295	54,295
Net income (loss) attributable to common stockholders	$ 574,600	$ (533,002)	$ (462,372)	$ (380,943)	$ (687,100)	$ (138,429)	$ 44,934	$ —	$ (303,115)	$ (1,464,653)

(A) Includes elimination of intercompany transactions of $39.8 million primarily related to loan sales.

Servicing Segment Revenues

The table below summarizes the components of servicing segment revenues:

	Year Ended December 31,		
	2022	2021	2020
Base servicing			
MSR assets	$ 1,187,130	$ 731,924	$ 611,669
Residential whole loans	11,354	16,448	16,081
Third party	92,589	103,617	139,480
	1,291,073	851,989	767,230
Other fees			
Ancillary and other fees[(A)]	140,874	173,899	123,961
Change in fair value due to:			
Realization of cash flows	(414,017)	(783,349)	(792,680)
Change in valuation inputs and assumptions and other	1,145,239	469,694	(301,659)
Total servicing fees	$ 2,163,169	$ 712,233	$ (203,148)
Servicing data unpaid principal balance ("UPB") (period end) (in millions)			
UPB – MSR assets	$ 401,897	$ 389,852	$ 220,880
UPB – Residential whole loans	8,630	14,097	9,993
UPB – Third party	93,036	78,814	66,892

(A) Includes incentive, boarding and other fees.

5. EXCESS MORTGAGE SERVICING RIGHTS

Excess mortgage servicing rights assets include Rithm Capital's direct investments in Excess MSRs and investments in joint ventures jointly controlled by Rithm Capital and Fortress-managed funds investing in Excess MSRs.

The table below summarizes the components of Excess MSRs:

	Year Ended December 31,	
	2022	**2021**
Direct investments in Excess MSRs	$ 249,366	$ 259,198
Excess MSR Joint Ventures	72,437	85,749
Excess mortgage servicing rights assets, at fair value	$ 321,803	$ 344,947

Direct Investments in Excess MSRs

The following table presents activity related to the carrying value of direct investments in Excess MSRs:

	Servicer
	Total[(A)]
Balance as of December 31, 2020	$ 310,938
Interest income	20,296
Other income	78
Proceeds from repayments	(56,052)
Proceeds from sales	(984)
Change in fair value	(15,078)
Balance as of December 31, 2021	259,198
Interest income	38,035
Other income	42
Proceeds from repayments	(43,950)
Proceeds from sales	(997)
Change in fair value	(2,962)
Balance as of December 31, 2022	$ 249,366

(A) Underlying loans serviced by Mr. Cooper and Specialized Loan Servicing LLC ("SLS").

Mr. Cooper or SLS, as applicable, as servicer performs all of the servicing and advancing functions, and retains the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in the portfolio.

Rithm Capital has entered into a "recapture agreement" with respect to each of the direct Excess MSR investments serviced by Mr. Cooper and SLS. Under such arrangements, Rithm Capital is generally entitled to a pro rata interest in the Excess MSRs on any refinancing by Mr. Cooper of a loan in the original portfolio. These recapture agreements do not apply to Rithm Capital's Servicer Advance Investments (Note 7).

The following summarizes direct investments in Excess MSRs:

December 31, 2022						
UPB of Underlying Mortgages	**Interest in Excess MSR**			**Weighted Average Life Years(A)**	**Amortized Cost Basis**	**Carrying Value(B)**
	Rithm Capital(C)(D)	**Fortress-managed funds**	**Mr. Cooper**			
$ 48,154,644	32.5% – 100% (56.5%)	—% – 50.0%	—% – 35.0%	6.3	$ 207,470	$ 249,366

December 31, 2021						
UPB of Underlying Mortgages	**Interest in Excess MSR**			**Weighted Average Life Years(A)**	**Amortized Cost Basis**	**Carrying Value(B)**
	Rithm Capital(C)(D)	**Fortress-managed funds**	**Mr. Cooper**			
$ 57,422,177	32.5% – 100.0% (56.3%)	—% – 50.0%	—% – 35.0%	6.3	$ 214,239	$ 259,198

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.
(B) Carrying value represents the fair value of the pools and recapture agreements, as applicable.
(C) Amounts in parentheses represent weighted averages.
(D) Rithm Capital is also invested in related Servicer Advance Investments, including the basic fee component of the related MSR as of December 31, 2022 and 2021 (Note 7) on $17.0 billion and $20.3 billion UPB, respectively, underlying these Excess MSRs.

Changes in fair value of investments consists of the following:

	Year Ended December 31,		
	2022	**2021**	**2020**
Original and Recaptured Pools	$ (2,962)	$ (15,078)	$ (16,232)

As of December 31, 2022 and 2021, weighted average discount rates of 8.3% (range of 8% – 8.5%) and 7.8% (range of 7.5% – 8.0%), respectively, were used to value Rithm Capital’s investments in Excess MSRs (directly and through equity method investees).

Excess MSR Joint Ventures

Rithm Capital entered into investments in joint ventures (“Excess MSR joint ventures”) jointly controlled by Rithm Capital and Fortress-managed funds investing in Excess MSRs.

The following tables summarize the financial results of the Excess MSR joint ventures, accounted for as equity method investees:

	December 31, 2022	December 31, 2021
Excess MSRs	$ 135,356	$ 152,383
Other assets	10,204	19,802
Other liabilities	(687)	(687)
Equity	$ 144,873	$ 171,498
Rithm Capital's investment	$ 72,437	$ 85,749
Rithm Capital's percentage ownership	50.0 %	50.0 %

	Year Ended December 31, 2022	2021	2020
Interest income	$ 15,157	$ 7,574	$ 22,507
Other income (loss)	(12,073)	(3,906)	(29,461)
Expenses	(32)	(32)	(24)
Net income (loss)	$ 3,052	$ 3,636	$ (6,978)

The following table summarizes the activity of investments in equity method investees:

	December 31, 2022	December 31, 2021
Balance at beginning of period	$ 85,749	$ 99,917
Contributions (distributions) to equity method investees	—	—
Distributions of capital from equity method investees	(14,838)	(15,986)
Change in fair value of investments in equity method investees	1,526	1,818
Balance at end of period	$ 72,437	$ 85,749

The following table summarizes Excess MSR investments made through equity method investees:

December 31, 2022	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	Rithm Capital Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and recaptured pools	$ 19,299,726	66.7%	50.0%	$ 106,176	$ 135,356	5.1

December 31, 2021	Unpaid Principal Balance	Investee Interest in Excess MSR(A)	Rithm Capital Interest in Investees	Amortized Cost Basis(B)	Carrying Value(C)	Weighted Average Life (Years)(D)
Agency						
Original and recaptured pools	$ 23,039,453	66.7%	50.0%	$ 112,840	$ 152,383	5.7

(A) The remaining interests are held by Mr. Cooper.
(B) Represents the amortized cost basis of the equity method investees in which Rithm Capital holds a 50% interest.
(C) Represents the carrying value of the Excess MSRs held in equity method investees, in which Rithm Capital holds a 50% interest. Carrying value represents the fair value of the pools, as applicable.
(D) Represents the weighted average expected timing of the receipt of cash flows of each investment.

6. MORTGAGE SERVICING RIGHTS AND MSR FINANCING RECEIVABLES

The following table summarizes activity related to MSRs and MSR Financing Receivables:

	Total
Balance as of December 31, 2020	$ 4,585,841
Caliber acquisition (Note 3)	1,507,524
Purchases, net[(A)]	10,949
Originations[(B)]	1,331,626
Proceeds from sales	(63,451)
Change in fair value due to:	
Realization of cash flows[(C)]	(1,196,527)
Change in valuation inputs and assumptions	680,431
(Gain) loss realized	2,410
Balance as of December 31, 2021	$ 6,858,803
Purchases, net[(A)]	(967)
Originations[(B)]	1,222,742
Proceeds from sales	(14,282)
Change in fair value due to:	
Realization of cash flows[(C)]	(631,120)
Change in valuation inputs and assumptions	1,449,134
(Gain) loss realized	5,093
Balance as of December 31, 2022	$ 8,889,403

(A) Net of purchase price adjustments and purchase price fully reimbursable from MSR sellers as a result of prepayment protection.
(B) Represents MSRs retained on the sale of originated residential mortgage loans.
(C) Based on the paydown of the underlying residential mortgage loans.

The following table summarizes components of Servicing Revenue, Net:

	Year Ended December 31,		
	2022	2021	2020
Servicing fee revenue, net and interest income from MSRs and MSR financing receivables	$ 1,699,587	$ 1,446,509	$ 1,457,211
Ancillary and other fees	132,377	113,045	185,061
Servicing fee revenue and fees, net	1,831,964	1,559,554	1,642,272
Change in fair value due to:			
Realization of cash flows[(A)]	(631,120)	(1,192,646)	(1,583,628)
Change in valuation inputs and assumptions[(B)]	1,449,134	680,088	(585,928)
Change in fair value of derivative instruments	(11,316)	(30,481)	—
(Gain) loss realized	5,093	2,410	647
Gain (loss) on settlement of derivative instruments	(79,041)	(34,724)	—
Servicing revenue, net	$ 2,564,714	$ 984,201	$ (526,637)

(A) Includes \$3.9 million and \$8.7 million of fair value adjustment due to realization of cash flows to excess spread financing for the year ended December 31, 2021 and 2020, respectively.
(B) Includes \$0.3 million and \$5.5 million of fair value adjustment due to changes in valuation inputs and assumptions to excess spread financing for the year ended December 31, 2021 and 2020, respectively.

The following is a summary of MSRs and MSR Financing Receivables as of December 31, 2022 and 2021:

	UPB of Underlying Mortgages	Weighted Average Life (Years)(A)	Carrying Value(B)
2022			
Agency	$ 364,879,106	7.2	$ 6,022,266
Non-Agency	53,881,903	4.9	794,459
Ginnie Mae(c)	121,136,315	6.7	2,072,678
Total	$ 539,897,324	6.9	$ 8,889,403
2021			
Agency	$ 374,815,579	6.1	$ 4,443,713
Non-Agency	63,851,154	8.3	943,210
Ginnie Mae(c)	109,946,356	5.7	1,471,880
Total/Weighted Average	$ 548,613,089	6.3	$ 6,858,803

(A) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) Represents fair value. As of December 31, 2022 and 2021, weighted average discount rates of 8.3% (range of 7.6% – 9.8%) and 7.4% (range of 6.9% – 12.5%), respectively, were used to value Rithm Capital's MSRs and MSR Financing Receivables, respectively.

(C) As of December 31, 2022 and 2021, Rithm Capital holds approximately $1.2 billion and $1.8 billion in residential mortgage loans subject to repurchase and the related residential mortgage loans repurchase liability on its Consolidated Balance Sheets.

Residential Mortgage Loans Subject to Repurchase

Rithm Capital, through its wholly owned subsidiaries as approved issuers of Ginnie Mae MBS, originates and securitizes government-insured residential mortgage loans. As the issuer of the Ginnie Mae-guaranteed securitizations, Rithm Capital has the unilateral right to repurchase loans from the securitizations when they are delinquent for more than 90 days. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. Under GAAP, Rithm Capital is required to recognize the right to loans on its balance sheet and establish a corresponding liability upon the triggering of the repurchase right regardless of whether Rithm Capital intends to repurchase the loans. As of December 31, 2022 and 2021, Rithm Capital holds approximately $1.2 billion and $1.8 billion, respectively, in residential mortgage loans subject to repurchase and residential mortgage loans repurchase liability on its Consolidated Balance Sheets. Rithm Capital may re-pool repurchased loans into new Ginnie Mae securitizations upon re-performance of the loan or otherwise sell to third-party investors. The Company does not change the accounting for MSRs related to previously sold loans upon recognizing loans eligible for repurchase. Rather, upon repurchase of a loan, the MSR is written off. As of December 31, 2022 and 2021, Rithm Capital holds approximately $0.8 billion and $1.1 billion, respectively, of reacquired residential mortgage loans and is reflected in Residential Mortgage Loans, Held-for-Sale, at Fair Value on the Consolidated Balance Sheets.

Ocwen MSR Financing Receivable Transactions

In July 2017, Ocwen Loan Servicing, LLC (collectively with certain affiliates, "Ocwen") and Rithm Capital entered into an agreement in which both parties agreed to undertake certain actions to facilitate the transfer from Ocwen to Rithm Capital of Ocwen's remaining interests in the MSRs relating to loans with an aggregate unpaid principal balance of approximately $110.0 billion and with respect to which Rithm Capital already held certain rights ("Rights to MSRs"). Ocwen and Rithm Capital concurrently entered into a subservicing agreement pursuant to which Ocwen agreed to subservice the residential mortgage loans related to the MSRs that were transferred to Rithm Capital.

In January 2018, Ocwen sold and transferred to Rithm Capital certain "Rights to MSRs" and other assets related to mortgage servicing rights for loans with an unpaid principal balance of approximately $86.8 billion. PHH (as successor by merger to Ocwen) will continue to service the residential mortgage loans related to the MSRs until any necessary third-party consents to transferring the MSRs are obtained and all other conditions to transferring the MSRs are satisfied.

Of the “Rights to MSRs” sold and transferred to NRM and Newrez, consents and all other conditions to transfer have been received with respect to approximately $66.7 billion UPB of underlying loans. Although legally sold and entitled to the economics of the transfer, as of December 31, 2022 and 2021, with respect to MSRs representing approximately $12.4 billion and $14.0 billion UPB of underlying loans, respectively, it was determined for accounting purposes that substantially all of the risks and rewards inherent in owning the MSRs had not been transferred to Newrez and therefore are not treated as a sale under GAAP and are classified as MSR financing receivables.

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the MSRs and MSR Financing Receivables:

	Percentage of Total Outstanding Unpaid Principal Amount	
State Concentration	**December 31, 2022**	**December 31, 2021**
California	17.4 %	18.1 %
Florida	8.6 %	8.6 %
Texas	6.2 %	6.2 %
New York	6.0 %	6.0 %
Washington	5.9 %	5.6 %
New Jersey	4.4 %	4.5 %
Virginia	3.6 %	3.4 %
Maryland	3.4 %	3.4 %
Illinois	3.4 %	3.4 %
Georgia	2.9 %	3.0 %
Other U.S.	38.2 %	37.8 %
	100.0 %	100.0 %

Geographic concentrations of investments expose Rithm Capital to the risk of economic downturns within the relevant states. Any such downturn in a state where Rithm Capital holds significant investments could affect the underlying borrower’s ability to make mortgage payments and therefore could have a meaningful, negative impact on the MSRs.

Residential Mortgage Loan Subservicing

The Mortgage Company performs servicing of residential mortgage loans for third parties under subservicing agreements. The subservicing does not meet the criteria to be recognized as a servicing right asset and, therefore, is not recognized on Rithm Capital's Consolidated Balance Sheets. The UPB of residential mortgage loans subserviced for others as of December 31, 2022 and 2021 was $93.0 billion and $78.8 billion, respectively. Rithm Capital earned subservicing revenue of $132.1 million and $158.5 million for the year ended December 31, 2022 and 2021, respectively, related to subserviced loans which is included within Servicing Revenue, Net in the Consolidated Statements of Income.

NRM engages third party licensed mortgage servicers as subservicers and, in relation to certain MSR purchases, including to perform the operational servicing duties, including recapture activities, in connection with the MSRs it acquires, in exchange for a subservicing fee which is recorded as Subservicing Expense and reflected as part of General and Administrative expenses in Rithm Capital's Consolidated Statements of Income. As of December 31, 2022, these subservicers include PHH, Mr. Cooper, LoanCare, Valon and Flagstar, which subservice 9.2%, 8.0%, 6.0%, 2.0% and 0.3%, respectively, of the MSRs held by Rithm Capital. The remaining 74.5% of the underlying UPB of the related mortgages is subserviced by the Mortgage Company (Note 1).

Servicer Advances Receivable

In connection with Rithm Capital's ownership of MSRs, the Company assumes the obligation to serve as a liquidity provider to initially fund servicer advances on the underlying pool of mortgages (Note 23) it services. These servicer advances are recorded when advanced and are included in Servicer Advances Receivable on the Consolidated Balance Sheets.

The following types of advances are included in the Servicer Advances Receivable:

	December 31,	
	2022	**2021**
Principal and interest advances	$ 664,495	$ 562,418
Escrow advances (taxes and insurance advances)	1,426,409	1,523,154
Foreclosure advances	754,073	793,098
Total[(A)(B)(C)]	$ 2,844,977	$ 2,878,670

(A) Includes $526.5 million and $593.0 million of servicer advances receivable related to Agency MSRs, respectively, recoverable either from the borrower or the Agencies.

(B) Includes $261.8 million and $212.9 million of servicer advances receivable related to Ginnie Mae MSRs, respectively, recoverable from either the borrower or Ginnie Mae. Expected losses for advances associated with Ginnie Mae loans in the MSR portfolio are considered in the MSR fair valuation through a non reimbursable advance loss assumption.

(C) Excludes $19.5 million and $23.5 million, respectively, in unamortized advance discount and reserves, net of accruals for advance recoveries. These reserves relate to inactive loans in the foreclosure or liquidation process.

Rithm Capital's Servicer Advances Receivable related to Non-Agency MSRs generally have the highest reimbursement priority pursuant to the underlying servicing agreements (i.e., "top of the waterfall") and Rithm Capital is generally entitled to repayment from respective loan or REO liquidation proceeds before any interest or principal is paid on the bonds that were issued by the trust. In the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool-level proceeds. Furthermore, to the extent that advances are not recoverable by Rithm Capital as a result of the subservicer's failure to comply with applicable requirements in the relevant servicing agreements, Rithm Capital has a contractual right to be reimbursed by the subservicer. For advances on loans that have been liquidated, sold, paid in full or modified, the Company has reserved $65.4 million and $32.1 million for expected non-recovery of advances as of December 31, 2022 and 2021, respectively.

The following table summarizes the activity of the servicer advances reserve:

Balance as of December 31, 2020	$ 22,849
Caliber acquisition (Note 3)	15,068
Provision	11,560
Write-offs	(17,355)
Balance as of December 31, 2021	$ 32,122
Provision	48,392
Write-offs	(15,086)
Balance as of December 31, 2022	$ 65,428

See Note 19 regarding the financing of MSRs and Servicer Advances Receivable.

7. SERVICER ADVANCE INVESTMENTS

Rithm Capital's Servicer Advance Investments consist of arrangements to fund existing outstanding servicer advances and the requirement to purchase all future servicer advances made with respect to a specified pool of residential mortgage loans in exchange for the basic fee component of the related MSR. Rithm Capital elected to record its Servicer Advance Investments, including the right to the basic fee component of the related MSRs, at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of market factors.

A taxable wholly owned subsidiary of Rithm Capital is the managing member of Advance Purchaser LLC (the "Buyer"), a joint venture entity, and owned an approximately 73.2% interest in the Buyer as of December 31 2020. In July 2021, Rithm Capital entered into a purchase and sales agreement with certain third-party co-investors whereby Rithm Capital agreed to purchase from certain third-party co-investors approximately 16.1% of aggregate interest in the Buyer, increasing Rithm Capital's ownership of the Buyer to approximately 89.3% as of December 31, 2021. As of December 31, 2022, third-party co-investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of $75.0 million and Rithm Capital has funded capital commitments to the Buyer of $627.4 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including Rithm Capital. As of December 31, 2022, the noncontrolling third-party co-investors and Rithm Capital had previously funded their commitments, however, the Buyer may recall $71.5 million and $597.9 million of capital distributed to the third-party co-investors and Rithm Capital, respectively. Neither the third-party co-investors nor Rithm Capital is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

The Buyer has purchased servicer advances from Mr. Cooper, is required to purchase all future servicer advances made with respect to this portfolio of loans from Mr. Cooper, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Mr. Cooper in consideration of Mr. Cooper's servicing activities. The compensation paid to Mr. Cooper as of December 31, 2022 was approximately 9.2% of the basic fee component of the related MSRs plus a performance fee that represents a portion (up to 100%) of the cash flows in excess of those required for the Buyer to obtain a specified return on its equity.

Rithm Capital has determined that the Buyer is a VIE. See Note 21 for information regarding the assets and liabilities related to this consolidated VIE.

Rithm Capital also acquired a portion of the call rights related to this portfolio of loans.

The following table summarizes Servicer Advance Investments, including the right to the basic fee component of the related MSRs:

	Amortized Cost Basis	Carrying Value[(A)]	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years)[(B)]
December 31, 2022					
Servicer Advance Investments	$ 392,749	$ 398,820	5.7 %	5.6 %	8.4
December 31, 2021					
Servicer Advance Investments	$ 405,786	$ 421,807	5.2 %	5.5 %	6.9

(A) Represents the fair value of the Servicer Advance Investments, including the basic fee component of the related MSRs.
(B) Represents the weighted average expected timing of the receipt of expected net cash flows for this investment.

The following table provides additional information regarding the Servicer Advance Investments and related financing:

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Secured Notes and Bonds Payable	Loan-to-Value ("LTV")[(A)]		Cost of Funds[(C)]	
					Gross	Net[(B)]	Gross	Net
December 31, 2022								
Servicer Advance Investments[(D)]	$ 17,033,753	$ 341,628	2.0 %	$ 319,276	90.2 %	88.3 %	6.5 %	5.9 %
December 31, 2021								
Servicer Advance Investments[(D)]	$ 20,314,977	$ 369,440	1.8 %	$ 356,580	91.4 %	90.7 %	1.3 %	1.2 %

(A) Based on outstanding servicer advances, excluding purchased but unsettled servicer advances.
(B) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.
(C) Annualized measure of the cost associated with borrowings. Gross cost of funds primarily includes interest expense and facility fees. Net cost of funds excludes facility fees.
(D) The following table summarizes the types of advances included in Servicer Advance Investments:

	December 31,	
	2022	2021
Principal and interest advances	$ 66,892	$ 67,014
Escrow advances (taxes and insurance advances)	155,438	174,681
Foreclosure advances	119,298	127,745
Total	$ 341,628	$ 369,440

The following table summarizes interest income related to Servicer Advance Investments:

	Year Ended December 31,		
	2022	2021	2020
Interest income, gross of amounts attributable to servicer compensation	$ 15,821	$ 12,501	$ 34,262
Amounts attributable to basic servicer compensation	(891)	(1,798)	(3,248)
Amounts attributable to incentive servicer compensation	27,075	(9,025)	(12,832)
Interest income from servicer advance investments	$ 42,005	$ 1,678	$ 18,182

See Note 19 regarding the financing of Servicer Advance Investments.

8. REAL ESTATE AND OTHER SECURITIES

"Agency" residential mortgage backed securities ("RMBS") are RMBS issued by a government sponsored enterprise, such as Fannie Mae or Freddie Mac. "Non-Agency" RMBS are issued by either public trusts or private label securitization entities.

The following table summarizes Real Estate and Other Securities by designation:

	December 31, 2022								
		Gross Unrealized				Weighted Average			
	Outstanding Face Amount	Gains	Losses	Carrying Value[(A)]	Number of Securities	Coupon[(B)]	Yield	Life (Years)[(C)]	Principal Subordination[(D)]
RMBS designated as available for sale (AFS):									
Agency[(E)]	$ 80,261	$ —	$ —	$ 73,439	1	3.50 %	3.50 %	8.9	N/A
Non-Agency[(F)(G)]	2,631,852	72,354	(33,684)	397,076	333	3.50 %	3.50 %	6.4	29.1 %
RMBS measured at fair value through net income (FVO):									
Agency[(E)]	7,383,261	91,770	(43,826)	7,264,978	35	5.00 %	5.00 %	8.6	N/A
Non-Agency[(F)(G)]	15,275,560	56,213	(91,369)	553,784	341	2.70 %	4.80 %	7.5	16.7 %
Total/ Weighted Average	$ 25,370,934	$ 220,337	$ (168,879)	$8,289,277	710	4.80 %	4.90 %	8.4	

	December 31, 2021								
		Gross Unrealized				Weighted Average			
	Outstanding Face Amount	Gains	Losses	Carrying Value[(A)]	Number of Securities	Coupon[(B)]	Yield	Life (Years)[(C)]	Principal Subordination[(D)]
RMBS designated as available for sale (AFS):									
Agency[(E)]	$ 91,572	$ 7,008	$ —	$ 98,367	1	3.50 %	3.50 %	4.4	N/A
Non-Agency[(F)(G)]	2,956,066	84,494	(117)	522,416	334	3.29 %	3.18 %	3.4	26.6 %
RMBS measured at fair value through net income (FVO):									
Agency[(E)]	8,307,771	204	(226,309)	8,346,230	40	2.13 %	2.13 %	7.0	N/A
Non-Agency[(F)(G)]	12,958,891	32,814	(51,892)	429,526	271	2.15 %	3.91 %	3.2	20.3 %
Total/ Weighted Average	$ 24,314,300	$ 124,520	$ (278,318)	$9,396,539	646	2.19 %	2.27 %	6.6	

(A) Fair value is equal to carrying value for all securities.

(B) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of $16.6 million and $1.1 million, respectively, for which no coupon payment is expected.

(C) Based on the timing of expected principal reduction on the assets.

(D) Percentage of the amortized cost basis of securities that is subordinate to Rithm Capital's investments, excluding fair value option securities.

(E) The total outstanding face amount was $7.5 billion and $8.4 billion for fixed rate securities and $0.0 billion and $0.0 billion for floating rate securities as of December 31, 2022 and 2021, respectively.

(F) The total outstanding face amount was $8.4 billion (including $7.5 billion of residual and fair value option notional amount) and $9.6 billion (including $8.7 billion of residual and fair value option notional amount) for fixed rate securities and $9.5 billion (including $9.3 billion of residual and fair value option notional amount) and $6.4 billion (including $6.2 billion of residual and fair value option notional amount) for floating rate securities as of December 31, 2022 and 2021, respectively.

(G) Includes other asset backed securities ("ABS") consisting primarily of (i) interest-only securities and servicing strips which Rithm Capital elected to carry at fair value (fair value option securities) and record changes to valuation through the income statement, (ii) bonds backed by consumer loans and (iii) corporate debt. The following table summarizes these securities:

Asset Type	Outstanding Face Amount	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value	Number of Securities	Weighted Average Coupon	Weighted Average Yield	Weighted Average Life (Years)
December 31, 2022								
Corporate debt	$ 514	$ —	$ —	$ 465	2	8.20 %	9.50 %	2.2
Consumer loan bonds	518	522	—	590	3	N/A	N/A	0.7
Fair value option securities								
Interest-only securities	9,652,902	29,681	(31,714)	160,160	141	0.90 %	5.40 %	3.2
Servicing strips	4,338,099	17,501	(4,105)	59,017	61	0.70 %	9.90 %	4.2
December 31, 2021								
Corporate Debt	$ 414	$ 9	$ —	$ 423	1	8.25 %	8.25 %	3.3
Consumer loan bonds	2,960	878	—	2,974	3	N/A	N/A	0.0
Fair value option securities								
Interest-only securities	7,368,874	8,099	(43,626)	152,489	127	1.19 %	1.54 %	2.0
Servicing strips	4,413,700	6,869	(7,758)	59,120	59	1.40 %	13.12 %	2.6

The following table summarizes purchases and sales of Real Estate and Other Securities:

	Year Ended December 31,			
	2022		2021	
(in millions)	Agency	Non-Agency	Agency	Non-Agency
Purchases				
Face	$ 16,479.3	$ 5,018.1	$ 5,907.2	$ 2,999.3
Purchase price	16,314.6	256.5	6,098.8	174.3
Sales				
Face	$ 16,516.0	$ 15.3	$ 7,830.8	$ 1,686.9
Amortized cost	16,759.7	13.6	8,135.6	193.2
Sale price	15,026.3	12.0	8,074.3	164.7
Gain (loss) on sale	(1,733.4)	(1.6)	(61.3)	(28.5)

As of December 31, 2022, Rithm Capital had purchased $738.4 million face amount of Agency RMBS for $730.0 million and sold $490.8 million face amount of Agency RMBS for $471.6 million which had not yet been settled. There were no unsettled trades as of December 31, 2021. Unsettled purchases and sales are recorded on a trade date basis and grouped and presented within Payable for Investments Purchased and Receivable for Investments Sold on the Consolidated Balance Sheets.

Rithm Capital has exercised its call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, Rithm Capital sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, Rithm Capital received par on the securities issued by the called trusts which it owned prior to such trusts' termination. Refer to Notes 9 and 24 for further details on these transactions.

Unrealized losses attributable to credit impairment associated with securities designated as AFS are recognized in net income. During the year ended December 31, 2022, 2021 and 2020, Rithm Capital recorded a credit impairment of $7.3 million, a reversal of credit impairment of $5.2 million and a credit impairment of $13.4 million, respectively. Any remaining unrealized losses on Rithm Capital's securities were primarily the result of changes in market factors, rather than issuer-specific credit impairment. Rithm Capital performed analyses in relation to such securities, using its best estimate of cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. Rithm Capital has no intent to sell, and is not more likely than not to be required to sell, these securities.

The following table summarizes certain information for RMBS designated as AFS in an unrealized loss position as of December 31, 2022.

		Amortized Cost Basis						Weighted Average		
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Credit Impairment	Credit Impairment(A)	After Credit Impairment	Gross Unrealized Losses	Carrying Value	Number of Securities	Coupon	Yield	Life (Years)
Less than 12 Months	$ 408,191	$ 390,591	$ (10,816)	$ 379,775	$ (33,435)	$ 346,340	199	4.8 %	4.9 %	8.5
12 or More Months	3,107	3,157	—	3,157	(249)	2,908	2	1.5 %	4.0 %	3.6
Total/Weighted Average	$ 411,298	$ 393,748	$ (10,816)	$ 382,932	$ (33,684)	$ 349,248	201	4.8 %	4.9 %	8.5

(A) Represents credit impairment on securities in an unrealized loss position as of December 31, 2022.

Rithm Capital performed an assessment of all RMBS designated as AFS that are in an unrealized loss position (an unrealized loss position exists when a security's amortized cost basis, excluding the effect of credit impairment, exceeds its fair value) and determined the following:

	December 31, 2022				December 31, 2021			
			Gross Unrealized Losses				Gross Unrealized Losses	
RMBS Designated as AFS	Fair Value	Amortized Cost Basis After Credit Impairment	Credit(A)	Non-Credit(B)	Fair Value	Amortized Cost Basis After Credit Impairment	Credit(A)	Non-Credit(B)
Securities Rithm Capital intends to sell	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Securities Rithm Capital is more likely than not to be required to sell(C)	—	—	—	—	—	—	—	—
Securities Rithm Capital has no intent to sell and is not more likely than not to be required to sell:								
Credit impaired securities	77,843	78,101	(10,816)	(258)	6,581	6,581	(3,471)	—
Non-credit impaired securities	271,405	304,831	—	(33,426)	3,927	4,044	—	(117)
Total debt securities in an unrealized loss position	$ 349,248	$ 382,932	$ (10,816)	$ (33,684)	$ 10,508	$ 10,625	$ (3,471)	$ (117)

(A) Required to be recorded through earnings. In measuring the portion of credit losses, Rithm Capital estimates the expected cash flow for each of the securities. This evaluation included a review of the credit status and the performance of the collateral supporting those securities, including the credit of the issuer, key terms of the securities and the effect of local, industry and broader economic trends. Significant inputs in estimating the cash flows included Rithm Capital's expectations of prepayment rates, default rates and loss severities. Credit losses were measured as the decline in the present value of the expected future cash flows discounted at the security's effective interest rate.

(B) Represents unrealized losses on securities that are due to non-credit factors.

(C) Rithm Capital may, at times, be more likely than not to be required to sell certain securities for liquidity purposes. While the amount of the securities to be sold may be an estimate, and the securities to be sold have not yet been identified, Rithm Capital must make its best estimate, which is subject to significant judgment regarding future events, and may differ materially from actual future sales.

The following table summarizes the activity related to the allowance for credit losses on RMBS designated as AFS (excluding credit impairment relating to securities Rithm Capital intends to sell or is more likely than not required to sell):

RMBS Designated as AFS	**Purchased Credit Deteriorated**	**Non-Purchased Credit Deteriorated**	**Total**
Allowance for credit losses on available-for-sale debt securities at December 31, 2020	$ 8,672	$ —	$ 8,672
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	—	—	—
Additions to the allowance for credit losses arising from purchases of available-for-sale debt securities accounted for as purchased financial assets with credit deterioration	—	—	—
Reductions for securities sold during the period	(2,182)	—	(2,182)
Reductions in the allowance for credit losses because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—	—	—
Additional increases (decreases) to the allowance for credit losses on securities that had credit losses or an allowance recorded in a previous period	(3,019)	—	(3,019)
Write-offs charged against the allowance	—	—	—
Recoveries of amounts previously written off	—	—	—
Allowance for credit losses on available-for-sale debt securities at December 31, 2021	$ 3,471	$ —	$ 3,471
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	128	6,676	6,804
Additions to the allowance for credit losses arising from purchases of available-for-sale debt securities accounted for as purchased financial assets with credit deterioration	—	—	—
Reductions for securities sold during the period	—	—	—
Reductions in the allowance for credit losses because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—	—	—
Additional increases (decreases) to the allowance for credit losses on securities that had credit losses or an allowance recorded in a previous period	541	—	541
Write-offs charged against the allowance	—	—	—
Recoveries of amounts previously written off	—	—	—
Allowance for credit losses on available-for-sale debt securities at December 31, 2022	$ 4,140	$ 6,676	$ 10,816

Rithm Capital evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, Rithm Capital identified a population of real estate securities for which it was determined that it was probable that Rithm Capital would be unable to collect all contractually required payments.

The following is the outstanding face amount and carrying value for securities, for which, as of the acquisition date, it was probable that Rithm Capital would be unable to collect all contractually required payments, excluding residual and fair value option securities:

	Outstanding Face Amount	Carrying Value
December 31, 2022	$ 443,680	$ 66,775
December 31, 2021	512,731	180,890

The following is a summary of the changes in accretable yield for these securities:

	Year Ended December 31,	
	2022	2021
Beginning balance	$ 36,093	$ 189,562
Additions	—	8,324
Accretion	(2,155)	(4,720)
Reclassifications from (to) non-accretable difference	7,262	(8,015)
Disposals	—	(149,058)
Ending balance	$ 41,200	$ 36,093

See Note 19 regarding the financing of Real Estate and Other Securities.

9. RESIDENTIAL MORTGAGE LOANS

Rithm Capital accumulated its residential mortgage loan portfolio through various bulk acquisitions and the execution of call rights. Rithm Capital, through its Mortgage Company, originates residential mortgage loans for sale and securitization to third parties and generally retains the servicing rights on the underlying loans.

Loans are accounted for based on Rithm Capital's strategy for the loan, and on whether the loan was credit-impaired at the date of acquisition. As of December 31, 2022, Rithm Capital accounts for loans based on the following categories:

- Loans Held-for-Investment, at fair value
- Loans Held-for-Sale, at lower of cost or fair value
- Loans Held-for-Sale, at fair value

The following table summarizes residential mortgage loans outstanding by loan type:

	December 31,					
	2022					2021
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)	Carrying Value
Total residential mortgage loans, held-for-investment, at fair value(B)	$ 538,710	$ 452,519	9,612	8.5 %	4.3	$ 569,933
Acquired performing loans(C)	85,049	72,425	2,249	8.5 %	5.2	130,634
Acquired non-performing loans(D)	32,798	28,602	448	7.8 %	3.0	2,287
Total residential mortgage loans, held-for-sale, at lower of cost or market	$ 117,847	$ 101,027	2,697	8.3 %	4.6	$ 132,921
Acquired performing loans(C)(E)	947,910	890,131	4,474	5.7 %	19.2	2,070,262
Acquired non-performing loans(D)(E)	369,220	340,342	1,938	4.3 %	27.9	315,063
Originated loans	2,070,758	2,066,798	5,760	6.5 %	29.5	8,829,599
Total residential mortgage loans, held-for-sale, at fair value	$ 3,387,888	$ 3,297,271	12,172	6.0 %	26.4	$11,214,924
Total residential mortgage loans, held-for-sale, at fair value/lower of cost or market	$ 3,505,735	$ 3,398,298				$11,347,845

(A) For loans classified as Level 3 in the fair value hierarchy, the weighted average life is based on the expected timing of the receipt of cash flows. For Level 2 loans, the weighted average life is based on the contractual term of the loan.

(B) Residential mortgage loans, held-for-investment, at fair value is grouped and presented as part of Residential Loans and Variable Interest Entity Consumer Loans, Held-for-Investment, at Fair Value on the Consolidated Balance Sheets.

(C) Performing loans are generally placed on nonaccrual status when principal or interest is 90 days or more past due.

(D) As of December 31, 2022, Rithm Capital has placed non-performing loans, held-for-sale on nonaccrual status, except as described in (E) below.

(E) Includes $523.1 million and $299.2 million UPB of Ginnie Mae EBO performing and non-performing loans, respectively, on accrual status as contractual cash flows are guaranteed by the FHA.

The following table summarizes the geographic distribution of the underlying residential mortgage loans:

	Percentage of Total Outstanding Unpaid Principal Amount	
	December 31,	
State Concentration	**2022**	**2021**
Florida	10.9 %	10.1 %
California	10.2 %	15.7 %
Texas	8.9 %	6.7 %
New York	6.8 %	7.1 %
Washington	4.4 %	7.5 %
Georgia	4.2 %	3.1 %
New Jersey	3.8 %	3.8 %
Illinois	3.6 %	2.8 %
Indiana	3.2 %	2.0 %
Maryland	3.1 %	3.1 %
Other U.S.	40.9 %	38.1 %
	100.0 %	100.0 %

See Note 19 regarding the financing of residential mortgage loans.

The following table summarizes the difference between the aggregate unpaid principal balance and the aggregate fair value of loans:

	December 31,					
	2022			2021		
Days Past Due	**UPB**	**Fair Value**	**Fair Value Over (Under) UPB**	**Unpaid Principal Balance**	**Fair Value**	**Fair Value Over (Under) UPB**
90+	$ 468,147	$ 423,321	$ (44,826)	$ 779,178	$ 740,043	$ (39,135)

Call Rights

Rithm Capital has executed calls with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO assets contained in such trusts prior to their termination. In certain cases, Rithm Capital sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, Rithm Capital received par on the securities issued by the called trusts which it owned prior to such trusts' termination. For the year ended December 31, 2022, Rithm Capital executed calls on a total of 5 trusts and recognized no interest income on securities held in the collapsed trusts and $8.3 million of gain on securitizations accounted for as sales. For the year ended December 31, 2021, Rithm Capital executed calls on a total of 75 trusts and recognized $3.3 million of interest income on securities held in the collapsed trusts and $29.0 million of gain on securitizations accounted for as sales. Refer to Note 24 for transactions with affiliates.

The following table summarizes the activity for residential mortgage loans:

	Loans Held-for-Investment	Loans Held-for-Sale, at Lower Cost or Fair Value	Loans Held-for-Sale, at Fair Value	Total
Balance at December 31, 2020	$ 674,179	$ 509,887	$ 4,705,816	$ 5,889,882
Caliber acquisition (Note 3)	—	—	7,685,681	7,685,681
Originations	—	—	123,059,895	123,059,895
Sales	—	(374,683)	(131,960,935)	(132,335,618)
Purchases/additional fundings	—	—	8,102,055	8,102,055
Proceeds from repayments	(120,247)	(32,826)	(520,334)	(673,407)
Transfer of loans to other assets[(A)]	—	(585)	22,112	21,527
Transfer of loans to real estate owned	(15,165)	(7,145)	(3,958)	(26,268)
Valuation provision on loans	—	38,273	—	38,273
Fair value adjustments due to:				
Changes in instrument-specific credit risk	(2,020)	—	(18,099)	(20,119)
Other factors	33,186	—	142,691	175,877
Balance at December 31, 2021	$ 569,933	$ 132,921	$ 11,214,924	$ 11,917,778
Originations	—	—	67,406,228	67,406,228
Sales	—	(4,426)	(81,648,703)	(81,653,129)
Purchases/additional fundings	7,182	—	6,880,225	6,887,407
Proceeds from repayments	(80,661)	(17,777)	(394,613)	(493,051)
Transfer of loans to other assets[(A)]	—	—	(25,375)	(25,375)
Transfer of loans to real estate owned	(4,956)	(1,386)	(752)	(7,094)
Transfers of loans to held-for-sale	(1,580)	—	—	(1,580)
Transfers of loans to from held-for-investment	—	—	1,582	1,582
Valuation provision on loans	—	(8,305)	—	(8,305)
Fair value adjustments due to:				
Changes in instrument-specific credit risk	(33,086)	—	(36,204)	(69,290)
Other factors	(4,313)	—	(100,041)	(104,354)
Balance at December 31, 2022	$ 452,519	$ 101,027	$ 3,297,271	$ 3,850,817

(A) Represents loans for which foreclosure has been completed and for which Rithm Capital has made, or intends to make, a claim with the governmental agency that has guaranteed the loans that are grouped and presented as part of claims receivable in Other Assets (Note 14).

Net Interest Income

The following table summarizes the net interest income for residential mortgage loans:

	December 31,		
	2022	**2021**	**2020**
Interest income:			
Loans held-for-investment, at fair value	$ 45,287	$ 44,369	$ 53,264
Loans held-for-sale, at lower of cost or fair value	6,898	23,280	50,130
Loans held-for-sale, at fair value	211,238	260,062	135,729
Total interest income	263,423	327,711	239,123
Interest expense:			
Loans held-for-investment, at fair value	17,583	16,919	21,029
Loans held-for-sale, at lower of cost or fair value	3,402	21,333	22,541
Loans held-for-sale, at fair value and SFR properties	181,071	159,413	90,064
Total interest expense	202,056	197,665	133,634
Net interest income	$ 61,367	$ 130,046	$ 105,489

Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net

The Mortgage Company originates conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. The GSEs or Ginnie Mae guarantee conventional and government-insured mortgage securitizations and mortgage investors issue nonconforming private label mortgage securitizations while the Mortgage Company generally retains the right to service the underlying residential mortgage loans. In connection with the transfer of loans to the GSEs or mortgage investors, Rithm Capital reports Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net in the Consolidated Statements of Income.

The following table summarizes the components of Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net:

	Year Ended December 31,		
	2022	**2021**	**2020**
Gain (loss) on residential mortgage loans originated and sold, net[(A)]	$ (1,106,458)	$ 460,062	$ 811,288
Gain (loss) on settlement of residential mortgage loan origination derivative instruments[(B)]	1,285,219	240,610	(361,755)
MSRs retained on transfer of residential mortgage loans[(C)]	1,222,742	1,331,626	666,414
Other[(D)]	33,551	107,249	49,270
Realized gain on sale of originated residential mortgage loans, net	$ 1,435,054	$ 2,139,547	$ 1,165,217
Change in fair value of residential mortgage loans	(271,530)	(137,503)	99,908
Change in fair value of interest rate lock commitments (Note 18)	(102,992)	(293,699)	249,183
Change in fair value of derivative instruments (Note 18)	25,700	118,564	(115,216)
Gain on originated residential mortgage loans, held-for-sale, net	$ 1,086,232	$ 1,826,909	$ 1,399,092

(A) Includes residential mortgage loan origination fees of $0.6 billion, $2.3 billion and $1.7 billion in the year ended December 31, 2022, 2021 and 2020, respectively.
(B) Represents settlement of forward securities delivery commitments utilized as an economic hedge for residential mortgage loans not included within forward loan sale commitments.
(C) Represents the initial fair value of the capitalized mortgage servicing rights upon loan sales with servicing retained.
(D) Includes fees for services associated with the residential mortgage loan origination process.

10. CONSUMER LOANS

Rithm Capital, through limited liability companies (together, the “Consumer Loan Companies”), has a co-investment in a portfolio of consumer loans. The portfolio includes personal unsecured loans and personal homeowner loans. OneMain is the servicer of the loans and provides all servicing and advancing functions for the portfolio. As of December 31, 2022, Rithm Capital owns 53.5% of the limited liability company interests in, and consolidates, the Consumer Loan Companies.

Rithm Capital also purchased certain newly originated consumer loans from a third party (“Consumer Loan Seller”). These loans are not held in the Consumer Loan Companies and have been designated as performing consumer loans, held-for-investment and are grouped and presented as part of Residential Loans and Variable Interest Entity Consumer Loans Held-for-Investment, at Fair Value on the Consolidated Balance Sheets.

The following table summarizes characteristics of the consumer loan portfolio:

	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon	Weighted Average Expected Life (Years)
December 31, 2022				
Total consumer loans	$ 330,428	$ 363,756	17.8 %	3.4
December 31, 2021				
Total consumer loans	$ 449,875	$ 507,291	17.5 %	3.2

See Note 19 regarding the financing of consumer loans.

The following table summarizes the past due status and difference between the aggregate unpaid principal balance and the aggregate fair value of consumer loans:

	December 31,					
	2022			2021		
Days Past Due	**UPB**	**Fair Value**	**Fair Value Over (Under) UPB**	**UPB**	**Fair Value**	**Fair Value Over (Under) UPB**
Current	$ 325,192	$ 358,057	$ 32,865	$ 442,481	$ 499,059	$ 56,578
90+	5,236	5,699	463	7,394	8,232	838
Total	$ 330,428	$ 363,756	$ 33,328	$ 449,875	$ 507,291	$ 57,416

The following table summarizes activities related to the carrying value of consumer loans:

Balance at December 31, 2020	$ 685,575
Additional fundings[(A)]	29,002
Proceeds from repayments	(206,078)
Accretion of loan discount and premium amortization, net	18,925
Fair value adjustments due to:	
Changes in instrument-specific credit risk	22,915
Other factors	(43,048)
Balance at December 31, 2021	$ 507,291
Additional fundings[(A)]	29,615
Proceeds from repayments	(150,301)
Accretion of loan discount and premium amortization, net	13,891
Fair value adjustments due to:	
Changes in instrument-specific credit risk	1,540
Other factors	(38,280)
Balance at December 31, 2022	$ 363,756

(A) Represents draws on consumer loans with revolving privileges.

11. SINGLE-FAMILY RENTAL PROPERTIES

The following table summarizes the net carrying value of investments in single-family rental ("SFR") properties:

	December 31,	
	2022	**2021**
Land	$ 175,607	$ 109,152
Building	702,427	436,610
Capital improvements	118,999	40,655
Total gross investment in SFR properties	997,033	586,417
Accumulated depreciation	(25,720)	(6,810)
Investment in SFR properties, net	$ 971,313	$ 579,607

Depreciation expense for the year ended December 31, 2022 and 2021 totaled $18.9 million and $6.1 million, respectively, and is included in Other Income (Loss), Net in the Consolidated Statements of Income.

As of December 31, 2022 and 2021, the carrying amount of the SFR properties includes capitalized acquisition costs of $7.7 million and $3.8 million, respectively.

The following table summarizes the activity related to the net carrying value of investments in SFR properties:

Balance at December 31, 2020	$	41,271
Acquisitions and capital improvements		544,408
Dispositions		—
Accumulated depreciation		(6,072)
Balance at December 31, 2021	$	579,607
Acquisitions and capital improvements		415,858
Dispositions		(5,242)
Accumulated depreciation		(18,910)
Balance at December 31, 2022	$	971,313

Rithm Capital generally rents its SFR properties under non-cancelable lease agreements with a term of one to two years. The following table summarizes our future minimum rental revenues under existing leases on SFR properties:

2023	$	33,119
2024 and thereafter		954
Total	$	34,073

The following table summarizes the activity of the SFR portfolio by units:

Balance at December 31, 2020	257
Acquisition of SFR units	2,294
Disposition of SFR units	—
Balance at December 31, 2021	2,551
Acquisition of SFR units	1,226
Disposition of SFR units	(16)
Balance at December 31, 2022	3,761

See Note 19 regarding the financing of SFR Properties.

12. MORTGAGE LOANS RECEIVABLE

Rithm Capital completed the Genesis acquisition in December 2021. Genesis specializes in originating and managing a portfolio of primarily short-term mortgage loans to fund the construction and development of, or investment in, residential properties. See Note 3 for further discussion regarding the Genesis acquisition.

The following table summarizes Mortgage Loans Receivable outstanding by loan purpose:

	Carrying Value(A)	% of Portfolio	Loan Count	% of Portfolio	Weighted Average Yield	Weighted Average Original Life (Months)	Weighted Average Committed Loan Balance to Value(B)
December 31, 2022							
Construction	$ 965,495	46.8 %	622	37.1 %	8.3 %	15.0	76.8% / 65.6%
Bridge	838,539	40.6 %	701	41.8 %	8.1 %	20.1	75.3%
Renovation	259,994	12.6 %	354	21.1 %	8.3 %	13.0	78.0% / 66.1%
	$ 2,064,028	100.0 %	1,677	100.0 %	8.2 %	16.5	N/A
December 31, 2021							
Construction	$ 610,446	40.3 %	486	33.2 %	8.3 %	16.0	75.6% / 65.0%
Bridge	716,764	47.3 %	632	43.2 %	7.8 %	14.5	73.8%
Renovation	188,552	12.4 %	346	23.6 %	8.1 %	13.4	78.5% / 78.5%
	$ 1,515,762	100.0 %	1,464	100.0 %	8.1 %	15.2	N/A

(A) Represents fair value.
(B) Weighted by commitment loan-to-value ("LTV") for bridge loans, loan-to-cost ("LTC") or loan-to-after-repair-value ("LTARV") for construction and renovation loans.

The following table summarizes the activity for Mortgage Loans Receivables:

Balance at December 31, 2020	$ —
Genesis acquisition (Note 3)	1,505,635
Initial loan advances	60,125
Construction holdbacks and draws	12,856
Paydowns and payoffs	(60,867)
Fair value adjustments due to:	
Changes in instrument-specific credit risk	—
Other factors	(1,987)
Balance at December 31, 2021	$ 1,515,762
Initial loan advances	1,438,117
Construction holdbacks and draws	559,294
Paydowns and payoffs	(1,405,278)
Purchased loans premium amortization	(43,867)
Balance at December 31, 2022	$ 2,064,028

The Company is subject to credit risk in connection with its investments in mortgage loans. The two primary components of credit risk are default risk, which is the risk that a borrower fails to make scheduled principal and interest payments, and severity risk, which is the risk of loss upon a borrower default on a mortgage loan or other secured or unsecured loan. Severity risk includes the risk of loss of value of the property or other asset, if any, securing the loan, as well as the risk of loss associated with taking over the property or other asset, if any, including foreclosure costs.

The following table summarizes the difference between the aggregate unpaid principal balance and the aggregate fair value of Mortgage Loans Receivable:

	December 31,					
	2022			2021		
Days Past Due	**UPB**	**Fair Value**	**Fair Value Over (Under) UPB**	**UPB**	**Fair Value**	**Fair Value Over (Under) UPB**
Current	$ 2,064,028	$ 2,064,028	$ —	$ 1,473,894	$ 1,515,762	$ 41,868
90+	—	—	—	—	—	—
	$ 2,064,028	$ 2,064,028	$ —	$ 1,473,894	$ 1,515,762	$ 41,868

The following table summarizes the geographic distribution of the underlying Mortgage Loans Receivable as of December 31, 2022:

	Percentage of Total Loan Commitment	
State Concentration	**December 31, 2022**	**December 31, 2021**
California	52.7 %	58.9 %
Washington	10.2 %	12.2 %
New York	5.9 %	5.6 %
Other U.S.	31.2 %	23.3 %
	100.0 %	100.0 %

As of December 31, 2022, the Company finances mortgage loans using a warehouse credit facility. See Note 19 for details.

13. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Restricted cash primarily relates to the financing of servicer advances that has been pledged to the note holders for interest and fees payable, cash related to securitization facilities (Note 21), and financing of consumer loans as well as real estate securities. Restricted cash also consists of cash the Company has pledged to cover variation margin with its financing and certain derivative counterparties.

The following table summarizes restricted cash balances:

	December 31,	
	2022	**2021**
MSRs and servicer advances	$ 69,347	$ 27,182
Real estate and other securities	4,604	15,342
Consumer loans	15,930	21,961
SFR properties	4,627	2,482
Origination and servicing	161,249	128,588
Mortgage loans receivable	25,369	—
Other	—	312
Total restricted cash	$ 281,126	$ 195,867

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on Rithm Capital's Consolidated Balance Sheets to the total of the same such amounts shown in the Consolidated Statements of Cash Flows:

	Year Ended December 31,	
	2022	2021
Cash and cash equivalents	$ 1,336,508	$ 1,332,575
Restricted cash	281,126	195,867
Total cash, cash equivalents and restricted cash	$ 1,617,634	$ 1,528,442

14. OTHER ASSETS AND LIABILITIES

Other Assets and Accrued Expenses and Other Liabilities consist of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	December 31,			December 31,	
	2022	2021		2022	2021
Margin receivable, net[(A)]	$ 20,614	$ 358,041	Margin payable	$ 4,852	$ 9,821
Excess MSRs, at fair value (Note 5)	321,803	344,947	Interest payable	87,700	30,931
Servicer advance investments, at fair value (Note 6)	398,820	421,807	Accounts payable	155,492	345,901
Servicing fee receivables	128,438	117,935	Derivative liabilities (Note 18)	18,064	34,583
Principal and interest receivable	106,608	85,084	Accrued compensation and benefits	112,762	201,057
Equity investments[(B)]	71,388	81,052	Operating lease liabilities (Note 17)	101,225	142,620
Other receivables	146,131	233,342	Deferred tax liability	711,855	440,690
REO	19,379	21,641	Other liabilities	294,717	153,165
Goodwill (Note 16)[(C)]	85,199	85,199		$ 1,486,667	$ 1,358,768
Notes receivable, at fair value[(D)]	—	60,549			
Warrants, at fair value	19,346	27,354			
Property and equipment	37,883	56,617			
Intangible assets (Note 16)	141,413	143,133			
Prepaid expenses	60,817	115,110			
Operating lease right-of-use assets (Note 17)	77,329	117,131			
Derivative assets (Note 18)	52,229	138,173			
Loans receivable, at fair value[(E)]	94,401	229,631			
Credit facilities receivable[(F)]	7,095	41,351			
Loans in process and settlements in process[(G)]	8,849	11,681			
Other assets	116,865	105,728			
	$ 1,914,607	$ 2,795,506			

(A) Represents collateral posted as a result of changes in fair value of Rithm Capital's (i) real estate securities securing its secured financing agreements and (ii) derivative instruments.

(B) Represents equity investments in funds that invest in (i) a commercial redevelopment project and (ii) operating companies in the single-family housing industry. The commercial redevelopment project is accounted for at fair value based on the net asset value of Rithm Capital's investment. Equity investments also includes an investment in Covius Holding Inc. ("Covius"), a provider of various technology-enabled services to the mortgage and real estate industries, preferred stock in Valon Mortgage, Inc. ("Valon"), a residential mortgage servicing and technology company, and preferred stock in Credijusto Ltd. ("Covalto"), a financial services company.

(C) Includes goodwill derived from the acquisition of Shellpoint Partners LLC ("Shellpoint"), Guardian Asset Management LLC ("Guardian") and Genesis.

(D) Represents a subordinated debt facility to Covius. The loan is accounted for under the fair value option. Electing the fair value option allows the Company to record changes in fair value in the Consolidated Statements of Income and provides users of the financial statements with better information regarding the effect of market factors.

(E) Represents loans made pursuant to a senior credit agreement and a senior subordinated credit agreement to an entity affiliated with funds managed by an affiliate of the Former Manager (see Note 24). The loans are accounted for under the fair value option. Electing the fair value option allows the Company to record changes in fair value in the Consolidated Statements of Income and provides users of the financial statements with better information regarding the effect of market factors.

(F) Represents cash deposits and collections associated with certain collateral assets which are held by the lender trust until settled each month.

(G) Loans in process represent timing differences in the disbursing of funds and the closing of the loan. Settlements in process represent timing differences in the receipt of funds and settlement of the loan sale.

Real Estate Owned (REO) — REO assets are those individual properties acquired by Rithm Capital or where Rithm Capital receives the property in satisfaction of a debt (e.g., by taking legal title or physical possession). Rithm Capital measures REO assets at the lower of cost or fair value, with valuation changes recorded in Other Income or Valuation and Credit Loss (Provision) Reversal on Loans and Real Estate Owned in the Consolidated Statements of Income. REO assets are managed for prompt sale and disposition at the best possible economic value.

The following table presents activity related to the carrying value of investments in REO:

Balance at December 31, 2020	$ 45,299
Purchases	2,464
Transfer of loans to REO	30,015
Sales[(A)]	(60,407)
Valuation (provision) reversal	4,270
Balance at December 31, 2021	$ 21,641
Purchases	210
Transfer of loans to REO	14,936
Sales[(A)]	(18,349)
Valuation (provision) reversal	941
Balance at December 31, 2022	$ 19,379

(A) Recognized when control of the property has transferred to the buyer.

As of December 31, 2022, Rithm Capital had residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of $75.9 million.

Notes and Loans Receivable — The following table summarizes the activity for notes and loans receivable:

	Notes Receivable	Loans Receivable	Total
Balance at December 31, 2020	$ 52,389	$ —	$ 52,389
Fundings	6,688	250,000	256,688
Payment in Kind	5,298	4,135	9,433
Proceeds from repayments	(3,188)	(25,443)	(28,631)
Fair value adjustments due to:			
Changes in instrument-specific credit risk	—	—	—
Other factors	(638)	939	301
Balance at December 31, 2021	$ 60,549	$ 229,631	$ 290,180
Fundings	9,000	—	9,000
Payment in Kind	3,741	9,195	12,936
Proceeds from repayments	(9,000)	(143,256)	(152,256)
Transfer to other assets	(1,000)	—	(1,000)
Fair value adjustments due to:			
Changes in instrument-specific credit risk	(63,062)	—	(63,062)
Other factors	(228)	(1,169)	(1,397)
Balance at December 31, 2022	$ —	$ 94,401	$ 94,401

The following table summarizes the past due status and difference between the aggregate unpaid principal balance and the aggregate fair value of notes and loans receivable:

	December 31,					
	2022			2021		
Days Past Due	**UPB**	**Fair Value**	**Fair Value Over (Under) UPB**	**Unpaid Principal Balance**	**Fair Value**	**Fair Value Over (Under) UPB**
Current	$ 157,745	$ 94,401	$ (63,344)	$ 289,065	$ 290,180	$ 1,115
90+	—	—	—	—	—	—

15. EXPENSES, CHANGES IN FAIR VALUE OF INVESTMENTS AND OTHER

General and Administrative expenses consists of the following:

	Year Ended December 31,		
	2022	2021	2020
Legal and professional	$ 78,837	$ 102,114	$ 70,502
Loan origination	108,149	196,989	92,081
Occupancy	116,526	70,616	36,799
Subservicing	162,972	224,138	201,444
Loan servicing	11,759	16,440	14,126
Property and maintenance	93,689	69,083	42,508
Other	303,496	184,648	90,981
Total general and administrative expenses	$ 875,428	$ 864,028	$ 548,441

Change in Fair Value of Investments, Net consists of the following:

	Year Ended December 31,		
	2022	2021	2020
Real estate and other securities	$ 235,591	$ (400,369)	$ 28,455
Residential mortgage loans	(173,644)	155,758	(107,604)
Derivative instruments	1,094,467	298,803	(53,467)
Other[(A)]	(48,124)	(42,469)	(16,142)
Change in fair value of investments, net	$ 1,108,290	$ 11,723	$ (148,758)

(A) Includes excess MSRs, servicer advance investments, consumer loans, and other.

Gain (Loss) on Settlement of Investments, Net consists of the following:

	Year Ended December 31,		
	2022	2021	2020
Gain (loss) on sale of real estate securities	$ (1,735,009)	$ (89,811)	$ (753,713)
Sale of acquired residential mortgage loans	55,298	120,680	(5,662)
Settlement of derivatives	374,464	(172,581)	(74,812)
Liquidated residential mortgage loans	(42,639)	(5,946)	4,644
Sale of REO	(4,148)	(6,622)	(21,925)
Extinguishment of debt	—	(1,485)	(66,233)
Other	(7,645)	(78,796)	(12,430)
Gain (loss) on settlement of investments, net	$ (1,359,679)	$ (234,561)	$ (930,131)

Other Income (Loss), Net consists of the following:

	Year Ended December 31,		
	2022	2021	2020
Unrealized gain (loss) on secured notes and bonds payable	$ 45,792	$ 12,991	$ (966)
Rental revenue	54,567	13,750	2,422
Property and maintenance revenue	132,432	104,797	70,527
(Provision) reversal for credit losses on securities	(7,345)	5,201	(13,404)
Valuation and credit loss (provision) reversal on loans and real estate owned	(7,617)	42,543	(110,208)
Other income (loss)	(86,517)	2,430	(83,980)
Other income (loss), net	$ 131,312	$ 181,712	$ (135,609)

Accretion and Other Amortization as reflected on the Consolidated Statements of Cash Flows consists of the following:

	Year Ended December 31,		
	2022	2021	2020
Accretion of net discount on securities and loans	$ 29,023	$ 32,670	$ 96,148
Accretion of servicer advances receivable discount and investments	42,006	1,822	55,664
Accretion of excess mortgage servicing rights income	38,036	30,855	28,352
Amortization of deferred financing costs	(15,427)	(14,174)	(22,733)
Amortization of discount on secured notes and bonds payable	—	(13)	(388)
Amortization of discount on corporate debt	(1,747)	(1,778)	(5,503)
Total accretion and other amortization	$ 91,891	$ 49,382	$ 151,540

16. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes the carrying value of goodwill by reportable segment:

	Origination	Servicing	MSR Related Investments	Mortgage Loans Receivable	Total
Balance at December 31, 2020	$ 11,836	$ 12,540	$ 5,092	$ —	$ 29,468
Goodwill acquired[(A)]	—	—	—	55,731	55,731
Accumulated impairment loss	—	—	—	—	—
Balance at December 31, 2021	$ 11,836	$ 12,540	$ 5,092	$ 55,731	$ 85,199
Goodwill acquired[(A)]	—	—	—	—	—
Accumulated impairment loss	—	—	—	—	—
Balance at December 31, 2022	$ 11,836	$ 12,540	$ 5,092	$ 55,731	$ 85,199

(A) Refer to Note 3 for discussion regarding the Genesis acquisition.

The following table summarizes the acquired identifiable intangible assets:

	Estimated Useful Lives (Years)	As of December 31, 2022	As of December 31, 2021
Gross Intangible Assets			
Customer relationships	3 to 9	$ 57,949	$ 57,949
Purchased technology	3 to 7	120,787	93,241
Trademarks / Trade names	1 to 5	10,259	10,259
		188,995	161,449
Accumulated Amortization			
Customer relationships		12,960	6,574
Purchased technology		30,959	10,578
Trademarks / Trade names		3,663	1,164
		47,582	18,316
Intangible Assets, Net			
Customer relationships		44,989	51,375
Purchased technology(A)		89,828	82,663
Trademarks / Trade names(B)		6,596	9,095
		$ 141,413	$ 143,133

(A) Includes indefinite-lived intangible assets of $21.4 million and $21.4 million, respectively.
(B) Includes indefinite-lived intangible assets of $1.9 million and $1.9 million, respectively.

The following table summarizes the expected future amortization expense for acquired definite-lived intangible assets as of December 31, 2022:

Year Ending	Amortization Expense
2023	$ 29,529
2024	27,101
2025	20,476
2026	16,164
2027 and thereafter	24,902
	$ 118,172

17. OPERATING LEASES

Rithm Capital, through its wholly-owned subsidiaries, has leases on office space expiring through 2033. Rent expense, net of sublease income for the year ended December 31, 2022, 2021 and 2020 totaled $45.2 million, $26.1 million and $13.5 million, respectively. The Company has leases that include renewal options and escalation clauses. The terms of the leases do not impose any financial restrictions or covenants.

As of December 31, 2022, future commitments under the non-cancelable leases are as follows:

Year Ending	Amount
2023	$ 29,631
2024	22,767
2025	16,930
2026	10,480
2027	8,630
2028 and thereafter	25,783
Total remaining undiscounted lease payments	114,221
Less: imputed interest	12,996
Total remaining discounted lease payments	$ 101,225

The future commitments under the non-cancelable leases have not been reduced by the sublease rentals of $8.5 million due in the future periods.

Other information related to operating leases is summarized below:

	December 31,	
	2022	2021
Weighted-average remaining lease term (years)	5.7	5.5
Weighted-average discount rate	4.0 %	4.1 %

18. DERIVATIVES

Rithm Capital enters into economic hedges including interest rate swaps and TBAs to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. Rithm Capital's credit risk with respect to economic hedges is the risk of default on Rithm Capital's investments that results from a borrower's or counterparty's inability or unwillingness to make contractually required payments.

Rithm Capital may at times hold to-be-announced forward contract positions ("TBAs") in order to mitigate Rithm Capital's interest rate risk on certain specified mortgage backed securities and MSRs. Amounts or obligations owed by or to Rithm Capital are subject to the right of set-off with the TBA counterparty. As part of executing these trades, Rithm Capital may enter into agreements with its TBA counterparties that govern the transactions for the TBA purchases or sales made, including margin maintenance, payment and transfer, events of default, settlements, and various other provisions. Changes in the value of derivatives designed to protect against mortgage backed securities and MSR fair value fluctuations, or hedging gains and losses, are reflected in the tables below.

As of December 31, 2022, Rithm Capital also held interest rate lock commitments ("IRLCs"), which represent a commitment to a particular interest rate provided the borrower is able to close the loan within a specified period, and forward loan sale and securities delivery commitments, which represent a commitment to sell specific residential mortgage loans at prices which are fixed as of the forward commitment date. Rithm Capital enters into forward loan sale and securities delivery commitments in order to hedge the exposure related to IRLCs and residential mortgage loans that are not covered by residential mortgage loan sale commitments.

Derivatives are recorded at fair value on the Consolidated Balance Sheets as follows:

	Balance Sheet Location	December 31, 2022	December 31, 2021
Derivative assets			
Interest rate swaps[(A)]	Other assets	$ 449	$ 52
Interest rate lock commitments	Other assets	16,015	114,871
Options on treasury futures	Other assets	—	7,778
TBAs	Other assets	35,765	15,472
		$ 52,229	$ 138,173
Derivative liabilities			
Interest rate lock commitments	Accrued expenses and other liabilities	$ 7,229	$ 3,093
TBAs	Accrued expenses and other liabilities	10,835	31,490
		$ 18,064	$ 34,583

(A) Net of $1.2 billion and $60.7 million of related variation margin accounts as of December 31, 2022 and 2021, respectively.

The following table summarizes notional amounts related to derivatives:

	December 31, 2022	December 31, 2021
Interest rate swaps[(A)]	$ 23,085,000	$ 11,490,000
Interest rate lock commitments	2,647,747	10,653,850
TBAs, short position[(B)]	8,473,221	22,697,706
TBAs, long position[(B)]	31,500	—
Treasury futures	—	314,500
Options on treasury futures	—	3,200,000

(A) Includes $23.1 billion notional of receive LIBOR/pay fixed of 1.9% and $0.0 billion notional of receive fixed of 0.0%/ pay LIBOR with weighted average maturities of 35 months and 0 months, respectively, as of December 31, 2022. Includes $11.5 billion notional of receive LIBOR/pay fixed of 1.1% and $0.0 billion notional of received fixed of 0.0% pay LIBOR with weighted average maturities of 42 months and 0 months, respectively, as of December 31, 2021.

(B) Represents the notional amount of Agency RMBS, classified as derivatives.

The following table summarizes gain (loss) on derivatives and the related location on the Consolidated Statements of Income:

	Year Ended December 31,		
	2022	**2021**	**2020**
Servicing revenue, net[(A)]			
TBAs	$ (15,205)	$ 10,483	$ —
Treasury futures	(1,746)	(23,961)	—
Options on treasury futures	5,635	(17,003)	—
	(11,316)	(30,481)	—
Gain on originated residential mortgage loans, held for sale, net[(A)]			
Interest rate lock commitments	(102,992)	(293,699)	249,183
TBAs	25,700	118,564	(115,243)
Forward loan sale commitments	—	—	27
	(77,292)	(175,135)	133,967
Change in fair value of investments[(A)]			
Interest rate swaps	1,064,961	298,803	(53,467)
TBAs	29,506	—	—
	1,094,467	298,803	(53,467)
Gain (loss) on settlement of investments, net[(B)]			
Interest rate swaps	94,816	(136,073)	(2,685)
TBAs[(C)]	279,648	(36,508)	(72,127)
	374,464	(172,581)	(74,812)
Total gain (loss)	$ 1,380,323	$ (79,394)	$ 5,688

(A) Represents unrealized gain (loss).

(B) Excludes $79.0 million loss and $34.7 million loss for the year ended December 31, 2022 and 2021, respectively, included within Servicing Revenue, Net (Note 6). There was no gain or loss included within Servicing Revenue, Net for the year ended December 31, 2020.

(C) Excludes $1.3 billion gain, $240.6 million gain and $361.8 million loss for the year ended December 31, 2022, 2021 and 2020, respectively, included within Gain on Originated Residential Mortgage Loans, Held-for-Sale, Net (Note 9).

19. DEBT OBLIGATIONS

The following table summarizes Secured Financing Agreements and Secured Notes and Bonds Payable debt obligations:

	December 31, 2022									December 31, 2021
						Collateral				
Debt Obligations/Collateral	Outstanding Face Amount	Carrying Value[(A)]	Final Stated Maturity[(B)]	Weighted Average Funding Cost	Weighted Average Life (Years)	Outstanding Face	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)	Carrying Value[(A)]
Secured Financing Agreements[(C)]										
Repurchase Agreements:										
Warehouse Credit Facilities-Residential Mortgage Loans[(F)]	$ 2,603,833	$ 2,601,327	Feb-23 to Jan-25	5.9 %	0.8	$ 3,187,716	$ 3,114,791	$ 3,020,575	21.3	$ 10,138,297
Warehouse Credit Facility-Mortgage Loans Receivable[(G)]	1,220,662	1,220,662	Mar-23 to Dec-23	6.9 %	0.6	1,451,279	1,451,279	1,451,279	0.8	1,252,660
Agency RMBS[(D)]	6,821,788	6,821,788	Jan-23 to Feb-23	4.1 %	0.1	7,213,920	7,082,133	7,123,127	8.5	8,386,538
Non-Agency RMBS[(E)]	609,282	609,282	Jan-23 to Oct-27	6.5 %	1.1	14,824,678	946,631	946,197	7.1	656,874
SFR Properties[(E)]	4,677	4,677	Dec-24	7.1 %	2.0	N/A	7,765	7,765	NA	158,515
Total Secured Financing Agreements	11,260,242	11,257,736		5.0 %	0.4					20,592,884
Secured Notes and Bonds Payable										
Excess MSRs[(H)]	227,596	227,596	Aug-25	3.7 %	2.6	67,454,370	260,828	317,146	6.1	237,835
MSRs[(I)]	4,800,001	4,791,543	Mar-23 to Nov-27	6.1 %	2.4	532,218,484	6,811,636	8,833,825	6.9	4,234,771
Servicer Advance Investments[(J)]	319,276	318,445	Aug-23 to Mar-24	6.5 %	1.2	341,628	392,749	398,820	8.4	355,722
Servicer Advances[(J)]	2,364,757	2,361,259	Feb-23 to Nov-26	4.1 %	1.1	2,847,234	2,825,485	2,825,485	0.7	2,355,969
Residential Mortgage Loans[(K)]	770,897	769,988	May-24 to Jul-43	5.4 %	1.9	775,314	791,534	791,534	28.5	802,526
Consumer Loans[(L)]	330,772	299,498	Sep-37	2.1 %	3.3	330,397	343,947	363,725	3.5	458,580
SFR Properties	863,029	817,695	Mar-23 to Sep-27	3.6 %	3.8	N/A	963,547	963,547	N/A	199,407
Mortgage Loans Receivable	524,062	512,919	Jul 26 to Dec-26	5.4 %	3.8	569,486	569,486	569,486	0.6	—
Total Secured Notes and Bonds Payable	10,200,390	10,098,943		5.2 %	2.2					8,644,810
Total/Weighted Average	$ 21,460,632	$ 21,356,679		5.1 %	1.2	$ 631,214,506	$25,561,811	$27,612,511		$ 29,237,694

(A) Net of deferred financing costs.
(B) All debt obligations with a stated maturity through the date of issuance were refinanced, extended or repaid.
(C) Includes approximately $80.5 million of associated interest payable as of December 31, 2022.
(D) All fixed interest rates.
(E) All LIBOR or SOFR-based floating interest rates.
(F) Includes $278.6 million which bear interest at an average fixed interest rate of 5.1% with the remaining having LIBOR or SOFR-based floating interest rates.
(G) All LIBOR or SOFR-based floating interest rates.
(H) Includes $227.6 million of corporate loans which bear interest at a fixed interest rate of 3.7%.
(I) Includes $3.0 billion of MSR notes which bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or SOFR, and (ii) a margin ranging from 2.5% to 3.3%; and $1.8 billion of capital market notes with fixed interest rates ranging 3.0% to 5.4%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the MSRs and MSR Financing Receivables securing these notes.
(J) $1.2 billion face amount of the notes has a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.2% to 3.3%. Collateral includes Servicer Advance Investments, as well as servicer advances receivable related to the MSRs and MSR Financing Receivables owned by NRM.
(K) Represents (i) $20.9 million of SAFT 2013-1 mortgage-backed securities issued with fixed interest rate of 3.7% and (ii) $750.0 million securitization backed by a revolving warehouse facility to finance newly originated first-lien, fixed- and adjustable-rate residential mortgage loans which bears interest equal to one-month LIBOR plus 1.1%.
(L) Includes the SpringCastle debt, comprising the following classes of asset-backed notes held by third parties: $277.7 million UPB of Class A notes with a coupon of 2.0% and a stated maturity date in September 2037 and $53.0 million UPB of Class B notes with a coupon of 2.7% and a stated maturity date in September 2037 (collectively, "SCFT 2020-A").

As of December 31, 2022, Rithm Capital had no outstanding secured financing agreements where the amount at risk with any individual counterparty or group of related counterparties exceeded 10% of Rithm Capital's stockholders' equity. The amount at risk under secured financing agreements is defined as the excess of carrying amount (or market value, if higher than the

carrying amount) of the securities or other assets sold under agreement to repurchase, including accrued interest plus any cash or other assets on deposit to secure the repurchase obligation, over the amount of the repurchase liability (adjusted for accrued interest).

General

Certain of the debt obligations included above are obligations of Rithm Capital's consolidated subsidiaries, which own the related collateral. In some cases, such collateral is not available to other creditors of Rithm Capital.

As of December 31, 2022, Rithm Capital has margin exposure on $11.3 billion of secured financing agreements. To the extent that the value of the collateral underlying these secured financing agreements declines, Rithm Capital may be required to post margin, which could significantly impact its liquidity.

The following table summarizes activities related to the carrying value of debt obligations:

	Excess MSRs	MSRs	Servicer Advances[(A)]	Real Estate Securities	Residential Mortgage Loans and REO	Consumer Loans	SFR	Mortgage Loans Receivable	Total
Balance at December 31, 2020	$ 275,088	$ 2,691,791	$ 3,008,719	$ 13,499,636	$ 5,082,296	$ 628,759	$ 5,586	$ —	$ 25,191,875
Secured Financing Agreements									
Acquired borrowings, net of discount (Note 3)	—	—	—	—	7,090,577	—	—	—	7,090,577
Borrowings	—	—	—	64,749,425	129,676,976	—	199,713	1,278,647	195,904,761
Repayments	—	—	—	(69,206,600)	(130,719,004)	—	—	(25,987)	(199,951,591)
Capitalized deferred financing costs, net of amortization	—	—	—	951	812	—	(306)	—	1,457
Secured Notes and Bonds Payable									
Acquired borrowings, net of discount	—	1,045,000	76,772	—	—	—	—	—	1,121,772
Borrowings	—	4,042,325	2,971,974	—	796,849	—	152,929	—	7,964,077
Repayments	(37,253)	(3,549,148)	(3,346,873)	—	(974,176)	(170,623)	—	—	(8,078,073)
Unrealized (gain) loss on notes, fair value	—	—	—	—	(13,435)	444	—	—	(12,991)
Capitalized deferred financing costs, net of amortization	—	4,803	1,099	—	(72)	—	—	—	5,830
Balance at December 31, 2021	$ 237,835	$ 4,234,771	$ 2,711,691	$ 9,043,412	$ 10,940,823	$ 458,580	$ 357,922	$ 1,252,660	$ 29,237,694
Secured Financing Agreements									
Borrowings	—	—	—	54,385,892	73,782,327	—	206,595	2,080,495	130,455,309
Repayments	—	—	—	(55,998,234)	(81,320,424)	—	(360,433)	(2,112,492)	(139,791,583)
Capitalized deferred financing costs, net of amortization	—	—	—	—	1,128	—	—	—	1,128
Secured Notes and Bonds Payable									
Borrowings	—	2,027,637	2,804,677	—	—	—	879,947	524,062	6,236,323
Repayments	(10,239)	(1,473,037)	(2,839,257)	—	(33,204)	(123,770)	(216,631)	—	(4,696,138)
Discount on borrowings, net of amortization	—	—	—	—	—	—	(42,030)	—	(42,030)
Unrealized (gain) loss on notes, fair value	—	—	—	—	665	(35,312)	—	(11,144)	(45,791)
Capitalized deferred financing costs, net of amortization	—	2,172	2,593	—	—	—	(2,998)	—	1,767
Balance at December 31, 2022	$ 227,596	$ 4,791,543	$ 2,679,704	$ 7,431,070	$ 3,371,315	$ 299,498	$ 822,372	$ 1,733,581	$ 21,356,679

(A) Rithm Capital net settles daily borrowings and repayments of the Secured Notes and Bonds Payable on its servicer advances.

Maturities

Contractual maturities of debt obligations as of December 31, 2022:

Year Ending	Nonrecourse[(A)]	Recourse[(B)]	Total
2023	$ 1,359,547	$ 11,464,276	$ 12,823,823
2024	2,143,523	1,865,962	4,009,485
2025	—	2,017,629	2,017,629
2026	—	1,798,784	1,798,784
2027 and thereafter	1,080,910	280,000	1,360,910
	$ 4,583,980	$ 17,426,651	$ 22,010,631

(A) Includes secured notes and bonds payable of $4.6 billion.
(B) Includes secured financing agreements and secured notes and bonds payable of $11.2 billion and $6.2 billion, respectively.

Borrowing Capacity

The following table summarizes borrowing capacity as of December 31, 2022:

Debt Obligations/ Collateral	Borrowing Capacity	Balance Outstanding	Available Financing[(A)]
Secured Financing Agreements			
Residential mortgage loans and REO	$ 4,284,838	$ 1,978,037	$ 2,306,801
Loan originations	12,461,331	1,851,134	10,610,197
Secured Notes and Bonds Payable			
Excess MSRs	286,380	227,596	58,784
MSRs	5,806,207	4,800,001	1,006,207
Servicer advances	3,245,669	2,684,033	561,636
Residential mortgage loans	290,714	224,504	66,210
	$ 26,375,139	$ 11,765,305	$ 14,609,835

(A) Although available financing is uncommitted, Rithm Capital's unused borrowing capacity is available if it has additional eligible collateral to pledge and meets other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate.

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in Rithm Capital's equity or a failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. Additionally, with the expected phase out of LIBOR, the Company expects the calculated rate on certain debt obligations will be changed to another published reference standard before the planned cessation of LIBOR quotations in 2023. However, the Company does not anticipate this change will have a significant effect on the terms and conditions, ability to access credit, or on its financial condition. Rithm Capital was in compliance with all of its debt covenants as of December 31, 2022.

2025 Senior Unsecured Notes

On September 16, 2020, the Company, as borrower, completed a private offering of $550.0 million aggregate principal amount of 6.250% senior unsecured notes due 2025 (the "2025 Senior Notes"). Interest on the 2025 Senior Notes accrue at the rate of 6.250% per annum with interest payable semi-annually in arrears on each April 15 and October 15.

The 2025 Senior Notes mature on October 15, 2025 and the Company may redeem some or all of the 2025 Senior Notes at the Company's option, at any time from time to time, on or after October 15, 2022 at a price equal to the following fixed redemption prices (expressed as a percentage of principal amount of the 2025 Senior Notes to be redeemed):

Year	Price
2022	103.125%
2023	101.563%
2024 and thereafter	100.000%

Prior to October 15, 2022, the Company was entitled at its option on one or more occasions to redeem the 2025 Senior Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the 2025 Senior Notes originally issued prior to the applicable redemption date at a fixed redemption price of 106.250%.

Net proceeds from the offering were approximately $544.5 million, after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by the Company. The Company incurred fees of approximately $8.3 million in relation to the issuance of the 2025 Senior Notes. These fees were capitalized as debt issuance cost and are grouped and presented as part of Unsecured Senior Notes, Net of Issuance Costs on the Consolidated Balance Sheets. For the year ended December 31, 2022, the Company recognized $34.4 million of interest expense. As of December 31, 2022, the unamortized debt issuance costs was approximately $4.9 million.

The 2025 Senior Notes are senior unsecured obligations and rank pari passu in right of payment with all of the Company's existing and future senior unsecured indebtedness and senior unsecured guarantees. At the time of issuance, the 2025 Senior Notes were not guaranteed by any of the Company's subsidiaries and none of its subsidiaries are required to guarantee the 2025 Senior Notes in the future, except under limited specified circumstances.

The 2025 Senior Notes contain financial covenants and other non-financial covenants, including, among other things, limits on the ability of the Company and its restricted subsidiaries to incur certain indebtedness (subject to various exceptions), requires that the Company maintain total unencumbered assets (as defined in the debt agreement) of not less than 120% of the aggregate principal amount of the outstanding unsecured debt, and imposes certain requirements in order for the Company to merge or consolidate with or transfer all or substantially all of its assets to another person, in each case subject to certain qualifications set forth in the debt agreement. If the Company were to fail to comply with these covenants, after the expiration of the applicable cure periods, the debt maturity could be accelerated or other remedies could be sought by the lenders. As of December 31, 2022, the Company was in compliance with all covenants.

In the event of a change of control, each holder of the 2025 Senior Notes will have the right to require the Company to repurchase all or any part of the outstanding balance at a purchase price of 101% of the principal amount of the 2025 Senior Notes repurchased, plus accrued and unpaid interest, if any, to, but not including, the date of such repurchase.

20. FAIR VALUE MEASUREMENTS

U.S. GAAP requires the categorization of fair value measurement into three broad levels which form a hierarchy based on the transparency of inputs to the valuation.

Level 1 – Quoted prices in active markets for identical instruments.
Level 2 – Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment rates, loss severities, credit risks and default rates), and
- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 – Valuations based significantly on unobservable inputs.

Rithm Capital follows this hierarchy for its fair value measurements. The classifications are based on the lowest level of input that is significant to the fair value measurement.

The carrying values and fair values of assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of December 31, 2022 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Assets:						
Excess MSRs[(A)]	$ 67,454,370	$ 321,803	$ —	$ —	$ 321,803	$ 321,803
MSRs and MSR financing receivables[(A)]	539,897,324	8,889,403	—	—	8,889,403	8,889,403
Servicer advance investments	341,628	398,820	—	—	398,820	398,820
Real estate and other securities	25,370,934	8,289,277	—	7,338,417	950,860	8,289,277
Residential mortgage loans, held-for-sale	117,847	101,027	—	—	101,196	101,196
Residential mortgage loans, held-for-sale, at fair value	3,387,888	3,297,271	—	3,035,894	261,377	3,297,271
Residential mortgage loans, held-for-investment, at fair value	538,710	452,519	—	—	452,519	452,519
Residential mortgage loans subject to repurchase	1,219,890	1,219,890	—	1,219,890	—	1,219,890
Consumer loans	330,428	363,756	—	—	363,756	363,756
Derivative assets	33,174,574	52,229	—	36,214	16,015	52,229
Mortgage loans receivable[(B)]	2,064,028	2,064,028	—	349,975	1,714,053	2,064,028
Note receivable	63,114	—	—	—	—	—
Loans receivable	94,631	94,401	—	—	94,401	94,401
Cash and cash equivalents	1,336,508	1,336,508	1,336,508	—	—	1,336,508
Restricted cash	281,126	281,126	281,126	—	—	281,126
Other assets[(C)]	N/A	23,370	—	—	23,370	23,370
		$ 27,185,428	$ 1,617,634	$ 11,980,390	$ 13,587,573	$ 27,185,597
Liabilities:						
Secured financing agreements	$ 11,260,242	$ 11,257,737	$ —	$ 11,257,737	$ —	$ 11,257,737
Secured notes and bonds payable[(D)]	10,200,390	10,098,942	—	—	9,911,778	9,911,778
Unsecured senior notes, net of issuance costs	545,056	545,056	—	—	493,064	493,064
Residential mortgage loan repurchase liability	1,219,890	1,219,890	—	1,219,890	—	1,219,890
Derivative liabilities	1,062,894	18,064	—	10,835	7,229	18,064
		$ 23,139,689	$ —	$ 12,488,462	$ 10,412,071	$ 22,900,533

(A) The notional amount represents the total unpaid principal balance of the residential mortgage loans underlying the MSRs, MSR Financing Receivables and Excess MSRs. Rithm Capital does not receive an excess mortgage servicing amount on non-performing loans in Agency portfolios.

(B) Includes Rithm Capital's economic interests in the VIEs consolidated and accounted for under the collateralized financing entity ("CFE") election. As of December 31, 2022, the fair value of Rithm Capital's interests in the mortgage loans receivable securitization was $45.8 million.

(C) Excludes the indirect equity investment in a commercial redevelopment project that is accounted for at fair value on a recurring basis based on the NAV of Rithm Capital's investment. The investment had a fair value of $23.8 million as of December 31, 2022.

(D) Includes SAFT 2013-1, SCFT 2020-A and 2022-RTL1 mortgage-backed securities issued for which the fair value option for financial instruments was elected and resulted in a fair value of $632.4 million as of December 31, 2022.

The carrying values and fair values of assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of December 31, 2021 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Assets:						
Excess MSRs(A)	$ 80,461,630	$ 344,947	$ —	$ —	$ 344,947	$ 344,947
MSRs and MSR financing receivables(A)	548,613,089	6,858,803	—	—	6,858,803	6,858,803
Servicer advance investments	369,440	421,807	—	—	421,807	421,807
Real estate and other securities	24,314,300	9,396,539	—	8,444,597	951,942	9,396,539
Residential mortgage loans, held-for-sale	144,967	132,921	—	—	134,655	134,655
Residential mortgage loans, held-for-sale, at fair value	10,955,534	11,214,924	—	9,361,520	1,853,404	11,214,924
Residential mortgage loans, held-for-investment, at fair value	623,937	569,933	—	—	569,933	569,933
Residential mortgage loans subject to repurchase	1,787,314	1,787,314	—	1,787,314	—	1,787,314
Consumer loans	449,875	507,291	—	—	507,291	507,291
Derivative assets	47,080,263	138,173	—	23,302	114,871	138,173
Mortgage loans receivable	1,473,894	1,515,762	—	—	1,515,762	1,515,762
Note receivable	60,373	60,549	—	—	60,549	60,549
Loans receivable	228,692	229,631	—	—	229,631	49,889
Cash and cash equivalents	1,332,575	1,332,575	1,332,575	—	—	1,332,575
Restricted cash	195,867	195,867	195,867	—	—	195,867
Other assets(B)	N/A	39,229	3,134	—	36,095	39,229
		$ 34,746,265	$ 1,531,576	$ 19,616,733	$ 13,599,690	$ 34,747,999
Liabilities:						
Secured financing agreements	$ 20,596,842	$ 20,592,884	$ —	$ 20,596,842	$ —	$ 20,596,842
Secured notes and bonds payable(C)	8,676,644	8,644,810	—	—	8,662,463	8,662,463
Unsecured senior notes, net of issuance costs	543,293	543,293	—	—	553,581	541,516
Residential mortgage loan repurchase liability	1,787,314	1,787,314	—	1,787,314	—	1,787,314
Derivative liabilities	1,275,793	34,583	—	31,490	3,093	34,583
Contingent consideration	N/A	4,951	—	—	4,951	4,951
		$ 31,607,835	$ —	$ 22,415,646	$ 9,224,088	$ 31,639,734

(A) The notional amount represents the total unpaid principal balance of the residential mortgage loans underlying the MSRs, MSR Financing Receivables and Excess MSRs. Rithm Capital does not receive an excess mortgage servicing amount on non-performing loans in Agency portfolios.

(B) Excludes the indirect equity investment in a commercial redevelopment project that is accounted for at fair value on a recurring basis based on the NAV of Rithm Capital’s investment. The investment had a fair value of $28.7 million as of December 31, 2021.

(C) Includes the SAFT 2013-1, MDST Trusts and SCFT 2020-A mortgage backed securities issued for which the fair value option for financial instruments was elected and resulted in a fair value of $511.1 million as of December 31, 2021.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value.

The following table summarizes assets measured at fair value on a recurring basis using Level 3 inputs:

	Level 3									
	Excess MSRs[(A)(B)]	MSRs and MSR Financing Receivables[(A)]	Servicer Advance Investments	Non-Agency RMBS	Derivatives[(C)]	Residential Mortgage Loans	Consumer Loans	Notes and Loans Receivable	Mortgage Loans Receivable	Total
Balance at December 31, 2020	$ 410,855	$ 4,585,841	$ 538,056	$ 1,180,924	$ 289,074	$ 2,320,384	$ 685,575	$ 52,389	$ —	$10,063,098
Transfers										
Transfers to Level 3	—	—	—	—	—	2,386	—	—	—	2,386
Acquisitions (Note 3)	—	1,507,524	—	—	116,403	—	—	—	1,505,635	3,129,562
Gains (losses) included in net income										
Reversal (provision) for credit losses on securities[(D)]	—	—	—	5,201	—	—	—	—	—	5,201
Change in fair value of excess MSRs[(D)]	(15,078)	—	—	—	—	—	—	—	—	(15,078)
Change in fair value of excess MSRs, equity method investees[(D)]	1,818	—	—	—	—	—	—	—	—	1,818
Servicing revenue, net[(E)]	—	(513,686)	—	—	—	—	—	—	—	(513,686)
Change in fair value of servicer advance investments	—	—	(9,076)	—	—	—	—	—	—	(9,076)
Change in fair value of consumer loans	—	—	—	—	—	—	(20,133)	—	—	(20,133)
Change in fair value of residential mortgage loans	—	—	—	—	—	155,758	—	—	—	155,758
Gain (loss) on settlement of investments, net	404	—	—	(28,550)	—	—	—	—	—	(28,146)
Other income (loss), net[(D)]	(326)	—	—	9,136	(293,699)	(1,357)	—	301	—	(285,945)
Gains (losses) included in other comprehensive income[(F)]	—	—	—	28,882	—	—	—	—	—	28,882
Interest income	20,296	—	1,678	13,740	—	—	18,925	9,433	—	64,072
Purchases, sales and repayments										
Purchases, net[(G)]	—	10,949	1,286,526	174,340	—	4,128,097	29,002	6,688	—	5,635,602
Proceeds from sales	(984)	(63,451)	—	(164,630)	—	(3,675,071)	—	—	—	(3,904,136)
Proceeds from repayments	(72,038)	—	(1,395,377)	(267,101)	—	(487,830)	(206,078)	(28,631)	(60,867)	(2,517,922)
Originations and other	—	1,331,626	—	—	—	(19,030)	—	250,000	70,994	1,633,590
Balance at December 31, 2021	$ 344,947	$ 6,858,803	$ 421,807	$ 951,942	$ 111,778	$ 2,423,337	$ 507,291	$ 290,180	$ 1,515,762	$13,425,847
Transfers										
Transfers from Level 3	—	—	—	—	—	(1,279,709)	—	(1,000)	(445,403)	(1,726,112)
Transfers to Level 3	—	—	—	—	—	313,559	—	—	—	313,559
Gains (losses) included in net income										
Reversal (provision) for credit losses on securities[(D)]	—	—	—	(710)	—	—	—	—	—	(710)
Change in fair value of excess MSRs[(D)]	(2,962)	—	—	—	—	—	—	—	—	(2,962)
Change in fair value of excess MSRs, equity method investees[(D)]	1,526	—	—	—	—	—	—	—	—	1,526
Servicing revenue, net[(E)]	—	823,107	—	—	—	—	—	—	—	823,107
Change in fair value of servicer advance investments	—	—	(9,950)	—	—	—	—	—	—	(9,950)
Change in fair value of real estate securities		—	—	(16,076)	—	—	—	—	—	(16,076)
Change in fair value of consumer loans	—	—	—	—	—	—	(36,740)	—	—	(36,740)
Change in fair value of residential mortgage loans	—	—	—	—	—	(124,359)	—	—	—	(124,359)
Gain (loss) on settlement of investments, net	107	—	—	(1,560)	—	—	—	—	(43,868)	(45,321)
Other income (loss), net[(D)]	(65)	—	—	—	(102,992)	(35,020)	—	(64,459)	—	(202,536)
Gains (losses) included in other comprehensive income[(F)]	—	—	—	(45,709)	—	—	—	—	—	(45,709)
Interest income	38,035	—	42,005	15,114	—	—	13,891	12,936	—	121,981
Purchases, sales and repayments										
Purchases, net[(G)]	—	(967)	988,847	256,500	—	2,099,549	29,615	9,000	—	3,382,544
Proceeds from sales	(997)	(14,282)	—	(11,960)	—	(2,405,531)	—	—	—	(2,432,770)
Proceeds from repayments	(58,788)	—	(1,043,889)	(196,681)	—	(272,224)	(150,301)	(152,256)	(1,234,444)	(3,108,583)
Originations and other	—	1,222,742	—	—	—	(5,706)	—	—	1,922,006	3,139,042
Balance at December 31, 2022	$ 321,803	$ 8,889,403	$ 398,820	$ 950,860	$ 8,786	$ 713,896	$ 363,756	$ 94,401	$ 1,714,053	$13,455,778

(A) Includes the recapture agreement for each respective pool, as applicable.
(B) Includes Rithm Capital's portion of the Excess MSRs held by the respective joint ventures in which Rithm Capital has a 50% interest.
(C) For the purpose of this table, the IRLC asset and liability positions are shown net.
(D) Gains (loss) recorded in earnings during the period are attributable to the change in unrealized gain (loss) relating to Level 3 assets still held at the reporting dates and realized gain (loss) recorded during the period.
(E) The components of Servicing Revenue, Net are disclosed in Note 6.

(F) Gain (loss) included in Unrealized Gain (Loss) on Available-for-Sale Securities, Net in the Consolidated Statements of Comprehensive Income.

(G) Net of purchase price adjustments and purchase price fully reimbursable from MSR sellers as a result of prepayment protection.

Liabilities measured at fair value on a recurring basis using Level 3 inputs changed as follows:

	Level 3
	Asset-Backed Securities Issued
Balance at December 31, 2020	$ 1,662,852
Gains (losses) included in net income	
Included in other income(A)	(12,991)
Purchases, sales and payments	
Payments	(1,138,754)
Balance at December 31, 2021	$ 511,107
Gains (losses) included in net income	
Included in other income(A)	(34,647)
Purchases, sales and payments	
Payments	(156,974)
Balance at December 31, 2022	$ 319,486

(A) Gains (loss) recorded in earnings during the period are attributable to the change in unrealized gain (loss) relating to Level 3 liabilities still held at the reporting dates and realized gain (loss) recorded during the period.

Excess MSRs, MSRs and MSR Financing Receivables Valuation

Fair value estimates of Rithm Capital's MSRs and Excess MSRs were based on internal pricing models. The valuation technique is based on discounted cash flows. Significant inputs used in the valuations included expectations of prepayment rates, delinquency rates, recapture rates for Excess MSRs, the mortgage servicing amount or excess mortgage servicing amount of the underlying residential mortgage loans, as applicable, and discount rates that market participants would use in determining the fair values of mortgage servicing rights on similar pools of residential mortgage loans. In addition, for MSRs, significant inputs included the market-level estimated cost of servicing.

Significant increases (decreases) in the discount rates, prepayment or delinquency rates, or costs of servicing, in isolation would result in a significantly lower (higher) fair value measurement, whereas significant increases (decreases) in the recapture rates for Excess MSRs or mortgage servicing amount or excess mortgage servicing amount, as applicable, in isolation would result in a significantly higher (lower) fair value measurement. Generally, a change in the delinquency rate assumption is accompanied by a directionally similar change in the assumption used for the prepayment rate.

The following tables summarize certain information regarding the ranges and weighted averages of significant inputs used:

	December 31, 2022				
	Significant Inputs(A)				
	Prepayment Rate(B)	Delinquency(C)	Recapture Rate(D)	Mortgage Servicing Amount or Excess Mortgage Servicing Amount (bps)(E)	Collateral Weighted Average Maturity (Years)(F)
Excess MSRs Directly Held	2.8% – 13.5% (7.3%)	0.2% – 10.1% (3.6%)	—% – 91.4% (55.4%)	6 – 31 (19)	11 – 29 (21)
Excess MSRs Held through Investees	8.4% – 11.0% (9.4%)	2.9% – 5.4% (3.9%)	45.4% – 64.0% (58.7%)	15 – 26 (21)	15 – 22 (19)
MSRs and MSR Financing Receivables (Note 6)(H)					
Agency	2.6% – 97.8% (8.0%)	0.1% – 66.7% (2.0%)	—(I)	7 – 104 (30)	0 – 39 (23)
Non-Agency	1.3% – 93.2% (15.0%)	1.0% – 75.0% (21.1%)	—(I)	2 – 216 (46)	0 – 36 (24)
Ginnie Mae	2.8% – 81.2% (10.3%)	0.2% – 80.0% (8.9%)	—(I)	11 – 86 (41)	0 – 39 (27)
Total/Weighted Average—MSRs and MSR Financing Receivables	1.3% – 97.8% (9.2%)	0.1% – 80.0% (5.3%)	—(I)	2 – 216 (34)	0 – 39 (24)

	December 31, 2021				
	Significant Inputs(A)				
	Prepayment Rate(B)	Delinquency(C)	Recapture Rate(D)	Mortgage Servicing Amount or Excess Mortgage Servicing Amount (bps)(E)	Collateral Weighted Average Maturity (Years)(F)
Excess MSRs Directly Held	3.6% – 12.4% (6.8%)	0.1% – 9.6% (3.2%)	0% – 25.2% (7.3%)	6 – 32 (19)	11 – 28 (21)
Excess MSRs Held through Investees	5.4% – 8.5% (6.7%)	0.3% – 1.6% (0.9%)	3% – 9.5% (5.7%)	15 – 26 (22)	16 – 23 (19)
MSRs and MSR Financing Receivables (Note 6)(H)					
Agency	6% – 14.6% (10.2%)	0.1% – 2.2% (0.9%)	0% – 31.4% (10.7%)	25 – 30 (28)	0 – 40 (23)
Non-Agency	6.7% – 50.4% (6.7%)	0.7% – 64.6% (11.8%)	4% – 27% (6.8%)	26 – 86 (48)	0 – 30 (24)
Ginnie Mae	5.3% – 14.3% (12.6%)	1.4% – 6.3% (4.1%)	4.8% – 24.5% (12.7%)	31 – 45 (39)	0 – 30 (28)
Total/Weighted Average—MSRs and MSR Financing Receivables	5.3% – 50.4% (10.2%)	0.1% – 64.6% (3.1%)	0% – 31.4% (10%)	25 – 86 (33)	0 – 40 (24)

(A) Weighted by fair value of the portfolio.

(B) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.

(C) Projected percentage of residential mortgage loans in the pool for which the borrower will miss its mortgage payments.

(D) Percentage of voluntarily prepaid loans that are expected to be refinanced by the related servicer or subservicer, as applicable.

(E) Weighted average total mortgage servicing amount, in excess of the basic fee as applicable, measured in bps. As of December 31, 2022 and 2021, weighted average costs of subservicing of $6.80 – $7.00 ($6.90) and $6.40 – $7.20 ($7.00), respectively, per loan per month was used to value the agency MSRs. Weighted average costs of subservicing of $7.30 – $17.20 ($8.70) and $10.60 – $15.80 ($10.70), respectively, per loan per month was used to value the non-agency MSRs, including MSR Financing Receivables. Weighted average cost of subservicing of $8.30 – $8.40 ($8.30) and $8.80 – $8.90 ($8.80), respectively, per loan per month was used to value the Ginnie Mae MSRs.

(F) Weighted average maturity of the underlying residential mortgage loans in the pool.

(G) For certain pools, the Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO). For these pools, no delinquency assumption is used.

(H) For certain pools, recapture rate represents the expected recapture rate with the successor subservicer appointed by NRM.
(I) Recapture is not considered a significant input for MSRs and MSR Financing Receivables.

With respect to valuing the Ocwen-serviced MSR Financing Receivables, which include a significant servicer advances receivable component, the cost of financing servicer advances receivable is assumed to be LIBOR plus 2.1%.

As of December 31, 2022 and 2021, weighted average discount rates of 8.3% (range of 8.0% – 8.5%) and 7.8% (range of 7.5% – 8.0%), respectively, were used to value Rithm Capital's investments in Excess MSRs (directly and through equity method investees). As of December 31, 2022 and 2021, weighted average discount rates of 8.3% (range of 7.6% – 9.8%) and 7.4% (range of 6.9% – 12.5%) were used to value Rithm Capital's MSRs and MSR Financing Receivables, respectively.

All of the assumptions listed have some degree of market observability, based on Rithm Capital's knowledge of the market, relationships with market participants, and use of common market data sources. Rithm Capital uses assumptions that generate its best estimate of future cash flows for each investment in MSRs and Excess MSRs.

When valuing MSRs and Excess MSRs, Rithm Capital uses the following criteria to determine the significant inputs:

- Prepayment Rate: Prepayment rate projections are in the form of a "vector" that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect macroeconomic conditions like home price appreciation, current level of interest rates as well as loan level factors such as the borrower's interest rate, FICO score, loan-to-value ratio, debt-to-income ratio, vintage on a loan level basis. Rithm Capital considers historical prepayment experience associated with the collateral when determining this vector and also reviews industry research on the prepayment experience of similar loan pools. This data is obtained from remittance reports, market data services and other market sources.

- Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed their latest mortgage payments. Delinquency rate projections are in the form of a "vector" that varies over the expected life of the pool. The delinquency vector specifies the percentage of the unpaid principal balance that is expected to be delinquent each month. The delinquency vector is based on assumptions that reflect macroeconomic conditions, the historical delinquency rates for the pools and the underlying borrower characteristics such as the FICO score and loan-to-value ratio. For the recapture agreements and recaptured loans, delinquency rates are based on the experience of similar loan pools originated by Rithm Capital's servicers and subservicers, and delinquency experience over the past year. Rithm Capital believes this time period provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions. Additional consideration is given to loans that are expected to become 30 or more days delinquent.

- Recapture Rates: Recapture rates are based on actual average recapture rates experienced by Rithm Capital's servicers and subservicers on similar residential mortgage loan pools. Generally, Rithm Capital looks to three to six months' worth of actual recapture rates, which it believes provides a reasonable sample for projecting future recapture rates while taking into account current market conditions. Recapture rate projections are in the form of a "vector" that varies over the expected life of the pool. The recapture vector specifies the percentage of the refinanced loans that have been recaptured within the pool by the servicer or subservicer. The recapture vector takes into account the nature and timeline of the relationship between the borrowers in the pool and the servicer or subservicer, the customer retention programs offered by the servicer or subservicer and the historical recapture rates.

- Mortgage Servicing Amount or Excess Mortgage Servicing Amount: For existing mortgage pools, mortgage servicing amount and excess mortgage servicing amount projections are based on the actual total mortgage servicing amount, in excess of a basic fee as applicable. For loans expected to be refinanced by the related servicer or subservicer and subject to a recapture agreement, Rithm Capital considers the mortgage servicing amount or excess mortgage servicing amount on loans recently originated by the related servicer over the past three months and other general market considerations. Rithm Capital believes this time period provides a reasonable sample for projecting future mortgage servicing amounts and excess mortgage servicing amounts while taking into account current market conditions.

- Discount Rate: The discount rates used by Rithm Capital are derived from market data on pricing of mortgage servicing rights backed by similar collateral.

- Cost of subservicing: The costs of subservicing used by Rithm Capital are based on available market data for various loan types and delinquency statuses.

Rithm Capital uses different prepayment and delinquency assumptions in valuing the MSRs and Excess MSRs relating to the original loan pools, the recapture agreements and the MSRs and Excess MSRs relating to recaptured loans. The prepayment rate and delinquency rate assumptions differ because of differences in the collateral characteristics, refinance potential and expected borrower behavior for original loans and loans which have been refinanced. The assumptions for recapture and discount rates when valuing MSRs and Excess MSRs and recapture agreements are based on historical recapture experience and market pricing.

Servicer Advance Investments Valuation

Rithm Capital uses internal pricing models to estimate the future cash flows related to the Servicer Advance Investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. Rithm Capital's estimations of future cash flows include the combined cash flows of all of the components that comprise the Servicer Advance Investments: existing advances, the requirement to purchase future advances, the recovery of advances and the right to the basic fee component of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the servicer advance balance changes over the term of the investment, (ii) the UPB of the underlying loans with respect to which Rithm Capital has the obligation to make advances and owns the basic fee component of the related MSR which, in turn, is driven by prepayment rates and (iii) the percentage of delinquent loans with respect to which Rithm Capital owns the basic fee component of the related MSR. The valuation technique is based on discounted cash flows. Significant inputs used in the valuations included the assumptions used to establish the aforementioned cash flows and discount rates that market participants would use in determining the fair values of Servicer Advance Investments.

Significant increases (decreases) in the advance balance-to-UPB ratio, prepayment rate, delinquency rate, or discount rate, in isolation, would result in a significantly lower (higher) fair value measurement. Generally, a change in the delinquency rate assumption is accompanied by a directionally similar change in the assumption used for the advance balance-to-UPB ratio.

The following table summarizes certain information regarding the ranges and weighted averages of significant inputs used in valuing the Servicer Advance Investments, including the basic fee component of the related MSRs:

	Significant Inputs					
	Outstanding Servicer Advances to UPB of Underlying Residential Mortgage Loans	Prepayment Rate(A)	Delinquency	Mortgage Servicing Amount(B)	Discount Rate	Collateral Weighted Average Maturity (Years)(C)
December 31, 2022	1.2% – 2.2% (2.1%)	3.4% – 4.6% (4.6%)	3.4% – 19.6% (19.1%)	18.0 – 19.8 (19.8) bps	5.7% – 6.2% (5.7%)	21.9
December 31, 2021	0.7% – 1.8% (1.7%)	6.5% – 7.7% (7.7%)	8.2% – 15.0% (14.8%)	17.6 – 19.8 (19.7) bps	5.2% – 5.7% (5.2%)	22.1

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.
(B) Mortgage servicing amount is net of 10.8 bps and 10.6 bps which represent the amounts Rithm Capital paid its servicers as a monthly servicing fee as of December 31, 2022 and 2021, respectively.
(C) Weighted average maturity of the underlying residential mortgage loans in the pool.

The valuation of the Servicer Advance Investments also takes into account the performance fee paid to the servicer, which in the case of the Buyer is based on its equity returns and therefore is impacted by relevant financing assumptions such as loan-to-value ratio and interest rate as well as advance-to-UPB ratio. All of the assumptions listed have some degree of market observability, based on Rithm Capital's knowledge of the market, relationships with market participants, and use of common market data sources. The prepayment rate, the delinquency rate and the advance-to-UPB ratio projections are in the form of "curves" or "vectors" that vary over the expected life of the underlying mortgages and related servicer advances. Rithm Capital

uses assumptions that generate its best estimate of future cash flows for each Servicer Advance Investment, including the basic fee component of the related MSR.

When valuing Servicer Advance Investments, Rithm Capital uses the following criteria to determine the significant inputs:

- Servicer advance balance: Servicer advance balance projections are in the form of a "vector" that varies over the expected life of the residential mortgage loan pool. The servicer advance balance projection is based on assumptions that reflect factors such as the borrower's expected delinquency status, the rate at which delinquent borrowers re-perform or become current again, servicer modification offer and acceptance rates, liquidation timelines and the servicers' stop advance and clawback policies.

- Prepayment Rate: Prepayment rate projections are in the form of a "vector" that varies over the expected life of the pool. The prepayment vector specifies the percentage of the collateral balance that is expected to prepay voluntarily (i.e., pay off) and involuntarily (i.e., default) at each point in the future. The prepayment vector is based on assumptions that reflect macroeconomic conditions and factors such as the borrower's FICO score, loan-to-value ratio, debt-to-income ratio, and vintage on a loan level basis. Rithm Capital considers collateral-specific prepayment experience when determining this vector.

- Delinquency Rates: For existing mortgage pools, delinquency rates are based on the recent pool-specific experience of loans that missed recent mortgage payment(s) as well as loan- and borrower-specific characteristics such as the borrower's FICO score, the loan-to-value ratio, debt-to-income ratio, occupancy status, loan documentation, payment history and previous loan modifications. Rithm Capital believes the time period utilized provides a reasonable sample for projecting future delinquency rates while taking into account current market conditions.

- Mortgage Servicing Amount: Mortgage servicing amounts are contractually determined on a pool-by-pool basis. Rithm Capital projects the weighted average mortgage servicing amount based on its projections for prepayment rates.

- LIBOR: The performance-based incentive fees on Mr. Cooper-serviced Servicer Advance Investments portfolios are driven by LIBOR-based factors. The LIBOR curves used are widely used by market participants as reference rates for many financial instruments.

- Discount Rate: The discount rates used by Rithm Capital are derived from market data on pricing of mortgage servicing rights backed by similar collateral and the advances made thereon.

Real Estate and Other Securities Valuation

Rithm Capital's securities valuation methodology and results are further detailed as follows:

			Fair Value			
Asset Type	**Outstanding Face Amount**	**Amortized Cost Basis**	**Multiple Quotes[(A)]**	**Single Quote[(B)]**	**Total**	**Level**
December 31, 2022						
Agency RMBS	$ 7,463,522	$ 7,290,473	$ 7,338,417	$ —	$ 7,338,417	2
Non-Agency RMBS[(C)]	17,907,412	947,346	950,846	14	950,860	3
Total	$ 25,370,934	$ 8,237,819	$ 8,289,263	$ 14	$ 8,289,277	
December 31, 2021						
Agency RMBS	$ 8,399,343	$ 8,663,693	$ 8,444,597	$ —	$ 8,444,597	2
Non-Agency RMBS[(C)]	15,914,957	886,643	951,942	—	951,942	3
Total	$ 24,314,300	$ 9,550,336	$ 9,396,539	$ —	$ 9,396,539	

(A) Rithm Capital generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold Rithm Capital the security) for Non-Agency RMBS. Rithm Capital evaluates quotes received and determines one as being most representative of fair value, and does not use an average of the quotes. Even if Rithm Capital receives two or more quotes on a particular security that come from non-selling brokers

or pricing services, it does not use an average because it believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases, for Non-Agency RMBS, there is a wide disparity between the quotes Rithm Capital receives. Rithm Capital believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on Rithm Capital's own fair value analysis, it selects one of the quotes which is believed to more accurately reflect fair value. Rithm Capital has not adjusted any of the quotes received in the periods presented. These quotations are generally received via email and contain disclaimers which state that they are "indicative" and not "actionable" — meaning that the party giving the quotation is not bound to actually purchase the security at the quoted price. Rithm Capital's investments in Agency RMBS are classified within Level 2 of the fair value hierarchy because the market for these securities is very active and market prices are readily observable.

The third-party pricing services and brokers engaged by Rithm Capital (collectively, "valuation providers") use either the income approach or the market approach, or a combination of the two, in arriving at their estimated valuations of RMBS. Valuation providers using the market approach generally look at prices and other relevant information generated by market transactions involving identical or comparable assets. Valuation providers using the income approach create pricing models that generally incorporate such assumptions as discount rates, expected prepayment rates, expected default rates and expected loss severities. Rithm Capital has reviewed the methodologies utilized by its valuation providers and has found them to be consistent with GAAP requirements. In addition to obtaining multiple quotations, when available, and reviewing the valuation methodologies of its valuation providers, Rithm Capital creates its own internal pricing models for Level 3 securities and uses the outputs of these models as part of its process of evaluating the fair value estimates it receives from its valuation providers. These models incorporate the same types of assumptions as the models used by the valuation providers, but the assumptions are developed independently. These assumptions are regularly refined and updated at least quarterly by Rithm Capital, and reviewed by its valuation group, which is separate from its investment acquisition and management group, to reflect market developments and actual performance.

For 50.4% of Non-Agency RMBS, the ranges and weighted averages of assumptions used by Rithm Capital's valuation providers are summarized in the table below. The assumptions used by Rithm Capital's valuation providers with respect to the remainder of Non-Agency RMBS were not readily available.

	Fair Value	Discount Rate	Prepayment Rate[(a)]	CDR[(b)]	Loss Severity[(c)]
Non-Agency RMBS	$ 479,406	3.5% – 15.0% (6.5%)	0.0% – 25.0% (11.1%)	0.0% – 12.0% (0.6%)	0.0% – 88.0% (10.3%)

(a) Represents the annualized rate of the prepayments as a percentage of the total principal balance of the pool.
(b) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance of the pool.
(c) Represents the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding balance.

(B) Rithm Capital was unable to obtain quotations from more than one source on these securities.
(C) Includes Rithm Capital's interest-only notes for which the fair value option for financial instruments was elected.

Residential Mortgage Loans Valuation

Rithm Capital, through its Mortgage Company, originates residential mortgage loans that it intends to sell into Fannie Mae, Freddie Mac, and Ginnie Mae mortgage backed securitizations. Residential mortgage loans held-for-sale, at fair value 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. Residential mortgage loans held-for-sale, at fair value are valued using a market approach by utilizing either: (i) the fair value of securities backed by similar residential mortgage loans, adjusted for certain factors to approximate the fair value of a whole residential mortgage loan, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. As these

prices are derived from market observable inputs, Rithm Capital classifies these valuations as Level 2 in the fair value hierarchy.

Residential mortgage loans held-for-sale, at fair value also includes certain nonconforming mortgage loans originated for sale to private investors and seasoned mortgage loans acquired and identified for securitization, which are valued using internal pricing models to forecast loan level cash flows based on a potential securitization exit using inputs such as default rates, prepayments speeds and discount rates, and may include adjustments based on consensus pricing (broker quotes). As the internal pricing model is based on certain unobservable inputs, Rithm Capital classifies these valuations as Level 3 in the fair value hierarchy.

For non-performing loans, asset liquidation cash flows are derived based on the estimated time to liquidate the loan, the estimated value of the collateral, expected costs and estimated home price levels. Estimated cash flows for both performing and non-performing loans are discounted at yields considered appropriate to arrive at a reasonable exit price for the asset. Rithm Capital classifies these valuations as Level 3 in the fair value hierarchy.

The following table summarizes certain information regarding the ranges and weighted averages of significant inputs used in valuing residential mortgage loans held-for-sale, at fair value classified as Level 3:

Performing Loans	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Acquired	$ 52,467	8.5% – 8.7% (8.5%)	9.3% – 11.4% (9.7%)	4.3% – 8.3% (5.0%)	20.0% – 37.1% (24.1%)
Originated	183,985	N/A	N/A	N/A	N/A
Residential mortgage loans held-for-sale, at fair value	$ 236,452				

Non-Performing Loans	Fair Value	Discount Rate	Annual change in home prices	Liquidation Timeline (in years)	Current Value of Underlying Properties
Acquired	$ 20,759	8.7% – 55.9% (9.0%)	33.2% – 55.9% (40.7%)	2.2 – 3.8 (2.8)	191.6% – 260.6% (214.5%)
Originated	4,166	N/A	N/A	N/A	N/A
Residential mortgage loans held-for-sale, at fair value	$ 24,925				

Residential mortgage loans held-for-investment, at fair value includes residential mortgage loans underlying the SAFT 2013-1 securitization, which are valued using internal pricing models using inputs such as default rates, prepayment speeds and discount rates. As the internal pricing model is based on certain unobservable inputs, Rithm Capital classifies these valuations as Level 3 in the fair value hierarchy.

The following table summarizes certain information regarding the ranges and weighted averages of significant inputs used in valuing residential mortgage loans held-for-investment, at fair value classified as Level 3:

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Residential mortgage loans held-for-investment, at fair value	$ 452,519	3.8% – 8.7% (8.5%)	9.3% – 16.3% (12.3%)	0.1% – 13.7% (6.7%)	23.2% – 55.0% (40.3%)

Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in the fair value of residential mortgage loans. Increases in discount rates, default rates, loss severities, or liquidation timelines, either in isolation or collectively, would generally result in a lower fair value measurement, whereas increases in the current or expected value of the underlying properties, in isolation, would result in a higher fair value measurement. In practice, changes in valuation assumptions may not occur in isolation and the changes in any particular assumption may result in changes in other assumptions, which could offset or amplify the impact on the overall valuation.

Consumer Loans Valuation

The following table summarizes certain information regarding the ranges and weighted averages of significant inputs used in valuing consumer loans held-for-investment, at fair value classified as Level 3:

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Consumer loans held-for-investment, at fair value	$ 363,756	8.3% – 9.3% (8.6%)	6.8% – 33.2% (28.7%)	0.0% – 7.1% (4.3%)	56.8% – 56.8% (56.8%)

Mortgage Loans Receivable Valuation

The estimated fair value approximates carrying value as most loans are variable-rate that reprice frequently and with no significant change in credit risk. Rithm Capital classifies mortgage loans receivable as Level 3 in the fair value hierarchy.

Rithm Capital has securitized certain mortgage loans receivable which are held as part of a collateralized financing entity ("CFE"). A CFE is a variable interest entity that holds financial assets, issues beneficial interests in those assets and has no more than nominal equity and the beneficial interests have contractual recourse only to the related assets of the CFE. GAAP allows entities to elect to measure both the financial assets and financial liabilities of the CFE using the more observable of the fair value of the financial assets and the fair value of the financial liabilities of the CFE. Rithm Capital has elected the fair value option ("FVO") for initial and subsequent recognition of the debt issued by its consolidated securitization trust and has determined that the consolidated securitization trust meets the definition of a CFE. See Note 20 for further discussion regarding variable interest entities and securitization trusts. Rithm Capital determined the inputs to the fair value measurement of the financial liabilities of its CFE to be more observable than those of the financial assets and, as a result, has used the fair value of the financial liabilities of the CFE to measure the fair value of the financial assets of the CFE. The fair value of the debt issued by the CFE is typically valued using external pricing data, which includes third-party valuations. The securitized mortgage loans receivable, which are assets of the CFE, are included in Mortgage Loans Receivable, at Fair Value, on the Company's Consolidated Balance Sheets. The debt issued by the CFE is included in Secured Notes and Bonds Payable on the Company's Consolidated Balance Sheets. Unrealized gain (loss) from changes in fair value of the debt issued by the CFE is included in Other Income (Loss), Net in the Company's Consolidated Statements of Income. The securitized mortgage loans receivable and the debt issued by the Company's CFE are both classified as Level 2.

Derivative Valuation

Rithm Capital enters into economic hedges including interest rate swaps, caps and TBAs, which are categorized as Level 2 in the valuation hierarchy. Rithm Capital generally values such derivatives using quotations, similarly to the method of valuation used for Rithm Capital's other assets that are classified as Level 2 in the fair value hierarchy.

As a part of the residential mortgage loan origination business, Rithm Capital enters into forward loan sale and securities delivery commitments, which are valued based on observed market pricing for similar instruments and therefore, are classified as Level 2. In addition, Rithm Capital enters into IRLCs, which are valued using internal pricing models (i) incorporating market pricing for instruments with similar characteristics, (ii) estimating the fair value of the servicing rights expected to be recorded at sale of the loan and (iii) adjusting for anticipated loan funding probability. Both the fair value of servicing rights expected to be recorded at the date of sale of the loan and anticipated loan funding probability are significant unobservable inputs and therefore, IRLCs are classified as Level 3 in the fair value hierarchy.

The following table summarizes certain information regarding the ranges and weighted averages of significant inputs used in valuing IRLCs:

	Fair Value	Loan Funding Probability	Fair Value of Initial Servicing Rights (bps)
IRLCs, net	$ 8,786	0.0% – 100.0% (82.5%)	(150.2) – 324.6 (185.6)

Asset-Backed Securities Issued

Rithm Capital and Newrez were deemed to be the primary beneficiaries of the MDST Trusts, SAFT 2013-1 securitization entity, and SCFT 2020-A, and therefore, Rithm Capital's Consolidated Balance Sheets include the asset-backed securities issued by the MDST Trusts, SAFT 2013-1, and SCFT 2020-A, respectively. Rithm Capital elected the fair value option for these financial instruments and the asset-backed securities issued were valued consistently with Rithm Capital's Non-Agency RMBS described above.

The following table summarizes certain information regards the ranges and weighted averages of inputs used in valuing asset-backed securities issued:

	Fair Value	Discount Rate	Prepayment Rate	CDR	Loss Severity
Asset-backed securities issued	$ 319,486	3.3% – 6.3% (6.1%)	13.7% – 21.8% (21.3%)	0.1% – 4.2% (3.9%)	44.0% – 94.7% (91.6%)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment. For residential mortgage loans held-for-sale, single-family rental properties, and foreclosed real estate accounted for as REO, Rithm Capital applies the lower of cost or fair value accounting and may be required, from time to time, to record a nonrecurring fair value adjustment. Upon the occurrence of certain events, the Company re-measures the fair value of long-lived assets, including property, plant and equipment, operating lease ROU assets, intangible assets and goodwill if an impairment or observable price adjustment is recognized in the current period.

As of December 31, 2022 and 2021, assets measured at fair value on a nonrecurring basis were $102.3 million and $130.6 million, respectively. The $102.3 million of assets at December 31, 2022 include approximately $91.8 million of residential mortgage loans held-for-sale and $10.5 million of REO. The $130.6 million of assets at December 31, 2021 include approximately $115.5 million of residential mortgage loans held-for-sale and $15.1 million of REO. The fair value of Rithm Capital's residential mortgage loans, held-for-sale is estimated based on a discounted cash flow model analysis using internal pricing models and is categorized within Level 3 of the fair value hierarchy. The following table summarizes the ranges and weighted averages of significant inputs used in valuing these residential mortgage loans:

	Fair Value and Carrying Value	Discount Rate	Weighted Average Life (Years)(A)	Prepayment Rate	CDR(B)	Loss Severity(C)
December 31, 2022						
Performing	$ 72,595	5.3% – 8.7% (8.5%)	5.0 – 7.2 (5.2)	9.3% – 11.4% (9.4%)	4.3% – 8.3% (4.5%)	20.0% – 37.1% (23.9%)
Non-performing	19,219	8.7% – 9.1% (8.9%)	2.2 – 3.8 (2.9)	16.3% – 31.1% (24.6%)	13.7% – 27.5% (21.5%)	39.5% – 39.8% (39.6%)
Total/weighted average	$ 91,814	8.6%	4.7	12.6%	8.0%	27.2%
December 31, 2021						
Performing	$ 113,196	3.8% – 7.0% (6.8%)	4.8 – 8.8 (4.9)	4.8% – 7.4% (6.0%)	0.9% – 9.4% (5.9%)	40.9% – 54.7% (45.5%)
Non-performing	2,287	7.5% – 7.5% (7.5%)	4.7 – 4.7 (4.7)	1.7% – 1.7% (1.7%)	16.7% – 16.7% (16.7%)	41.9% – 41.9% (41.9%)
Total/weighted average	$ 115,483	6.8%	4.9	5.9%	6.1%	45.4%

(A) Based on the expected timing of the receipt of cash flows.
(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.

(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.

The fair value of REO is estimated using a broker's price opinion discounted based upon Rithm Capital's experience with actual liquidation values and, therefore, is categorized within Level 3 of the fair value hierarchy. These discounts to the broker price opinion generally range from 10%–25%, depending on the information available to the broker.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Consolidated Statements of Income for the year ended December 31, 2022 consisted of a valuation allowance of $8.3 million for residential mortgage loans and a reversal of valuation allowance of $0.7 million for REO.

The total change in the recorded value of assets for which a fair value adjustment has been included in the Consolidated Statements of Income for the year ended December 31, 2021 consisted of a reversal of valuation allowance of $38.2 million for residential mortgage loans and a reversal of valuation allowance of $4.3 million for REO.

21. VARIABLE INTEREST ENTITIES

Consolidated VIEs

Servicer Advances

Rithm Capital, through a taxable wholly owned subsidiary, is the managing member of the Buyer and owned approximately 89.3% of the Buyer as of December 31, 2022. In 2013, Rithm Capital created the Buyer to acquire the then outstanding servicing advance receivables related to a portfolio of residential mortgage loans from a third party. The Buyer is required to purchase all future servicer advances made with respect to this portfolio of residential mortgage loans and is entitled to receive cash flows from advance recoveries and a basic fee component of the related MSRs, net of subservicing compensation paid.

The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including Rithm Capital. As of December 31, 2022, the noncontrolling third-party co-investors and Rithm Capital had previously funded their commitments, however the Buyer may recall $71.5 million and $597.9 million of capital distributed to the third-party co-investors and Rithm Capital, respectively. Neither the third-party co-investors nor Rithm Capital is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

Shelter Joint Ventures

A wholly owned subsidiary of Newrez, Shelter Mortgage Company LLC ("Shelter") is a mortgage originator specializing in retail originations. Shelter operates its business through a series of joint ventures ("Shelter JVs") and is deemed to be the primary beneficiary of the joint ventures as a result of its ability to direct activities that most significantly impact the economic performance of the entities and its ownership of a significant equity investment.

Residential Mortgage Loans

In May 2021, Newrez issued $750.0 million in notes through a securitization facility (the "2021-1 Securitization Facility") that bear interest at 30-day LIBOR plus a margin. The 2021-1 Securitization Facility is secured by newly originated, first-lien, fixed- and adjustable-rate residential mortgage loans eligible for purchase by the GSEs and Ginnie Mae. Through a master repurchase agreement, Newrez sells its originated loans to the 2021-1 Securitization Facility, which then issues notes to third party qualified investors, with Newrez retaining the trust certificate. The loans serve as collateral with the proceeds from the note issuance ultimately financing the originations. The 2021-1 Securitization Facility will terminate on the earlier of (i) the three-year anniversary of the initial closing date, (ii) the Company exercising its right to optional prepayment in full, or (iii) a repurchase triggering event. The Company determined it is the primary beneficiary of the 2021-1 Securitization Facility as it has both (i) the power to direct the activities of a VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses or the right to receive benefits from the VIE that could be potentially significant to the VIE.

Caliber Mortgage Participant I, LLC was formed to acquire, receive, participate, hold, release, and dispose of participation interests in certain of Caliber's residential mortgage loans held for sale ("MLHFS PC"). The Caliber Mortgage Participant I, LLC transfers the MLHFS PC in exchange for cash. Caliber is the primary beneficiary of the VIE and therefore, consolidates the SPE. The transferred MLHFS PC is classified on the Consolidated Balance Sheets as Residential Mortgage Loans, Held-for-Sale, at Fair Value and the related warehouse credit facility liabilities as part of Secured Financing Agreements. Caliber retains the risks and benefits associated with the assets transferred to the SPEs.

Caliber remains the servicer of the underlying residential mortgage loans and has the power to direct the SPE's activities. Holders of the term notes issued by the Trust can look only to the assets of the Trust for satisfaction of the debt and have no recourse against Caliber.

Consumer Loan Companies

Rithm Capital has a co-investment in a portfolio of consumer loans held through the Consumer Loan Companies. As of December 31, 2022, Rithm Capital owns 53.5% of the limited liability company interests in, and consolidates, the Consumer Loan Companies.

On September 25, 2020, certain entities comprising the Consumer Loan Companies, in a private transaction, issued $663.0 million of asset-backed notes ("SCFT 2020-A") securitized by a portfolio of consumer loans.

The Consumer Loan Companies consolidate certain entities that issued securitized debt collateralized by the consumer loans (the "Consumer Loan SPVs"). The Consumer Loan SPVs are VIEs of which the Consumer Loan Companies are the primary beneficiaries.

Securitized Mortgage Loans Receivable

In March 2022, Rithm Capital formed a securitization facility that issued securitized debt collateralized by mortgage loans receivable (the "2022-RTL1 Securitization"). The 2022-RTL1 Securitization consists of a pool of performing, adjustable-rate and fixed-rate, interest-only, mortgage loans (construction, renovation and bridge), secured by a first lien or a first and second lien on a non-owner occupied mortgaged property with original terms to maturity of up to 36 months, with an aggregate UPB of approximately $349.9 million and an aggregate principal limit of approximately $479.7 million. In addition to pass-through certificates sold to third parties, Rithm Capital acquired all of the residual tranche certificate, which bears no interest, for $20.9 million. Rithm Capital evaluated the purchased residual tranche certificate as a variable interest in the trust and concluded that the residual tranche certificate will absorb a majority of the trust's expected losses or receive a majority of the trust's expected residual returns. Rithm Capital also concluded that the securitization's asset manager, a wholly owned subsidiary of Rithm Capital, has the ability to direct activities that could impact the trust's economic performance. As a result, Rithm Capital consolidates the trust.

MSR Financing Facilities

CHL GMSR Issuer Trust is an SPE created for the purpose of transferring a participation certificate ("MSR PC") representing a beneficial interest in Caliber's GNMA MSRs in exchange for a variable funding note ("MSR Financing VFN") and a trust certificate with Caliber, as well for the issuance of term notes in exchange for cash. Caliber consolidates this SPE because it is the primary beneficiary of the VIE. The MSR PC is classified in Mortgage Servicing Rights and MSR Financing Receivables, at Fair Value and the MSR Financing VFN and term notes are classified as Secured Notes and Bonds Payable on the Consolidated Balance Sheets. The SPE uses collections from a specified portion of GNMA MSR net service fees collected to repay principal and interest and to pay the expenses of the entity.

Additionally, Caliber has also transferred a participation certificate representing a beneficial interest certain of Caliber's GNMA servicer advances ("Servicer Advance PC") to CHL GMSR Issuer Trust in exchange for a VFN ("Servicer Advance VFN"). The transferred Servicer Advance PC is classified on the Consolidated Balance Sheets as Servicing Advances Receivable and the related liabilities as part of Accrued Expenses and Other Liabilities. CHL GMSR Issuer Trust uses collections of the pledged advances to repay principal and interest and to pay the expenses of the Servicer Advance VFN.

The GMSR Issuer Trust was terminated as of December 31, 2022.

The following table summarizes the carrying value and classification of the assets and liabilities of consolidated VIEs on the Consolidated Balance Sheets:

December 31, 2022	The Buyer	Shelter Joint Ventures	Residential Mortgage Loans	Consumer Loan SPVs	Mortgage Loans Receivable	Total
Assets						
Servicer advance investments, at fair value	$ 387,675	$ —	$ —	$ —	$ —	$ 387,675
Residential mortgage loans, held-for-investment, at fair value	—	—	22,699	—	—	22,699
Residential mortgage loans, held-for-sale, at fair value	—	—	844,000	—	—	844,000
Consumer loans	—	—	—	363,756	—	363,756
Mortgage loans receivable	—	—	—	—	349,975	349,975
Cash and cash equivalents	34,084	28,404	23,473	—	—	85,961
Restricted cash	7,433	—	7,547	6,652	9,368	31,000
Other assets	9	1,026	165,975	5,253	(238)	172,025
Total Assets	429,201	29,430	1,063,694	375,661	359,105	2,257,091
Liabilities						
Secured financing agreements(A)	—	—	51,325	—	—	51,325
Secured notes and bonds payable(A)	313,093	—	768,959	299,498	312,918	1,694,468
Accrued expenses and other liabilities	1,928	4,306	25,381	1,144	349	33,108
Total Liabilities	$ 315,021	$ 4,306	$ 845,665	$ 300,642	$ 313,267	$ 1,778,901

December 31, 2021	The Buyer	Shelter Joint Ventures	Residential Mortgage Loans	Consumer Loan SPVs	Servicer Advance Facilities	MSR Financing Facilities	Total
Assets							
Mortgage servicing rights, at fair value	$ —	$ —	$ —	$ —	$ —	$ 403,301	$ 403,301
Servicer advance investments, at fair value	409,475	—	—	—	—	—	409,475
Residential mortgage loans, held-for-investment, at fair value	—	—	93,226	—	—	—	93,226
Residential mortgage loans, held-for-sale, at fair value	—	—	798,644	—	—	—	798,644
Consumer loans	—	—	—	507,291	—	—	507,291
Cash and cash equivalents	33,777	37,369	2,882	—	—	—	74,028
Restricted cash	2,210	—	171	7,249	—	—	9,630
Servicer advance facilities	—	—	—	—	94,306	—	94,306
Other assets	9	903	2,902	6,851	24,699	332,521	367,885
Total Assets	445,471	38,272	897,825	521,391	119,005	735,822	2,757,786
Liabilities							
Secured financing agreements(A)	—	—	24,683	—	—	—	24,683
Secured notes and bonds payable(A)	348,670	—	802,526	458,580	93,145	367,871	2,070,792
Accrued expenses and other liabilities	806	6,588	10,163	862	27,771	134	46,324
Total Liabilities	$ 349,476	$ 6,588	$ 837,372	$ 459,442	$ 120,916	$ 368,005	$ 2,141,799

(A) The creditors of the VIEs do not have recourse to the general credit of Rithm Capital, and the assets of the VIEs are not directly available to satisfy Rithm Capital’s obligations.

Non-Consolidated VIEs

The following table summarizes the carrying value of the Company's unconsolidated bonds retained pursuant to required risk retention regulations which reflects the Company's maximum exposure to loss, as well as the UPB of transferred loans. These bonds are grouped and presented as part of Real Estate and Other Securities on the Consolidated Balance Sheets:

	As of and for the Year Ended December 31,	
	2022	2021
Residential mortgage loan UPB and other collateral	$ 12,035,403	$ 10,752,079
Weighted average delinquency(A)	4.70%	4.45%
Net credit losses	$ 139,908	$ 130,392
Face amount of debt held by third parties(B)	$ 11,050,277	$ 9,897,879
Carrying value of bonds retained by Rithm Capital(C)(D)	$ 933,189	$ 927,490
Cash flows received by Rithm Capital on these bonds	$ 214,941	$ 330,197

(A) Represents the percentage of the UPB that is 60+ days delinquent.
(B) Excludes bonds retained by Rithm Capital.
(C) Includes bonds retained pursuant to required risk retention regulations.
(D) Classified within Level 3 of the fair value hierarchy as the valuation is based on certain unobservable inputs including discount rate, prepayment rates and loss severity. See Note 20 for details on unobservable inputs.

Noncontrolling Interests

Noncontrolling interests represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than Rithm Capital. These interests are related to noncontrolling interests in consolidated entities that hold Rithm Capital's Servicer Advance Investments (Note 7), the Shelter JVs, (Note 9) and Consumer Loans (Note 10).

Others' interests in the equity of Rithm Capital's consolidated subsidiaries is computed as follows:

	December 31, 2022			December 31, 2021		
	The Buyer(A)	Shelter Joint Ventures	Consumer Loan Companies	The Buyer(A)	Shelter Joint Ventures	Consumer Loan Companies
Total consolidated equity	$ 114,180	$ 25,124	$ 91,263	$ 95,995	$ 31,684	$ 83,597
Others' ownership interest	10.7 %	49.5 %	46.5 %	10.7 %	49.5 %	46.5 %
Others' interest in equity of consolidated subsidiary	$ 12,193	$ 12,437	$ 42,437	$ 10,251	$ 15,683	$ 39,414

Others' interests in the Rithm Capital's net income (loss) is computed as follows:

	Year Ended December 31,								
	2022			2021			2020		
	The Buyer(A)	Shelter Joint Ventures	Consumer Loan Companies	The Buyer(A)	Shelter Joint Ventures	Consumer Loan Companies	The Buyer(A)	Shelter Joint Ventures	Consumer Loan Companies
Net income	$ 26,685	$ 5,487	$ 49,892	$ (13,937)	$ 22,839	$ 51,307	$ 3,326	$ 31,188	$ 77,760
Others' ownership interest as a percent of total	10.7 %	49.5 %	46.5 %	12.9 %	49.5 %	46.5 %	26.8 %	50.1 %	46.5 %
Others' interest in net income of consolidated subsidiaries	$ 2,850	$ 2,716	$ 23,200	$ (1,800)	$ 11,298	$ 23,858	$ 891	$ 15,625	$ 36,158

(A) Rithm Capital owned 89.3%, 89.3% and 73.2% of the Buyer as of the year ended December 31, 2022, 2021 and 2020, respectively. See Note 19 regarding the financing of Servicer Advance Investments.

22. EQUITY AND EARNINGS PER SHARE

Equity and Dividends

Rithm Capital's certificate of incorporation authorizes 2.0 billion shares of common stock, par value $0.01 per share, and 100.0 million shares of preferred stock, par value $0.01 per share.

On April 14, 2021, the Company priced its underwritten public offering of 45,000,000 shares of its common stock at a public offering price of $10.10 per share. In connection with the offering, the Company granted the underwriters an option for a period of 30 days to purchase up to an additional 6,750,000 shares of common stock at a price of $10.10 per share. On April 16, 2021, the underwriters exercised their option, in part, to purchase an additional 6,725,000 shares of common stock. The offering closed on April 19, 2021. To compensate the Former Manager for its successful efforts in raising capital for Rithm Capital, the Company granted options to the Former Manager relating to 5.2 million shares of Rithm Capital's common stock at $10.10 per share.

On September 14, 2021, the Company priced its underwritten public offering of 17,000,000 of its 7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, with a liquidation preference of $25.00 per share for net proceeds of approximately $449.5 million. The offering closed on September 17, 2021. In connection with the offering, Rithm Capital granted the underwriters an option for a period of 30 days to purchase up to an additional 2,550,000 shares of preferred stock at a price of $24.2125 per share. On September 22, 2021, the underwriters exercised their option, in part, to purchase an additional 1,600,000 shares of preferred stock. To compensate the Former Manager for its successful efforts in raising capital for Rithm Capital, the Company granted options to the Former Manager relating to approximately 1.9 million shares of Rithm Capital's common stock at $10.89 per share.

In December 2022 Rithm Capital's board of directors authorized the repurchase of up to $200.0 million of its common stock and $100.0 million of its preferred stock through December 31, 2023. Repurchases may be made from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 or by means of one or more tender offers, in each case, as permitted by securities laws and other legal requirements. During the year ended December 31, 2022, the Company repurchased 245,878 shares of preferred stock for approximately $5.2 million.

On August 5, 2022, Rithm Capital entered into a Distribution Agreement to sell shares of its common stock, par value $0.01 per share (the "ATM Shares"), having an aggregate offering price of up to $500.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM Program"). No share issuances were made for the year ended December 31, 2022.

The table below summarizes preferred shares:

	Number of Shares		Liquidation Preference[(A)]				Dividends Declared per Share		
	December 31,						Year Ended December 31,		
Series	2022	2021	2022	2021	Issuance Discount	Carrying Value[(B)]	2022	2021	2020
Series A, 7.50% issued July 2019[(C)]	$ 6,200	$ 6,210	$ 155,002	$ 155,250	3.15 %	$ 149,822	$ 1.88	$ 1.88	$ 1.88
Series B, 7.125% issued August 2019[(C)]	11,261	11,300	281,518	282,500	3.15 %	272,654	1.78	1.78	1.78
Series C, 6.375% issued February 2020[(C)]	15,903	16,100	397,584	402,500	3.15 %	385,289	1.59	1.59	1.60
Series D, 7.00% issued September 2021[(D)]	18,600	18,600	465,000	465,000	3.15 %	449,489	1.75	0.72	—
Total	$ 51,964	$ 52,210	$1,299,104	$1,305,250		$1,257,254	$ 7.00	$ 5.97	$ 5.26

(A) Each series has a liquidation preference of $25.00 per share.
(B) Carrying value reflects par value less discount and issuance costs.
(C) Fixed-to-floating rate cumulative redeemable preferred.
(D) Fixed-rate reset cumulative redeemable preferred.

On December 15, 2022, Rithm Capital's board of directors declared fourth quarter 2022 preferred dividends of $0.47 per share of Preferred Series A, $0.45 per share of Preferred Series B, $0.40 per share of Preferred Series C, and $0.44 per share of Preferred Series D or approximately $2.9 million, $5.0 million, $6.3 million, and $8.1 million, respectively.

Common dividends have been declared as follows:

Declaration Date	Payment Date	Per Share Quarterly Dividend	Total Amounts Distributed (millions)
March 24, 2021	April 2021	$ 0.20	$ 82.9
June 16, 2021	August 2021	0.20	93.3
August 23, 2021	October 2021	0.25	116.6
December 15, 2021	January 2022	0.25	116.7
March 21, 2022	April 2022	0.25	116.7
June 17, 2022	August 2021	0.25	116.7
September 22, 2022	October 2022	0.25	118.4
December 15, 2022	January 2023	0.25	118.6

Common Stock Purchase Warrants

During the second quarter of 2020, the Company issued warrants (the "2020 Warrants") in conjunction with the issuance of a term loan, which was fully repaid in the third quarter of 2020, that provided the holders the right to acquire, subject to anti-dilution adjustments, up to 43.4 million shares of the Company's common stock in the aggregate. The 2020 Warrants are exercisable in cash or on a cashless basis and expire on May 19, 2023 and are exercisable, in whole or in part, at any time or from time to time after September 19, 2020 at the following prices (subject to certain anti-dilution adjustments): approximately 24.6 million shares of common stock at $6.11 per share and approximately 18.9 million shares of common stock at $7.94 per share.

The 2020 Warrants were valued using a Black-Scholes option valuation model that resulted in a fair value of approximately $53.5 million on the Issuance Date and is not subject to subsequent remeasurement. The Company used the following assumptions in the application of the Black-Scholes option valuation model: an exercise price ranging between $6.11 and $7.94, a term of 3.0 years, a risk-free interest rate of 0.24%, and volatility of 35%. The 2020 Warrants met the definition of derivatives under the guidance in ASC 815, *Derivatives and Hedging*; however, because these instruments are determined to be indexed to the Company's own stock and met the criteria for equity classification under ASC 815, the 2020 Warrants are accounted for as an equity transaction and recorded in Additional Paid-in-Capital. The 2020 Warrants have a dilutive effect on net income per share and book value to the extent that the market value per share of the Company's common stock at the time of exercise exceeds the strike price of the 2020 Warrants.

On September 16, 2022, a warrant holder that is an affiliate of the Former Manager (see Note 24) exercised warrants to purchase 23.0 million shares of common stock. The warrants were exercised on a cashless basis, resulting in the issuance of 6.9 million shares of the Company's common stock.

The table below summarizes the 2020 Warrants:

	Number of Warrants (in millions)		Adjusted Weighted Average Exercise Price (per share)
	Initial	Adjusted(A)	
December 31, 2021	43.4	46.2	$ 6.49
Granted	—	2.4	6.23
Exercised	(21.0)	(23.0)	6.30
Expired	—	—	—
December 31, 2022	22.4	25.6	6.06 (B)

(A) Reflects the incremental number of additional common stock issuable upon exercise of warrants in accordance with the warrant agreement.

(B) Reflects a reduction in weighted average exercise price due to anti-dilution adjustments effective for dividends in excess of $0.10 a share.

Option Plan

Rithm Capital has a Nonqualified Stock Option and Incentive Award Plan, as amended (the "Plan") which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to Rithm Capital's directors, officers, service providers, consultants and advisors, and prior to the internalization the Former Manager and the directors, officers, employees, service providers, consultants and advisor of the Former Manager who perform services for Rithm Capital. Rithm Capital initially reserved 15,000,000 shares of its common stock for issuance under the Plan; on the first day of each fiscal year beginning during the 10-year term of the Plan in and after calendar year 2014, that number will be increased by a number of shares of Rithm Capital's common stock equal to 10% of the number of shares of common stock newly issued by Rithm Capital during the immediately preceding fiscal year (and, in the case of fiscal year 2013, after the effective date of the Plan). Increases of 98,487, 5,190,335 and 9,739 were made on January 1, 2023, 2022 and 2021, respectively. Rithm Capital's board of directors also determined to issue options to the Former Manager that were not subject to the Plan, provided that the number of shares underlying any options granted to the Former Manager in connection with capital raising efforts did not exceed 10% of the shares sold in such offering and would be subject to NYSE rules. Upon exercise, all options will be settled in an amount of cash equal to the excess of the fair market value of a share of common stock on the date of exercise over the exercise price per share unless advance approval is made to settle options in shares of common stock.

Prior to January 1, 2023, upon joining the board of directors, non-employee directors were, in accordance with the Plan, granted options relating to an aggregate of 5,000 shares of common stock. The fair value of such options was not material at the date of grant.

The following table summarizes outstanding options for the periods presented:

	December 31,	
	2022	2021
Held by the Former Manager	21,471,990	19,877,843
Issued to the Former Manager and subsequently assigned to certain of the Former Manager's employees	—	1,594,147
Issued to the independent directors	5,000	7,000
Total	21,476,990	21,478,990

The following table summarizes outstanding options as of December 31, 2022. The last sales price on the New York Stock Exchange for Rithm Capital's common stock for the year ended December 31, 2022 was $8.17 per share.

Recipient	Date of Grant/ Exercise(A)	Number of Unexercised Options	Options Exercisable as of December 31, 2022	Weighted Average Exercise Price(B)	Intrinsic Value of Exercisable Options as of December 31, 2022
Directors	Various	5,000	5,000	$ 12.55	$ —
Former Manager	2017	1,130,916	1,130,916	13.43	—
Former Manager	2018	5,320,000	5,320,000	16.15	—
Former Manager	2019	6,351,000	6,351,000	15.54	—
Former Manager	2020	1,619,739	1,619,739	16.88	—
Former Manager	2021	7,050,335	4,386,062	9.92	—
Outstanding		21,476,990	18,812,717	13.84	

(A) Options expire on the tenth anniversary from date of grant.
(B) The exercise prices are subject to adjustment in connection with return of capital dividends.

The following table summarizes activity related to outstanding options for the periods presented:

	Number of Options	Weighted Average Exercise Price
December 31, 2020	14,428,655	
Granted	7,051,335	$ 10.31
Exercised	—	—
Expired	(1,000)	12.36
December 31, 2021	21,478,990	
Granted	—	—
Exercised	—	—
Expired	(2,000)	13.20
December 31, 2022	21,476,990	See table above

Share-Based Compensation

On June 17, 2022, the Company granted the CEO a one-time equity bonus of $5.0 million to be paid by granting a fixed number of shares of the Company's common stock. The share-settled awards vest ratably over the three-year vesting period, subject to the CEO's continuing service to the Company. The potential issuance of the RSAs have been accounted for as an equity award. Accordingly, the Company recognizes an accrual for compensation expense as part of Compensation and Benefits expense in the Consolidated Statements of Income with an offsetting amount recognized in Additional Paid-in-Capital in the Statements of Changes in Stockholders' Equity. Share-based compensation expense recorded for the year ended December 31, 2022 was $1.3 million. As of December 31, 2022, the total unrecognized compensation cost was $3.7 million.

The following table summarizes the grants, vesting and forfeitures of RSAs:

	Shares	Weighted Average Grant Date Fair Market Value
December 31, 2021	—	$ —
Granted	578,034	8.65
Vested	—	—
Forfeited	—	—
December 31, 2022	578,034	$ 8.65

Earnings Per Share

Rithm Capital is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period.

The following table summarizes the basic and diluted earnings per share calculations:

	Year Ended December 31,		
	2022	2021	2020
Net income (loss)	$ 983,285	$ 805,582	$ (1,357,684)
Noncontrolling interests in income of consolidated subsidiaries	28,766	33,356	52,674
Dividends on preferred stock	89,726	66,744	54,295
Net income (loss) attributable to common stockholders	$ 864,793	$ 705,482	$ (1,464,653)
Basic weighted average shares of common stock outstanding	468,836,718	451,276,742	415,513,187
Dilutive effect of stock options, restricted stock, and common stock purchase warrants(A)	12,799,407	16,388,264	—
Diluted weighted average shares of common stock outstanding	481,636,125	467,665,006	415,513,187
Basic earnings (loss) per share attributable to common stockholders	$ 1.84	$ 1.56	$ (3.52)
Diluted earnings (loss) per share attributable to common stockholders	$ 1.80	$ 1.51	$ (3.52)

(A) Stock options, restricted stock, and common stock purchase warrants that could potentially dilute basic earnings per share in the future were not included in the computation of diluted earnings per share for the periods where a loss has been recorded because they would have been anti-dilutive for the period presented.

The Company excluded the following weighted-average potential common shares from the calculation of diluted net income (loss) per share during the applicable periods because their inclusion would have been anti-dilutive:

	Year Ended December 31,		
	2022	2021	2020
Stock options, restricted stock, and common stock purchase warrants	—	—	7,328,961

23. COMMITMENTS AND CONTINGENCIES

Litigation **—** Rithm Capital is or may become, from time to time, involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on its business, financial position or results of operations. Rithm Capital is not aware of any unasserted claims that it believes are material and probable of assertion where the risk of loss is expected to be reasonably possible.

Rithm Capital is, from time to time, subject to inquiries by government entities. Rithm Capital currently does not believe any of these inquiries would result in a material adverse effect on its business.

Indemnifications **—** In the normal course of business, Rithm Capital and its subsidiaries enter into contracts that contain a variety of representations and warranties and that provide general indemnifications. Rithm Capital's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against Rithm Capital that have not yet occurred. However, based on its experience, Rithm Capital expects the risk of material loss to be remote.

Capital Commitments **—** As of December 31, 2022, Rithm Capital had outstanding capital commitments related to investments in the following investment types (also refer to Note 7 for MSR investment commitments and to Note 27 for additional capital commitments entered into subsequent to December 31, 2022, if any):

- *MSRs and Servicer Advance Investments* — Rithm Capital and, in some cases, third-party co-investors agreed to purchase future servicer advances related to certain Non-Agency residential mortgage loans. In addition, Rithm Capital's subsidiaries, NRM and Newrez, are generally obligated to fund future servicer advances related to the loans they are obligated to service. The actual amount of future advances purchased will be based on (i) the credit and prepayment performance of the underlying loans, (ii) the amount of advances recoverable prior to liquidation of the related collateral and (iii) the percentage of the loans with respect to which no additional advance obligations are

made. The actual amount of future advances is subject to significant uncertainty. Notes 6 and 7 for discussion on Rithm Capital's MSRs and Servicer Advance Investments, respectively.

- *Mortgage Origination Reserves* — The Mortgage Company currently originates, or has in the past originated, conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. The GSEs or Ginnie Mae guarantee conventional and government insured mortgage securitizations and mortgage investors issue nonconforming private label mortgage securitizations while the Mortgage Company generally retains the right to service the underlying residential mortgage loans. In connection with the transfer of loans to the GSEs or mortgage investors, the Mortgage Company makes representations and warranties regarding certain attributes of the loans and, subsequent to the sale, if it is determined that a sold loan is in breach of these representations and warranties, the Mortgage Company generally has an obligation to cure the breach. If the Mortgage Company is unable to cure the breach, the purchaser may require the Mortgage Company, as applicable, to repurchase the loan.

  In addition, as issuers of Ginnie Mae guaranteed securitizations, the Mortgage Company holds the right to repurchase loans that are at least 90 days' delinquent from the securitizations at their discretion. Loans in forbearance that are three or more consecutive payments delinquent are included as delinquent loans permitted to be repurchased. While the Mortgage Company is not obligated to repurchase the delinquent loans, the Mortgage Company generally exercises its respective option to repurchase loans that will result in an economic benefit. As of December 31, 2022, Rithm Capital's estimated liability associated with representations and warranties and Ginnie Mae repurchases was $44.3 million and $1.2 billion, respectively. See Notes 6 and 9 for information on regarding the right to repurchase delinquent loans from Ginnie Mae securities and mortgage origination.

- *Residential Mortgage Origination Unfunded Commitments* — As of December 31, 2022, the Mortgage Company was committed to fund approximately $2.6 billion of residential mortgage loans and had no forward loan sale commitments.

- *Residential Mortgage Loans* — As part of its investment in residential mortgage loans, Rithm Capital may be required to outlay capital. These capital outflows primarily consist of advance escrow and tax payments, residential maintenance and property disposition fees. The actual amount of these outflows is subject to significant uncertainty. See Note 9 for information on Rithm Capital's residential mortgage loans.

- *Consumer Loans* — The Consumer Loan Companies have invested in loans with an aggregate of $214.4 million of unfunded and available revolving credit privileges as of December 31, 2022. However, under the terms of these loans, requests for draws may be denied and unfunded availability may be terminated at Rithm Capital's discretion.

- *Mortgage Loans Receivable* — Genesis had commitments to fund up to $823.8 million of additional advances on existing mortgage loans as of December 31, 2022. These commitments are generally subject to loan agreements with covenants regarding the financial performance of the customer and other terms regarding advances that must be met before Genesis funds the commitment.

Environmental Costs — As a residential real estate owner, Rithm Capital is subject to potential environmental costs. At December 31, 2022, Rithm Capital is not aware of any environmental concerns that would have a material adverse effect on its consolidated financial position or results of operations.

Debt Covenants — Certain of the Company's debt obligations are subject to loan covenants and event of default provisions, including event of default provisions triggered by certain specified declines in Rithm Capital's equity or a failure to maintain a specified tangible net worth, liquidity, or indebtedness to tangible net worth ratio. Refer to Note 19.

Internalization — During the second quarter of 2022, the Company entered into the Internalization Agreement with the Former Manager. Pursuant to the Internalization Agreement, the Management Agreement was terminated effective June 17, 2022, except that certain indemnification and other obligations survive, and the Company was no longer required to pay management or incentive fees with respect to any period thereafter. In connection with the termination of the Management Agreement, the Company was required to pay $400.0 million (subject to certain adjustments) to the Former Manager (the "Termination Fee"). The Company paid $200.0 million of the Termination Fee to the Former Manager on June 17, 2022, $100.0 million on

September 15, 2022, and $100.0 million on December 15, 2022 (less an agreed amount payable by the Former Manager to the Company related to the pre-Internalization portion of certain annual bonuses).

24. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

On June 17, 2022, the Company entered into definitive agreements with the Former Manager to internalize the Company's management function. As part of the termination of the existing Management Agreement, the Company agreed to pay $400.0 million (subject to certain adjustments) to the Former Manager. Following the Internalization, the Company no longer pays a management or incentive fee to the Former Manager.

In connection with the termination of the Management Agreement, the Company entered into a Transition Services Agreement with the Former Manager (the "Transition Services Agreement") in order to facilitate the transition of the Company's management functions and its operations through the earliest to occur of (i) the date on which no remaining service is to be provided under the Transition Services Agreement or (ii) December 31, 2022. Under the Transition Services Agreement, the Former Manager provided (or caused to be provided), at cost, all of the services it was previously providing to the Company immediately prior to the Effective Date ("Transition Services"). Former Manager ceased providing Transition Services as of December 31, 2022 in accordance with the Transition Services Agreement. The Transition Services primarily included information technology, legal, regulatory compliance, tax and accounting services. The Transition Services were provided for a fee intended to be equal to the Former Manager's cost of providing the Transition Services, including the allocated cost of, among other things, overhead, employee wages and compensation and actually incurred out-of-pocket expenses, and were invoiced on a monthly basis. The Company incurred $4.9 million in costs for Transition Services during the year ended December 31, 2022, and these costs are reported in General and Administrative expense in the Consolidated Statements of Income.

Prior to the Internalization and the termination of the Management Agreement on June 17, 2022, the Former Manager was entitled to receive a management fee in an amount equal to 1.5% per annum of the Company's gross equity calculated and payable monthly in arrears in cash. In addition, the Former Manager was entitled to receive annual incentive compensation calculated in accordance with the Management Agreement.

In addition to the management fee and incentive compensation, Rithm Capital was responsible for reimbursing the Former Manager for certain expenses paid by the Former Manager on behalf of Rithm Capital.

On May 19, 2020, the Company entered into a three-year senior secured term loan facility agreement in the principal amount of $600.0 million and also issued common stock purchase warrants providing the lenders with the right to acquire up to 43.4 million shares of the Company's common stock, par value $0.01 per share. Approximately 48.0% of the lenders and recipients of the warrants are funds managed by an affiliate of the Former Manager. In September 2020, the Company used the net proceeds from a private debt offering, together with cash on hand, to fully retire all of the outstanding principal balance on the term loan facility. On September 16, 2022, all of the warrants held by funds managed by an affiliate of the Former Manager were exercised on a cashless basis resulting in the issuance of 6.9 million shares of the Company's common stock. See Note 22 to the Consolidated Financial Statements for further details.

On June 30, 2021, the Company entered into a senior credit agreement and a senior subordinated credit agreement whereby the Company, and the other lenders party thereto, made term loans to an entity affiliated with funds managed by an affiliate of the Former Manager. The senior loan bears cash interest at a fixed rate equal to 10.5% per annum and the senior subordinated loan bears paid-in-kind interest at a rate equal to 16.0% per annum, subject to certain adjustments as set forth in the respective credit agreements. As of December 31, 2022, the principal balance of the Company's portion of the senior loan and the senior subordinated loan was $31.3 million and $63.3 million, respectively.

25. INCOME TAXES

Income tax (benefit) expense consists of the following:

	Year Ended December 31,		
	2022	2021	2020
Current:			
Federal	$ 4,253	$ 5,556	$ (2,197)
State and local	4,096	1,470	4,084
Total current income tax expense	8,349	7,026	1,887
Deferred:			
Federal	227,825	130,696	17,516
State and local	43,342	20,504	(2,487)
Total deferred income tax expense	271,167	151,200	15,029
Total income tax expense	$ 279,516	$ 158,226	$ 16,916

Rithm Capital intends to qualify as a REIT for each of its tax years through December 31, 2022. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

Rithm Capital operates various business segments, including servicing, origination, and MSR related investments, through taxable REIT subsidiaries ("TRSs") that are subject to regular corporate income taxes, which have been provided for in the provision for income taxes, as applicable. Refer to Note 4 (Segment Reporting) for further details.

The increase in income tax expense for the year ended December 31, 2022 is primarily driven by current and deferred tax expense resulting from changes in the fair value of MSRs, and swaps held within taxable entities as well as income generated by the servicing business segment.

The increase in income tax expense for the year ended December 31, 2021 is primarily driven by current and deferred tax expense resulting from changes in the fair value of loans, MSRs, and swaps held within taxable entities as well as income generated by the servicing and origination business segments.

The difference between Rithm Capital's reported provision for income taxes and the U.S. federal statutory rate of 21.0% is as follows:

	December 31,		
	2022	2021	2020
Provision at the statutory rate	21.00 %	21.00 %	21.00 %
Non-taxable REIT income	(3.36)%	(7.38)%	(26.44)%
State and local taxes	4.05 %	3.86 %	3.70 %
Return to provision	— %	(1.10)%	0.12 %
Other	0.44 %	0.05 %	0.45 %
Total provision	22.13 %	16.43 %	(1.17)%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liability are presented below:

	December 31,	
	2022	**2021**
Deferred tax assets:		
Net operating losses and tax credit carryforwards[(A)]	$ 23,627	$ 76,642
Basis differences related to assets and investments	32,447	85,104
Goodwill	26,289	30,485
Accrued expenses	44,572	20,171
Other	1,573	4,632
Total deferred tax assets	128,508	217,034
Less: valuation allowance	—	—
Net deferred tax assets	$ 128,508	$ 217,034
Deferred tax liabilities:		
Mortgage servicing rights	$ (791,691)	$ (594,801)
Basis differences related to assets and investments	(26,832)	(21,672)
Fixed asset depreciation	(19,302)	(14,495)
Unrealized mark to market	—	(26,021)
Other	(2,538)	(735)
Total deferred tax (liability)	$ (840,363)	$ (657,724)
Net deferred tax assets (liability)	$ (711,855)	$ (440,690)

(A) As of December 31, 2022, Rithm Capital's TRSs had approximately $50.0 million of net operating loss carryforwards for federal and state income tax purposes which may be available to offset future taxable income, if and when it arises. Approximately, $12.8 million of federal net operating losses are subject to an annual Internal Revenue Code Section 382 limitation. The federal and state net operating loss carryforwards will begin to expire between 2027 and 2041. The utilization of the net operating loss carryforwards to reduce future income taxes will depend on the TRSs ability to generate sufficient taxable income prior to the expiration of the carryforward period.

In assessing the realizability of deferred tax assets, Rithm Capital considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. As of December 31, 2022, the Company believes it is more likely than not that it will fully realize its deferred tax assets.

Rithm Capital and its TRSs file income tax returns with the U.S. federal government and various state and local jurisdictions. Generally, Rithm Capital is no longer subject to tax examinations by tax authorities for tax years ended prior to December 31, 2019. Rithm Capital recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes on the consolidated statements of operations. As of December 31, 2022, Rithm Capital has no material uncertainties to be recognized. Rithm Capital does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within 12 months of the reporting date.

Common stock distributions were taxable as follows:

Year	Dividends per Share	Ordinary Income	Long-Term Capital Gain	Return of Capital
2022(A)	$ 0.41	41.47 %	— %	58.53 %
2021(B)	$ 0.50	58.84 %	— %	41.16 %
2020(C)	$ 0.62	78.01 %	— %	21.99 %

(A) The entire $0.25 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023.
(B) The entire $0.25 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022.
(C) The entire $0.20 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

Series A Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-Term Capital Gain	Return of Capital
2022(A)	$ 1.88	100 %	— %	— %
2021(B)	$ 1.88	100 %	— %	— %
2020(C)	$ 1.88	100 %	— %	— %

(A) The entire $0.47 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023.
(B) The entire $0.47 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022.
(C) The entire $0.47 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

Series B Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-Term Capital Gain	Return of Capital
2022(A)	$ 1.78	100 %	— %	— %
2021(B)	$ 1.78	100 %	— %	— %
2020(C)	$ 1.78	100 %	— %	— %

(A) The entire $0.45 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023.
(B) The entire $0.45 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022.
(C) The entire $0.45 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

Series C Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-Term Capital Gain	Return of Capital
2022(A)	$ 1.59	100 %	— %	— %
2021(B)	$ 1.59	100 %	— %	— %
2020(C)	$ 1.20	100 %	— %	— %

(A) The entire $0.40 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023.

(B) The entire $0.40 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022.

(C) The entire $0.40 per share dividend declared in December 2020 and paid in January 2021 is treated as received by stockholders in 2021.

Series D Preferred stock distributions were as follows:

Year	Dividends per Share	Ordinary Income	Long-Term Capital Gain	Return of Capital
2022[A]	$ 1.75	100 %	— %	— %
2021[B]	$ 0.28	100 %	— %	— %

(A) The entire $0.44 per share dividend declared in December 2022 and paid in January 2023 is treated as received by stockholders in 2023.

(B) The entire $0.28 per share dividend declared in December 2021 and paid in January 2022 is treated as received by stockholders in 2022.

26. RESTRUCTURING CHARGES

In connection with the Internalization and the termination of the Management Agreement, the Company agreed to pay its Former Manager $400.0 million (subject to certain adjustments), with $200.0 million paid on June 17, 2022, $100.0 million on September 15, 2022, and $100.0 million on December 15, 2022 (less an agreed amount payable by the Former Manager to the Company related to the pre-Internalization portion of certain annual bonuses for 2022). See Notes 1 and 24 for additional discussion. The restructuring charge paid to the Former Manager is reflected in Termination Fee to Affiliate expense in the Consolidated Statements of Income for the year ended December 31, 2022.

27. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to December 31, 2022 (referred to as “subsequent events”) through the issuance of these consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financing Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- 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 all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the *2013 Internal Control-Integrated Framework*.

Based on our assessment, management concluded that, as of December 31, 2022, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears at the beginning of "Item 8. Consolidated Financial Statements."

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

Any information required by this Item 10 is incorporated by reference to our definitive proxy statement for the 2023 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A within 120 days after the fiscal year ended December 31, 2022 (our "Definitive Proxy Statement") under the headings "Proposal No. 1 Election of Directors" and "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference to our Definitive Proxy Statement under the headings "Executive Compensation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated by reference to our Definitive Proxy Statement under the heading "Security Ownership of Management and Certain Beneficial Owners."

See also "Nonqualified Stock Option and Incentive Award Plan" in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities" which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated by reference to our Definitive Proxy Statement under the headings "Proposal No. 1 Election of Directors—Determination of Director Independence" and "Certain Relationships and Related Transactions."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated by reference to our Definitive Proxy Statement under the heading "Proposal No. 2 Approval of Appointment of Ernst & Young LLP as Independent Registered Public Accounting Firm—Principal Accountant Fees and Services."

PART IV

ITEM 15. EXHIBITS; FINANCIAL STATEMENT SCHEDULES

(a) and (c) Financial statements and schedules:

See "Consolidated Financial Statements."

(b) Exhibits filed with this Form 10-K:

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of Rithm Capital Corp. (formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed May 3, 2013)
3.2	Amended and Restated Bylaws of Rithm Capital Corp. (formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed August 2, 2022)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Rithm Capital Corp. formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed October 17, 2014)
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Rithm Capital New Residential Investment Corp. (incorporated by reference to Exhibit 3.1 to Rithm Capital Corp.'s Current Report on Form 8-K, filed August 2, 2022)
3.5	Certificate of Designations of Rithm Capital Corp. (formerly New Residential Investment Corp.), designating the Company's 7.50% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.4 to the Company's Form 8-A, filed July 2, 2019)
3.6	Certificate of Designations of Rithm Capital Corp. (formerly New Residential Investment Corp.), designating the Company's 7.125% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.5 to the Company's Form 8-A, filed August 15, 2019)
3.7	Certificate of Designations of Rithm Capital Corp. (formerly New Residential Investment Corp.), designating the Company's 6.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.6 to the Company's Form 8-A, filed February 14, 2020)
3.8	Certificate of Designations of Rithm Capital Corp. (formerly New Residential Investment Corp.), designating the Company's 7.00% Fixed-Rate Reset Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share (incorporated by reference to Exhibit 3.7 to the Company's Form 8-A, filed September 17, 2021)
4.1	Specimen Series A Preferred Stock Certificate of Rithm Capital Corp. (formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 4.1 to the Company's Form 8-A filed July 2, 2019)
4.2	Specimen Series B Preferred Stock Certificate of Rithm Capital Corp. (formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 4.1 to the Company's Form 8-A, filed August 15, 2019)
4.3	Specimen Series C Preferred Stock Certificate of Rithm Capital Corp. (formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 4.1 to the Company's Form 8-A, filed February 14, 2020)
4.4	Specimen Series D Preferred Stock Certificate of Rithm Capital Corp. (formerly New Residential Investment Corp.) (incorporated by reference to Exhibit 4.1 to the Company's Form 8-A, filed September 17, 2021)
4.5	Second Amended and Restated Indenture, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed September 7, 2018)
4.6	Omnibus Amendment to Term Note Indenture Supplements, dated as of August 17, 2017, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed August 22, 2017)

4.7 Omnibus Amendment to Certain Agreements Relating to the NRZ Advance Receivables Trust 2015-ON1, dated as of September 7, 2018, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, New Residential Mortgage LLC, Credit Suisse AG, New York Branch, New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and New Residential Investment Corp. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed September 7, 2018)

4.8 Third Amended and Restated Indenture, dated as of July 25, 2019, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, PHH Mortgage Corporation, HLSS Holdings, LLC, New Residential Mortgage LLC, Newrez LLC, d/b/a Shellpoint Mortgage Servicing and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K, filed July 26, 2019)

4.9 Form of Debt Securities Indenture (including Form of Debt Security) (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, filed May 16, 2014)

4.10 Indenture, dated as of September 16, 2020, between Rithm Capital Corp. (formerly New Residential Investment Corp.) and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed September 16, 2020)

4.11* Description of Securities Registered under Section 12 of the Exchange Act

10.1+* Form of Indemnification Agreement by and between Rithm Capital Corp. and its directors and officers

10.2+ Rithm Capital Corp. (formerly New Residential Investment Corp.) Nonqualified Stock Option and Incentive Award Plan, adopted as of April 29, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed May 3, 2013)

10.3+ Amended and Restated Rithm Capital Corp. (formerly New Residential Investment Corp.) Nonqualified Stock Option and Incentive Plan, adopted as of November 4, 2014 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014)

10.4 Investment Guidelines (incorporated by reference to Exhibit 10.4 to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)

10.5 Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC, dated as of March 31, 2016 (incorporated by reference to Exhibit 10.37 to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016)

10.6# Master Agreement, dated as July 23, 2017, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.7 Amendment No. 1 to Master Agreement, dated as of October 12, 2017, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.42 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.8# Transfer Agreement, dated as of July 23, 2017, by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (incorporated by reference to Exhibit 10.43 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.9# Amendment No. 1 to the Transfer Agreement, dated January 18, 2018, by and among Ocwen Loan Servicing, LLC, New Residential Mortgage LLC, Ocwen Financial Corporation and New Residential Investment Corp. (incorporated by reference to Exhibit 10.44 to Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018)

10.10# Subservicing Agreement, dated as of July 23, 2017, by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.44 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017)

10.11# Amendment No. 1 to Subservicing Agreement, dated as of August 17, 2018, by and between New Residential Mortgage LLC and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.46 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.12 Amendment No. 2 to Subservicing Agreement, dated as of October 5, 2020, by and between New Residential Mortgage LLC and PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC) (incorporated by reference to Exhibit 10.47 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.13# New RMSR Agreement, dated as of January 18, 2018, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.51 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018)

10.14# Amendment No. 1 to New RMSR Agreement, dated as of August 17, 2018, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.15 Amendment No. 2 to New RMSR Agreement, dated as of October 5, 2020, by and among PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC), HLSS Holdings, LLC, HLSS MSR - EBO Acquisition LLC, and New Residential Mortgage LLC (incorporated by reference to Exhibit 10.56 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.16# Subservicing Agreement, dated as of August 17, 2018, by and between New Penn Financial, LLC, d/b/a Shellpoint Mortgage Servicing and Ocwen Loan Servicing, LLC (incorporated by reference to Exhibit 10.55 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018)

10.17 Amendment No. 1 to Subservicing Agreement, dated as of October 5, 2020, by and between Newrez, LLC (as successor-in-interest to New Penn Financial, LLC) d/b/a Shellpoint Mortgage Servicing and PHH Mortgage Corporation (as successor by merger to Ocwen Loan Servicing, LLC) (incorporated by reference to Exhibit 10.58 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.18 Call Rights Letter Agreement, dated as of March 31, 2020, between Rithm Capital Corp. (formerly New Residential Investment Corp.) and Fortress Credit Opportunities V Advisors LLC (incorporated by reference to Exhibit 10.56 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020)

10.19 Senior Secured Term Loan Facility Agreement, dated as of May 19, 2020, among Rithm Capital Corp. (formerly New Residential Investment Corp.), as Parent and the Borrower, and Certain Subsidiaries of Rithm Capital Corp., as Subsidiary Guarantors, the Lenders Party thereto and Cortland Capital Market Services LLC, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.60 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.20 Pledge and Security Agreement, dated as of May 19, 2020, among each of the Pledgors Party thereto and Cortland Capital Market Services LLC, as Collateral Agent (incorporated by reference to Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.21 Form of Common Stock Purchase Warrant No. S1, dated May 19, 2020, between Rithm Capital Corp. (formerly New Residential Investment Corp.) and Canyon Finance (Cayman) Limited or its permitted assigns (incorporated by reference to Exhibit 10.62 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.22 Form of Common Stock Purchase Warrant No. S2, dated May 19, 2020, between Rithm Capital Corp. (formerly New Residential Investment Corp.) and Canyon Finance (Cayman) Limited or its permitted assigns (incorporated by reference to Exhibit 10.63 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.23 Form of Common Stock Purchase Warrant No. S1, dated May 27, 2020, between Rithm Capital Corp. (formerly New Residential Investment Corp.) and CF NRS-E LLC or its permitted assigns (incorporated by reference to Exhibit 10.64 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.24 Form of Common Stock Purchase Warrant No. S2, dated May 27, 2020, between Rithm Capital Corp. (formerly New Residential Investment Corp.) and CF NRS-E LLC or its permitted assigns (incorporated by reference to Exhibit 10.65 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.25 Registration Rights Agreement, dated May 19, 2020, by and among Rithm Capital Corp. (formerly New Residential Investment Corp.) and the Investors set forth on Schedule 1 thereto (incorporated by reference to Exhibit 10.66 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020)

10.26† Internalization Agreement, dated June 17, 2022, by and between Rithm Capital Corp. (formerly New Residential Investment Corp.) and FIG LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 17, 2022)

10.27 Transition Services Agreement, dated June 17, 2022, by and between Rithm Capital Corp. (formerly New Residential Investment Corp.) and FIG LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed June 17, 2022)

10.28+ Employment Agreement, dated as of June 17, 2022, by and between Rithm Capital Corp. (formerly New Residential Investment Corp.) and Michael Nierenberg

10.29+	Offer Letter, dated as of August 1, 2022, by and between Rithm Capital Corp. and Nicola Santoro, Jr.
10.30+*	Offer Letter, dated as of August 1, 2022, by and between Rithm Capital Corp. and Philip Sivin
21.1*	List of Subsidiaries of Rithm Capital Corp.
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1*	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Changes in Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Indicates a management contract or compensatory plan or arrangement.

† Portions of this exhibit have been omitted.

* Exhibit filed herewith.

** Exhibit furnished herewith.

Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

The following second amended and restated limited liability company agreements of the Consumer Loan Companies are substantially identical in all material respects, except as to the parties thereto and the initial capital contributions required under each agreement, to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC that is filed as Exhibit 10.5 hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

- Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements proved to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov. See "Business—Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

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, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

RITHM CAPITAL CORP.

By: /s/ Michael Nierenberg
Michael Nierenberg
Chairman of the Board

February 16, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following person on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Michael Nierenberg
Michael Nierenberg
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
February 16, 2023

By: /s/ Nicola Santoro, Jr.
Nicola Santoro, Jr.
Chief Financial Officer, Chief Accounting Officer and Treasurer
(Principal Financial Officer)
February 16, 2023

By: /s/ Kevin J. Finnerty
Kevin J. Finnerty
Director
February 16, 2023

By: /s/ David Saltzman
David Saltzman
Director
February 16, 2023

By: /s/ Pamela F. Lenehan
Pamela F. Lenehan
Director
February 16, 2023

By: /s/ Andrew Sloves
Andrew Sloves
Director
February 16, 2023

By: /s/ Patrice M. Le Melle
Patrice M. Le Melle
Director
February 16, 2023

By: /s/ Peggy Hwan Hebard
Peggy Hwan Hebard
Director
February 16, 2023

Corporate Information

Board of Directors

Director	Committees
Michael Nierenberg Chairman, CEO and President	
Kevin J. Finnerty Independent Director	Audit Compensation Nominating and Corporate Governance (Chair)
Peggy Hwan Hebard Independent Director	Audit Compensation
Patrice M. Le Melle Independent Director	Nominating and Corporate Governance
Pamela F. Lenehan Independent Director	Audit (Chair)
David Saltzman Independent Director	Compensation (Chair)
Andrew Sloves Independent Director	Audit Compensation Nominating and Corporate Governance

Corporate Officers

Michael Nierenberg
Chief Executive Officer & President

Nick Santoro
Chief Financial Officer & Chief Accounting Officer

Philip Sivin
Chief Legal Officer

Shareholder Information

Corporate Headquarters
Rithm Capital
799 Broadway
8th Floor
New York, NY 10003
www.rithmcap.com

Independent Registered Public Accounting Firm
Ernst & Young LLP
One Manhattan West
New York, NY 10001

Shareholder Services, Transfer Agent and Registrar
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449

Stock Exchange Listing
Rithm Capital
is listed on the New York Stock Exchange (NYSE: RITM)

Investor Information Services
Rithm Capital
799 Broadway
8th Floor
New York, NY 10003
Tel: (212) 850-7770
Email: ir@rithmcap.com

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements regarding Rithm Capital Corp. (together with its subsidiaries, “Rithm Capital,” the “Company” or “we”) in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, our ability to succeed in the current market environment and varying economic environments, to collaborate across operating companies and to realize expected benefits from the internalization and rebranding, to grow and provide attractive returns across our portfolio of investments, to identify and succeed in investments of an alternative or diversified nature, to maintain or grow our book value and generate steady earnings, to take advantage of future investment opportunities, to maintain cash and liquidity, to realize the Company’s plans to diversify beyond residential mortgage into other asset classes (including debt and equity investments in commercial real estate) and to manage third party capital. Forward-looking statements contained herein speak only as of the date of this annual report, and the Company expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based. These statements represent management’s expectations regarding future events, and new risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see the sections entitled “Cautionary Statements Regarding Forward Looking Statements,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s annual and quarterly reports filed with the SEC, which are available on the Company’s website (www.rithmcap.com). Information on, or accessible through, our website is not necessarily a part of, and is not incorporated into, this report.

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