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# RESI Update

## 4<sup>th</sup> Quarter 2016

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### **Supplemental Investor Information**

George Ellison, CEO

Robin Lowe, CFO



# Forward Looking Statements

*This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding management's beliefs, estimates, projections, anticipations and assumptions with respect to, among other things, the Company's financial results, future operations, business plans and investment strategies as well as industry and market conditions. These statements may be identified by words such as "anticipate," "intend," "expect," "may," "could," "should," "would," "plan," "estimate," "seek," "believe" and other expressions or words of similar meaning. We caution that forward looking statements are qualified by the existence of certain risks and uncertainties that could cause actual results and events to differ materially from what is contemplated by the forward-looking statements. Factors that could cause the Company's actual results to differ materially from these forward-looking statements may include, without limitation, our ability to implement our business strategy; our ability to make distributions to our stockholders; our ability to acquire assets for our portfolio, including difficulties in identifying single-family rental ("SFR") assets and properties to acquire; our ability to integrate newly acquired SFR assets into our portfolio; our ability to sell residential mortgage assets on favorable terms; the impact of changes to the supply of, value of and the returns on single-family rental properties and sub-performing and non-performing loans; our ability to successfully modify or otherwise resolve sub-performing and non-performing loans; our ability to convert loans to SFR properties and acquire single-family rental properties generating attractive returns; our ability to complete proposed transactions in accordance with anticipated terms and on a timely basis or at all; our ability to predict costs; our ability to effectively compete with competitors; our ability to apply the net proceeds from financing activities or residential mortgage asset loan sales to target assets in a timely manner; changes in interest rates and the market value of the collateral underlying our sub-performing and non-performing loan portfolios or acquired single-family properties; our ability to obtain and access financing arrangements on favorable terms, or at all; our ability to maintain adequate liquidity; our ability to retain the exclusive engagement of Altisource Asset Management Corporation; the failure of Altisource Portfolio Solutions S.A. or its affiliates to effectively perform its obligations under various agreements with us; the failure of Main Street Renewal, LLC to effectively perform its obligations under its property management agreement with us; the failure of our mortgage loan servicers to effectively perform their servicing obligations under their servicing agreements with us; our failure to qualify or maintain qualification as a REIT; our failure to maintain our exemption from registration under the Investment Company Act of 1940, as amended; the impact of adverse real estate, mortgage or housing markets; the impact of adverse legislative, regulatory or tax changes and other risks and uncertainties detailed in the "Risk Factors" and other sections described from time to time in the Company's current and future filings with the Securities and Exchange Commission. In addition, financial risks such as liquidity, interest rate and credit risks could influence future results. The foregoing list of factors should not be construed as exhaustive. The statements made in this presentation are current as of the date of this presentation only. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other information contained herein, whether as a result of new information, future events or otherwise.*

- I. Company Update
- II. Financial Results
- III. Portfolio Information
- IV. Appendix

- Signed an LOI to purchase up to 3,500 homes<sup>1</sup>.
- We reaffirm our estimate of \$0.60 per share of Core FFO for 10,000 homes when fully stabilized and \$1.70 for 20,000 homes.
- Stabilized Rental operating metrics continue to improve:
  - 4Q16 Stabilized Rental NOI Margin increased to 62%.
  - 4Q16 Stabilized Rental Core FFO increased to \$0.11 per share.
- Agreed to two loan sales totaling 2,940 loans for estimated proceeds of approximately 97% of the 3Q16 balance sheet carrying value<sup>2</sup>. Upon completion, we will have sold substantially all of our loans.
- Maintained \$0.15 dividend and repurchased \$2.8 million in stock.

1) Transaction is subject to negotiation of definitive purchase agreements and RESI's completion of due diligence.

2) First sale closed in January 2017. Second sale is subject to negotiation of definitive purchase agreement and buyer's completion of due diligence.

# 4<sup>th</sup> Quarter 2016 Highlights

## Financial

- Rental revenue increased 154% over prior quarter to \$24.3MM bringing 2016 rental revenue to \$48.6MM.
- Stabilized Rental Core FFO<sup>1</sup> increased 140% over prior quarter to \$5.8MM or \$0.11 per share.
- NAV is estimated at \$19.91 per share<sup>1</sup>.
- Repurchased \$2.8MM in stock bringing total purchases under the plan to \$46.5MM.
- Declared and paid \$0.15 per share dividend.

## Portfolio

- Total rental portfolio ended the year at 8,603 homes, a 215% increase over last year, with 91% of homes stabilized.
- Leased homes increased to 7,293, a 244% increase over last year.
- Signed an LOI to purchase up to 3,500 homes<sup>2</sup> from Amherst with seller financing.
- Agreed to sell 2,940 loans for estimated proceeds of approximately 97% of the 3Q16 balance sheet carrying value<sup>3</sup>.
- Sold 468 REOs, bringing non-rental REOs down to 1,930, a 49% decrease over last year.

## Operations

- Stabilized Rental portfolio NOI Margin<sup>1</sup> is 62% for the quarter up from 59% last quarter.
- 93% of the stabilized rentals were leased at quarter end.
- Renewal rate for the quarter was 71%, with average rent renewal increases of 5% and average re-lease rent increases of 3%.

## Funding

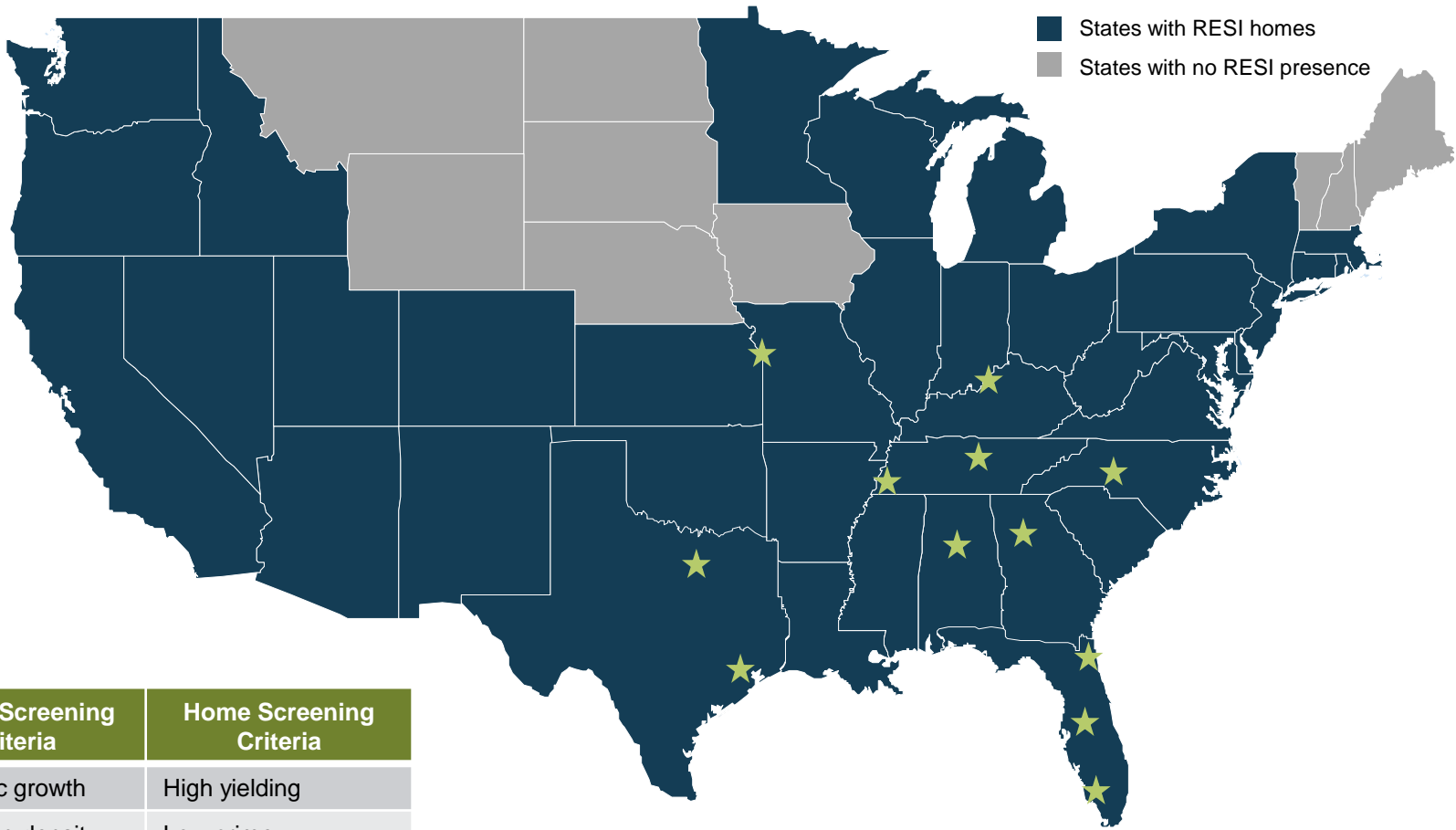
- \$219MM of available financing capacity including cash on hand at quarter end.

1) Stabilized Rental Core FFO, Stabilized Rental NOI Margin, and Net Asset Value (NAV) are non-GAAP measures, see Definitions and Disclosures section in the Appendix of this presentation for further information and reconciliation to U. S. GAAP net loss.  
2) Transaction is subject to negotiation of definitive purchase agreements and RESI's completion of due diligence.  
3) First sale closed in January 2017. Second sale is subject to negotiation of definitive purchase agreement and buyer's completion of due diligence.

# Acquisition Plans

Signed an LOI to purchase up to 3,500 homes with seller financing, to be managed by Main Street Renewal.

- ★ Top Targeted Markets**
- Atlanta
  - Birmingham
  - Charlotte
  - Dallas - Fort Worth
  - Florida
  - Houston
  - Kansas City
  - Louisville
  - Memphis
  - Nashville



Market Screening Criteria	Home Screening Criteria
Economic growth	High yielding
Population density	Low crime
Diverse economy	Quality schools

Fourth quarter performance within long term targets.

\$s in thousands, unaudited

	Long-Term Target <sup>1,2</sup>	Stabilized Portfolio Results <sup>1</sup>						
		1Q16	2Q16	3Q16	4Q16		Year Ended 2016	
<b>Rental Revenue</b>		<b>\$6,071</b>	<b>\$8,581</b>	<b>\$9,590</b>	<b>\$24,321</b>	<b>100%</b>	<b>\$48,563</b>	<b>100%</b>
Taxes, Insurance and HOA	18% - 21%	1,436	1,874	2,056	4,888	20%	10,254	21%
Repair, Maintenance and Turn	11% - 12%	865	1,142	1,410	2,732	11%	6,149	13%
Property Management	6% - 7%	367	439	495	1,618	7%	2,919	6%
<b>Stabilized Rental NOI<sup>1</sup></b>		<b>\$3,403</b>	<b>\$5,126</b>	<b>\$5,629</b>	<b>\$15,083</b>	<b>62%</b>	<b>\$29,241</b>	<b>60%</b>
<b>Stabilized Rental NOI Margin<sup>1</sup></b>	<b>60% - 65%</b>	<b>56%</b>	<b>60%<sup>3</sup></b>	<b>59%</b>	<b>62%</b>		<b>60%</b>	

- 1) Stabilized Rental NOI and Stabilized Rental NOI Margin are non-GAAP measures. Please see the Definitions and Disclosures section in the Appendix of this presentation for further information and reconciliation to U.S. GAAP net loss. These figures contain normalizing adjustments to more accurately present on-going operational performance.
- 2) Actual results may differ materially from the targets. Management reserves the right to change these estimates at any time.
- 3) Rental revenue in 2Q16 includes a bad debt reserve release of \$299K that relates to prior periods. Excluding this, NOI Margin for the three months ended June 30, 2016 would be 58%.

# Renewal and Retention

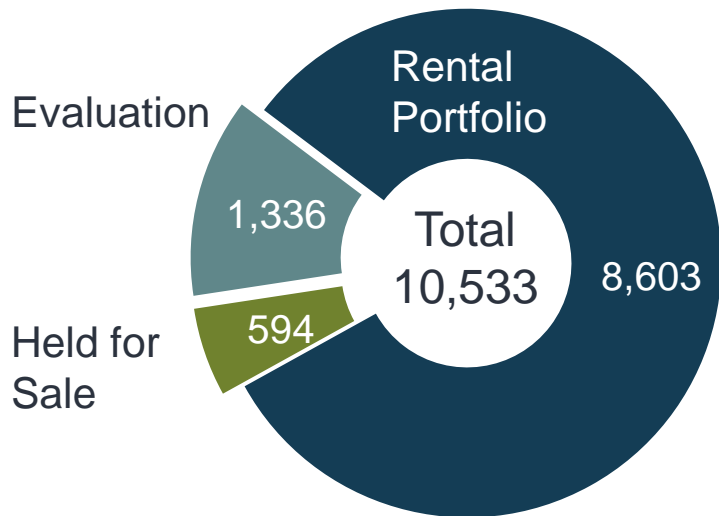
	Average Change in Renewal Rent <sup>1</sup>	Average Change in Re-lease Rent <sup>2</sup>	Renewal Rate <sup>3</sup>	Retention Rate <sup>4</sup>	Turn-over <sup>5</sup>
1Q16	6%	NR	77%	67%	7%
2Q16	6%	4%	73%	64%	8%
3Q16	7%	10%	81%	66%	6%
4Q16	5%	3%	71%	66%	7%

- 1) Average percentage change in rent for leases renewed, excluding leases which transitioned to month-to-month status.
- 2) Average percentage change in rent for re-leases (leases signed with new tenants) during the indicated quarter.
- 3) Number of leases renewed as a percentage of leases set to expire excluding early terminations and leases which transitioned to month-to-month.
- 4) Total number of leases renewed or otherwise retained including leases which transitioned to month-to-month, as a percentage of total leases that expired or were early terminated.
- 5) Total number of homes vacated as a percentage of the stabilized rental portfolio at the applicable quarter end. 3Q16 excludes the properties acquired in the HOME SFR transaction from analysis.

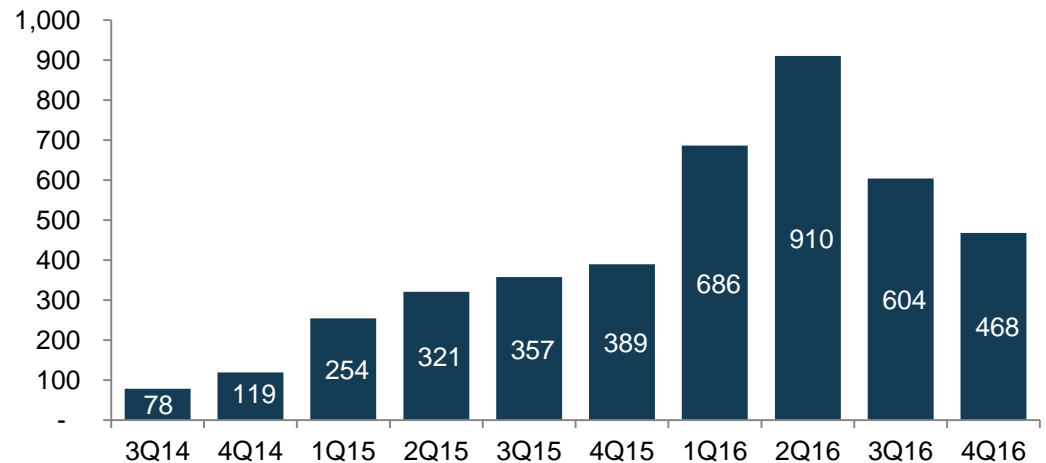


As of 4Q16, Rental homes represent 82% of total properties owned, up from 42% as of 4Q15. Virtually all non-rental REOs are targeted to be gone by year-end 2017<sup>1</sup>.

REO and Rental Portfolio<sup>2</sup> as of 4Q16



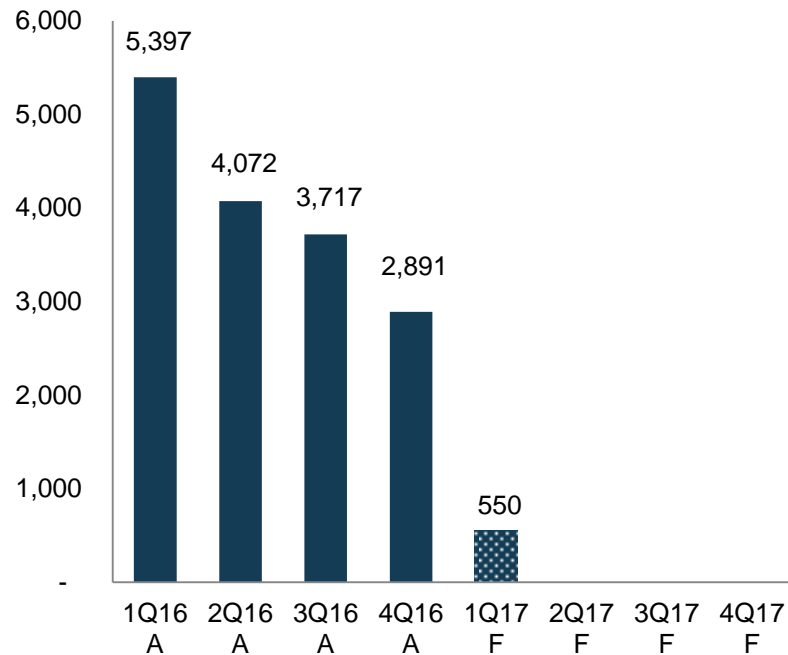
REOs Sold Each Quarter



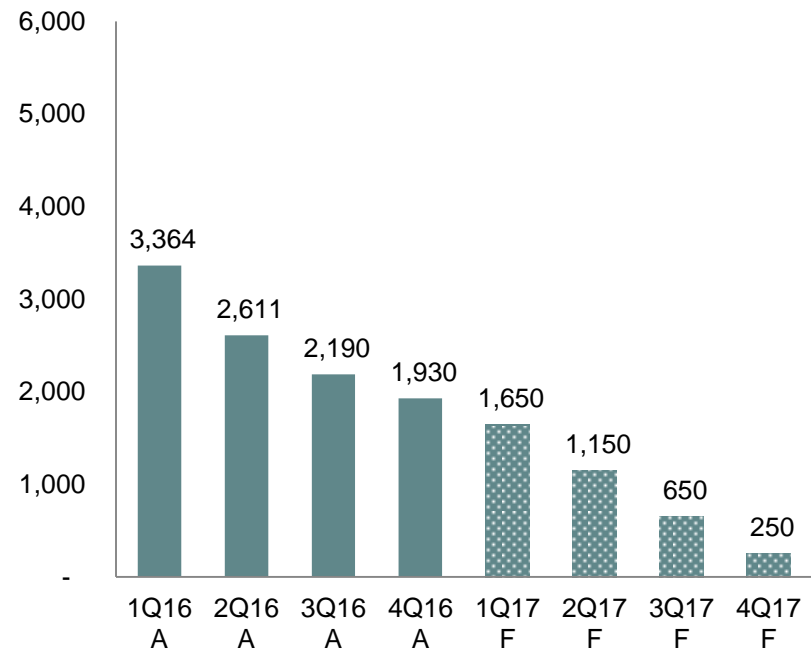
- 1) There can be no assurance that RESI will complete the sale of assets on a timely basis or at all. Management reserves the right to change these estimates at any time. REO includes non-rental properties held for use as well as REOs held for sale.
- 2) Rental portfolio includes homes that are leased, listed and ready for rent and under renovation or unit turn. See Definitions and Disclosures section in the Appendix of this presentation for further information.

RESI expects to fully dispose of its loans and non-rental REOs by year end 2017.

### Loan Portfolio<sup>1</sup>



### Non-rental REO Portfolio<sup>1</sup>

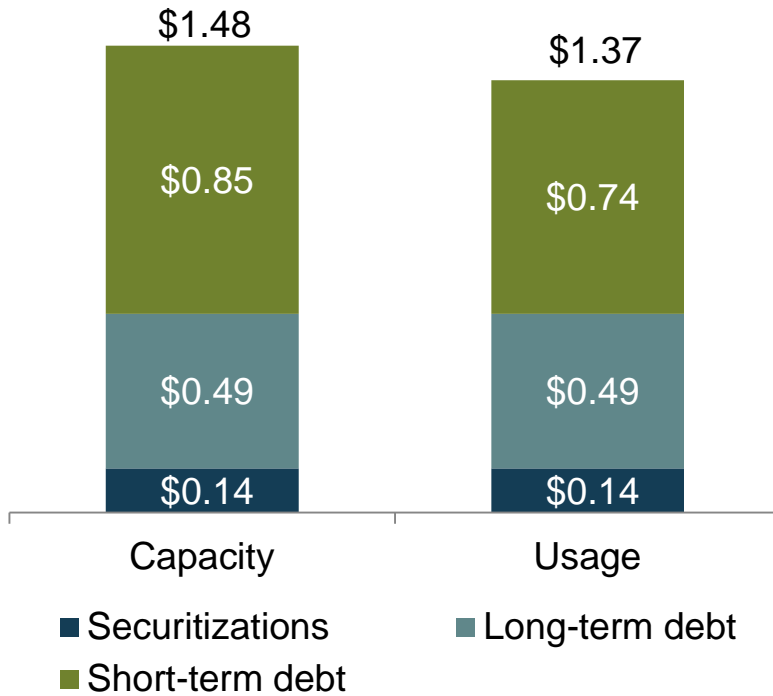


1) There can be no assurance that RESI will resolve assets on a timely basis or at all. Management reserves the right to change these estimates at any time. Loan portfolio excludes loans held for sale. REO includes non-rental properties held for use as well as REOs held for sale.

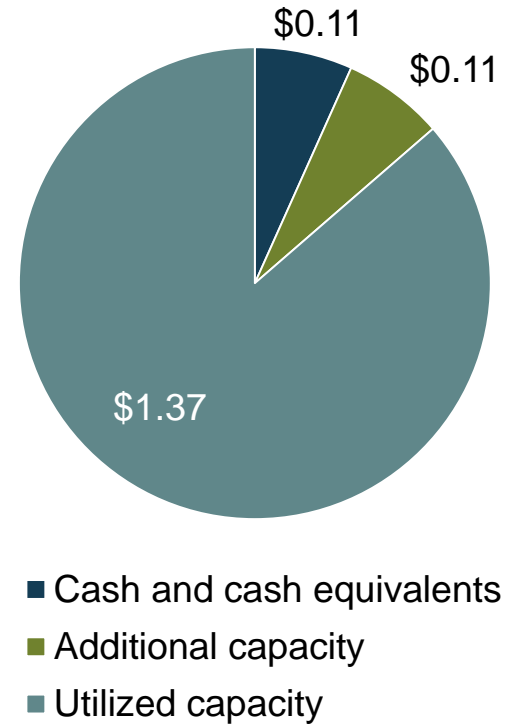
# Financing & Liquidity

\$s in Billions

Financing Activity as of December 31, 2016



Total Capacity as of December 31, 2016



- \$219MM of available financing capacity, including cash on hand, at quarter end.

# Financial Results



# Consolidated Statement of Operations - GAAP



\$s in thousands, except per share  
Unaudited

	Three Months Ended		Year Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Revenues:</b>				
Rental revenues	\$ 24,321	\$ 5,672	\$ 48,563	\$ 13,233
Change in unrealized gain on mortgage loans	(40,603)	(42,013)	(195,909)	88,829
Net realized gain on mortgage loans	5,420	10,533	35,760	58,061
Net realized gain on mortgage loans held for sale	64	35,927	50,230	36,432
Net realized gain on real estate	22,784	14,006	117,617	50,932
Interest income	72	16	497	611
Total revenues	12,058	24,141	56,758	248,098
<b>Expenses:</b>				
Residential property operating expenses	18,952	20,376	70,167	66,266
Real estate depreciation and amortization	14,237	3,080	27,027	7,472
Acquisition fees and costs	1,033	554	9,339	2,292
Selling costs and impairment	7,910	37,995	57,913	72,230
Mortgage loan servicing costs	6,635	14,357	34,595	62,346
Interest expense	16,808	14,217	53,868	53,694
Share-based compensation	794	45	1,287	184
General and administrative	1,949	1,735	10,556	10,105
Management fees	4,941	(2,073)	19,175	22,966
Total expenses	73,259	90,286	283,927	297,555
Other income (expense)	-	-	(750)	3,518
Loss before income taxes	(61,201)	(66,145)	(227,919)	(45,939)
Income tax expense	3	13	109	66
Net loss	\$ (61,204)	\$ (66,158)	\$ (228,028)	\$ (46,005)
(Loss) earnings per basic share of common stock	\$ (1.14)	\$ (1.18)	\$ (4.18)	\$ (0.81)
Weighted average common stock outstanding - basic	53,800,457	55,918,072	54,490,979	56,843,028
(Loss) earnings per diluted share of common stock	\$ (1.14)	\$ (1.18)	\$ (4.18)	\$ (0.81)
Weighted average common stock outstanding - diluted	53,800,457	55,918,072	54,490,979	56,843,028

# Consolidated Balance Sheet

\$s in thousands

Unaudited

	December 31, 2016	December 31, 2015
<b>Assets:</b>		
Real estate held for use, gross:		
Land	\$ 220,800	\$ 56,346
Rental residential properties	926,320	231,167
Real estate owned	289,141	455,483
Total real estate held for use, gross	1,436,261	742,996
Less: accumulated depreciation	(27,541)	(7,127)
Total real estate held for use, net	1,408,720	735,869
Real estate assets held for sale	133,327	250,557
Mortgage loans at fair value	460,444	960,534
Mortgage loans held for sale	108,036	317,336
Cash and cash equivalents	106,276	116,702
Restricted cash	22,947	20,566
Accounts receivable, net	34,931	45,903
Related party receivables	-	2,180
Prepaid expenses and other assets	10,166	1,126
Total assets	<u>\$ 2,284,847</u>	<u>\$ 2,450,773</u>
<b>Liabilities:</b>		
Repurchase and loan agreements	\$ 1,220,972	\$ 763,369
Other secured borrowings	144,099	502,599
Accounts payable and accrued liabilities	51,442	32,448
Related party payables	5,266	-
Total liabilities	1,421,779	1,298,416
<b>Equity:</b>		
Common stock, at par	537	556
Additional paid-in capital	1,182,245	1,202,418
Accumulated deficit	(319,714)	(50,617)
Total equity	863,068	1,152,357
Total liabilities and equity	<u>\$ 2,284,847</u>	<u>\$ 2,450,773</u>

# Net Asset Value

NAV<sup>1</sup> is estimated at \$19.91 per share as of December 31, 2016.

\$s in thousands, except per share value

Unaudited

<b>Fair value of real estate</b>	<b><u>December 31, 2016</u></b>
Total investment in real estate properties <sup>1</sup>	1,542,047
Real estate fair value adjustment	217,783
<b>Total fair value of real estate<sup>1</sup></b>	<b>1,759,830</b>
Cash and cash equivalents, and restricted cash	129,223
Loans at fair value	568,480
<i>Re-Performing Loans<sup>2</sup></i>	134,550
<i>Non-Performing Loans</i>	433,930
Other assets	39,445
<b>Total assets at fair market value</b>	<b>2,496,978</b>
<b>Liabilities</b>	
Repurchase and loan agreements	1,226,972
Other secured borrowings	144,971
Other liabilities	56,708
<b>Total liabilities</b>	<b>1,428,651</b>
<b>Net asset value</b>	<b>1,068,327</b>
Common stock outstanding	53,668
<b>Net asset value per share</b>	<b>\$ 19.91</b>

- NAV methodology:
  - Rental properties – discounted forward 12 month NOI
  - Non-Rental REOs – BPO value with a haircut for expected sales costs
  - Loans – at fair value

- 1) Net Asset Value is a non-GAAP measure. See Definitions and Disclosures section in the Appendix in this presentation for further information and reconciliation to U.S. GAAP regarding the fair value adjustment to real estate and liabilities. Total investment in real estate properties includes real estate held for use net of depreciation and real estate held for sale.
- 2) Re-performing loans are defined as having current loan status at quarter end.

# Net Operating Income

\$s in thousands  
Unaudited

	Three months ended December 31, 2016				Year ended December 31, 2016			
	Stabilized Rentals	Non-Stabilized & Other REOs	Loans	Total	Stabilized Rentals	Non-Stabilized & Other REOs	Loans	Total
<b>Revenues:</b>								
Rental revenues	\$ 24,321	\$ -	\$ -	\$ 24,321	\$ 48,563	\$ -	\$ -	\$ 48,563
Change in unrealized gain on mortgage loans	-	-	(40,603)	(40,603)	-	-	(195,909)	(195,909)
Net realized gain on mortgage loans	-	-	5,420	5,420	-	-	35,760	35,760
Net realized gain on mortgage loans held for sale	-	-	64	64	-	-	50,230	50,230
Net realized gain on real estate	-	22,784	-	22,784	-	117,617	-	117,617
Interest income	-	-	72	72	-	-	497	497
<b>Total revenues</b>	<b>24,321</b>	<b>22,784</b>	<b>(35,047)</b>	<b>12,058</b>	<b>48,563</b>	<b>117,617</b>	<b>(109,422)</b>	<b>56,758</b>
<b>Expenses:</b>								
Residential property operating expenses	9,238	9,714	-	18,952	19,322	50,845	-	70,167
Selling costs	-	3,352	524	3,876	-	23,161	1,529	24,690
Mortgage loan servicing costs	-	-	6,635	6,635	-	-	34,595	34,595
<b>Total operating expenses</b>	<b>9,238</b>	<b>13,066</b>	<b>7,159</b>	<b>29,463</b>	<b>19,322</b>	<b>74,006</b>	<b>36,124</b>	<b>129,452</b>
<b>Net Operating Income<sup>1</sup></b>	<b>15,083</b>	<b>9,718</b>	<b>(42,206)</b>	<b>(17,405)</b>	<b>29,241</b>	<b>43,611</b>	<b>(145,546)</b>	<b>(72,694)</b>
<b>Stabilized Rental NOI Margin<sup>1</sup></b>	<b>62%</b>				<b>60%</b>			

- 1) Stabilized Rental NOI and Stabilized Rental NOI Margin are non-GAAP measures. Please see the Definitions and Disclosures section in the Appendix of this presentation for further information and reconciliation to U.S. GAAP net loss. These figures contain normalizing adjustments to more accurately present on-going operational performance.



# FFO and Core FFO

\$s in thousands  
Unaudited

	<b>Three months ended</b>	<b>Year ended</b>
	<b>December 31, 2016</b>	<b>December 31, 2016</b>
<b>Stabilized Rentals</b>		
Rental revenues	\$ 24,321	\$ 48,563
Residential property operating expenses	(9,238)	(19,322)
Acquisition fees and costs	(1,033)	(9,339)
Interest expense	(8,609)	(17,137)
General and administrative	(392)	(1,525)
Share-based compensation	(269)	(341)
Management Fees	(1,971)	(5,077)
Other expense	-	(106)
<b>Expenses related to Stabilized Rentals</b>	<b>(21,512)</b>	<b>(52,847)</b>
<b>Funds from operations (FFO)<sup>1</sup></b>	<b>2,809</b>	<b>(4,284)</b>
<i>Adjustments from FFO:</i>		
Acquisition fees and costs	1,033	9,339
Conversion fees	445	1,841
Non-cash interest expense	1,263	3,541
Share-based compensation	269	341
Other adjustments <sup>2</sup>	-	439
<b>Core FFO on Stabilized Rentals<sup>1</sup></b>	<b>5,819</b>	<b>11,217</b>
Weighted average common stock outstanding	53,800,457	54,490,979
Core FFO per common stock outstanding	\$ 0.11	\$ 0.21

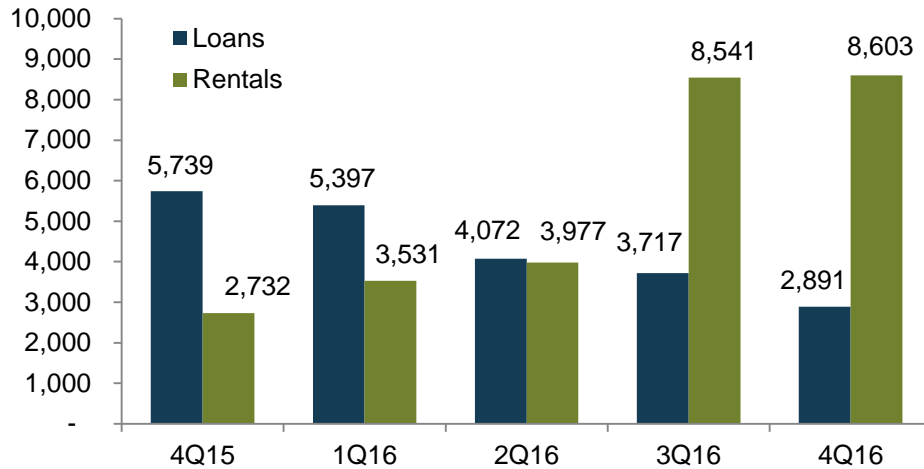
- 1) Stabilized Rental FFO and Core FFO are Non-GAAP measures. Please see the Definitions and Disclosures section in the Appendix of this presentation for a reconciliation of these measures to U.S. GAAP net loss.
- 2) Other adjustments include allocated litigation and non-recurring professional costs within General and Administrative Expense and Other Expenses.

# Portfolio Information

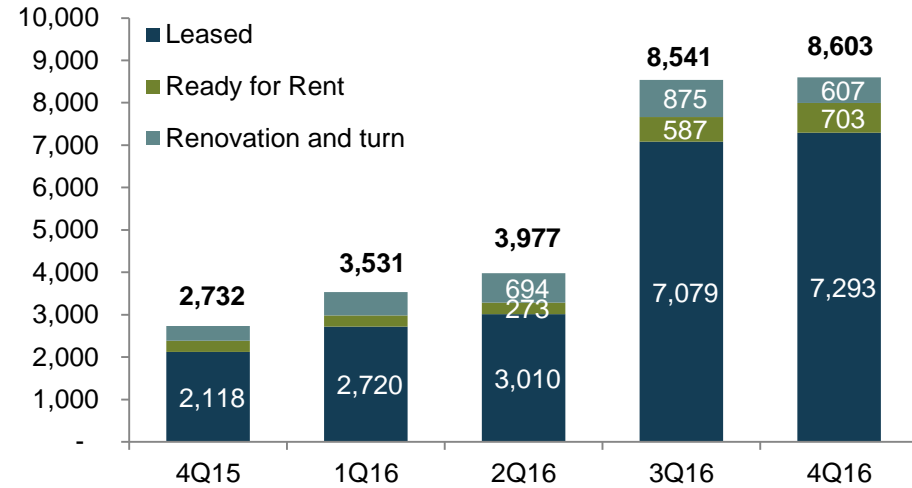


# Focus on Rental Growth

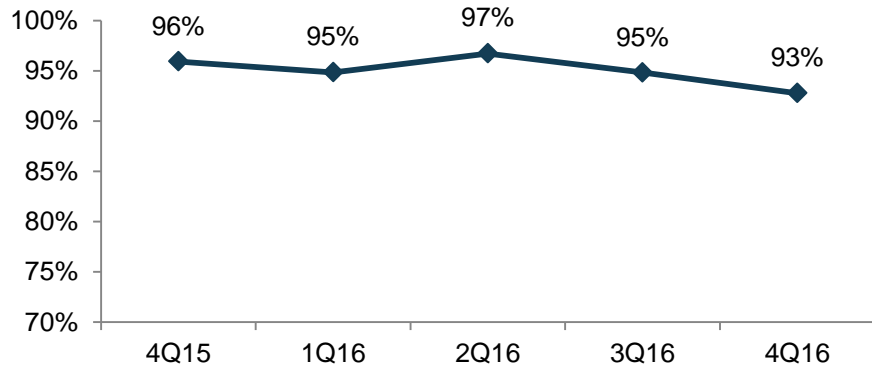
## Portfolio Evolution<sup>1</sup>



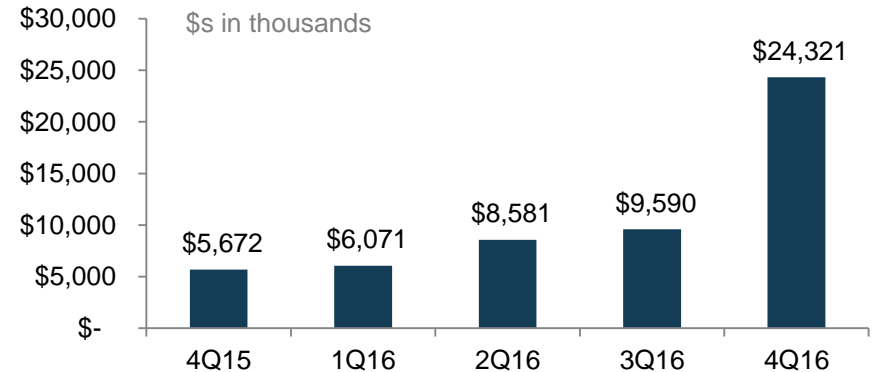
## Rental Pipeline Stabilization<sup>1</sup>



## % Leased - Stabilized Rentals<sup>2</sup>



## Rental Revenue Growth



- 1) The Rental portfolio includes properties leased, listed, ready for rent and under renovation or unit turn and excludes REOs held for sale or other use. The Loan portfolio excludes loans held for sale. See the quarterly and annual filings for further information and disclosures.
- 2) See Definitions and Disclosures section in the Appendix for more information on Stabilized Rentals.

# 4Q16 Acquisition Activity

Market	Number of Homes	Average Market Value	Average Size (sq. ft.)	Estimated Average Monthly Rent	Average Age (years)
Houston	35	\$107,861	1,566	\$1,273	39
Dallas – Fort Worth	19	109,416	1,528	1,243	46
Jacksonville	4	85,250	1,688	1,045	59
Tampa	4	94,150	1,264	1,150	61
Atlanta	4	99,077	1,759	1,156	29
San Antonio	3	103,600	1,358	1,033	43
Miami	2	114,500	1,455	1,600	35
Orlando	1	119,000	1,430	1,300	45
<b>Homes Purchased</b>	<b>72</b>	<b>\$105,927</b>	<b>1,543</b>	<b>\$1,239</b>	<b>43</b>

# Rental Portfolio – as of 4Q16

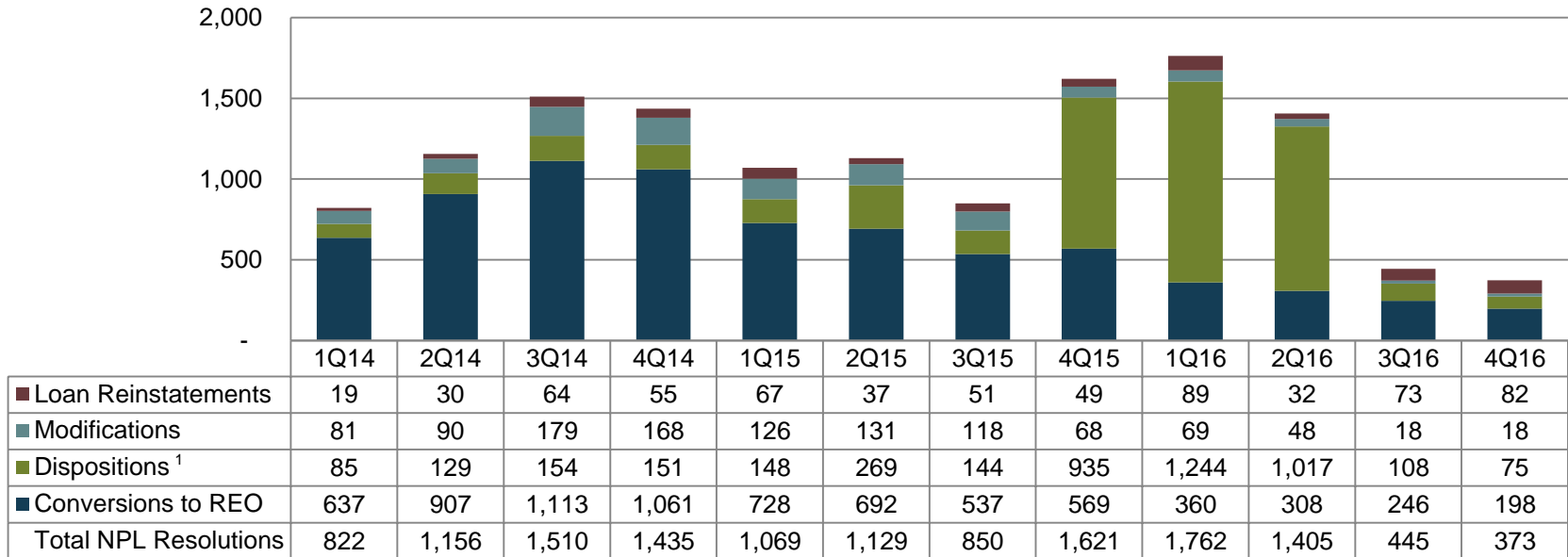
Market	Total Rentals	Total Leased	Average Size (Sq. ft.)	Average Age (years)	Average Monthly Rent <sup>1</sup>	Stabilized Rentals <sup>2</sup>	Non-Stabilized Rentals <sup>2</sup>	Stabilized Leased %
Atlanta	2,616	2,249	1,644	33	\$ 1,000	2,308	308	97%
Houston	811	592	1,667	27	1,307	653	158	91%
Dallas – Fort Worth	739	647	1,673	27	1,365	676	63	96%
Memphis	611	560	1,723	23	1,242	610	1	92%
Indianapolis	447	393	1,673	19	1,206	444	3	89%
Nashville	442	425	1,511	15	1,275	438	4	97%
Charlotte	363	339	1,526	23	1,102	347	16	98%
Tampa	238	187	1,516	32	1,188	215	23	87%
Fort Meyers	188	164	1,447	22	1,231	183	5	90%
Oklahoma City	181	137	1,590	25	1,289	180	1	76%
Other	1,967	1,600	1,460	37	1,307	1,808	159	88%
<b>Total</b>	<b>8,603</b>	<b>7,293</b>	<b>1,589</b>	<b>29</b>	<b>\$ 1,191</b>	<b>7,862</b>	<b>741</b>	<b>93%</b>

State	Total Rentals	Total Leased	Average Size (Sq. ft.)	Average Age (years)	Average Monthly Rent <sup>1</sup>	Stabilized Rentals <sup>2</sup>	Non-Stabilized Rentals <sup>2</sup>	Stabilized Leased %
Georgia	2,661	2,287	1,640	33	\$ 1,001	2,350	311	97%
Texas	1,706	1,366	1,665	27	1,333	1,462	244	93%
Florida	1,013	829	1,445	29	1,254	937	76	88%
Tennessee	973	912	1,635	20	1,250	968	5	94%
North Carolina	533	493	1,500	22	1,086	508	25	97%
Indiana	464	407	1,678	21	1,205	460	4	88%
Oklahoma	182	138	1,593	25	1,292	181	1	76%
Illinois	170	135	1,314	46	1,514	156	14	87%
California	112	95	1,304	34	1,490	109	3	87%
Minnesota	89	86	1,415	66	1,383	89	0	97%
Other	700	545	1,507	38	1,334	642	58	85%
<b>Total</b>	<b>8,603</b>	<b>7,293</b>	<b>1,589</b>	<b>29</b>	<b>\$ 1,191</b>	<b>7,862</b>	<b>741</b>	<b>93%</b>

1) Average monthly rent for properties leased at quarter end.

2) See the Definitions and Disclosures section in the Appendix of this presentation for further information on Stabilized Rentals and Non-Stabilized Rentals definitions.

## Total NPL Resolutions<sup>1</sup>



## % Resolved by Acquisition Year\*



1) Includes the sale of 137 RPLs in 2Q15 and 58 RPLs in 4Q15 that were converted from NPLs. Loans held for sale are not included in resolutions. These figures also exclude seller initiated short sales and repurchases. 3Q16 excludes 1 such seller repurchased loan.

# Loan Portfolio<sup>1</sup> – as of 4Q16

\$s in thousands,  
except counts

State	Number of Loans	Carrying Value	Unpaid Principal Balance	Market Value of Underlying Properties
Florida	558	\$ 79,049	\$ 126,291	\$ 127,580
New York	380	79,213	115,137	130,462
New Jersey	344	43,872	91,968	74,915
California	173	71,309	81,712	106,660
Maryland	171	24,890	40,863	39,734
Texas	141	16,104	16,598	25,903
Massachusetts	108	17,797	26,868	31,116
Illinois	91	11,422	18,770	18,577
Washington	90	19,168	22,610	27,517
Pennsylvania	78	7,040	11,738	12,033
Other	757	90,580	145,161	151,775
<b>Total</b>	<b>2,891</b>	<b>\$ 460,444</b>	<b>\$ 697,716</b>	<b>\$ 746,272</b>

Loan Status- HFU				
Current	211	\$ 33,992	\$ 45,568	\$ 58,841
30 Days Delinquent	66	7,898	11,836	13,576
60 Days Delinquent	34	4,444	6,364	7,536
90 Days Delinquent	400	48,338	82,705	91,772
Foreclosure	2,180	365,772	551,243	574,547
<b>Total</b>	<b>2,891</b>	<b>\$ 460,444</b>	<b>\$ 697,716</b>	<b>\$ 746,272</b>

1) Excludes loans held for sale as of quarter end. See the quarterly and annual filings for additional information and disclosures.

# Appendix





**FFO and Core FFO:** Funds from Operations (“FFO”) is as a supplemental performance measure of an equity REIT used by industry analysts and investors in order to facilitate meaningful comparisons between periods and among peer companies. FFO is defined by the National Association of Real Estate Investment Trusts (“NAREIT”) as GAAP net income or loss excluding gains or losses from sales of property, impairment charges on real estate and depreciation and amortization on real estate assets adjusted for unconsolidated partnerships and jointly owned investments (“NAREIT FFO”).

We believe that FFO is a meaningful supplemental measure of the operating performance of our stabilized rental portfolio because historical cost accounting for real estate assets in accordance with GAAP assumes that the value of real estate assets diminishes predictably over time, as reflected through depreciation. Because real estate values have historically risen or fallen with market conditions, management considers FFO an appropriate supplemental performance measure because it excludes historical cost depreciation, impairment charges and gains or losses related to sales of previously depreciated homes from GAAP net income. By excluding depreciation, impairment and gains or losses on sales of real estate, FFO provides a measure of returns on our investments in real estate assets. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of the homes that result from use or market conditions nor the level of capital expenditures to maintain the operating performance of the homes, all of which have real economic effect and could materially affect our results from operations, the utility of FFO as a measure of our performance is limited.

We believe that Core FFO, when used in conjunction with the results of operations under GAAP, is a meaningful supplemental measures of our operating performance for the same reasons as FFO and is further helpful to investors as it provides a more consistent measurement of our performance across reporting periods by removing the impact of certain items that are not comparable from period to period. Our Core FFO begins with FFO and is adjusted for share-based compensation, acquisition fees and costs, non-cash interest expense related to deferred debt issuance costs and other non-comparable items, as applicable.

Although management believes that FFO and Core FFO increases our comparability amongst other companies, these measures may not be comparable to the FFO or Core FFO of other companies because 1) we apply FFO and Core FFO to only our stabilized rental portfolio and 2) other companies may adopt a definition of FFO other than the NAREIT definition, may apply a different method of determining Core FFO or may utilize metrics other than or in addition to Core FFO.

Because FFO as a metric is meaningful only for our stabilized rental portfolio and not for our other real estate assets or mortgage loans, we show the components of our GAAP net income among our various classes of assets to calculate the portion of GAAP net income related to our stabilized rental portfolio. This non-GAAP net income related to our stabilized rental portfolio then becomes the basis of our FFO calculation.

# Definitions and Disclosures, cont.

Reconciliation of U.S. GAAP net loss to Stabilized Rental FFO and Core FFO:  
(\$s in thousands, Unaudited)

	<u>Three months ended</u> <u>December 31, 2016</u>	<u>Year ended:</u> <u>December 31, 2016</u>
Net loss attributable to shareholders	\$ (61,204)	\$ (228,028)
<b>Adjustments to get to Stabilized Rental FFO:</b>		
Change in unrealized gain on mortgage loans	40,603	195,909
Net realized gain on mortgage loans	(5,420)	(35,760)
Net realized gain on mortgage loans held for sale	(64)	(50,230)
Net realized gain on real estate	(22,784)	(117,617)
Interest income	(72)	(497)
Mortgage loan servicing costs	6,635	34,595
Real estate depreciation and amortization	14,237	27,027
Selling costs and impairment	7,910	57,913
Property Operating on Non-Stabilized and Other REOs	9,714	50,845
Other expenses on Loans, Non-Stabilized and Other REOs	13,254	61,559
<b>Funds from operations on stabilized rentals (FFO)</b>	<b>2,809</b>	<b>(4,284)</b>
<b>Adjustments to get to Stabilized Rental Core FFO:</b>		
Acquisition fees and costs	1,033	9,339
Conversion fees	445	1,841
Non-cash interest expense	1,263	3,541
Share-based compensation	269	341
Other adjustments	-	439
<b>Stabilized Rental Core FFO</b>	<b>5,819</b>	<b>11,217</b>

# Definitions and Disclosures, cont.

**Net Asset Value (NAV):** NAV is a non-GAAP financial measure that represents our tangible assets, net of liabilities, at current estimated fair market values. We believe that because real estate assets generally increase or decrease in value dependent upon prevailing market conditions, the depreciated cost of real estate assets does not generally reflect its fair value. NAV provides investors with an understanding of the approximate market value of our real estate assets and the related financing that is not apparent under the historical cost presented in our GAAP balance sheet and provides investors with a better understanding of the fair value of our business. As a non-GAAP measure, NAV should be considered in addition to, and not in place of or as an alternative to, our GAAP carrying values as reported on our consolidated balance sheet, GAAP book value or GAAP total equity. Further, NAV per share is not a measure of our liquidity, profitability or cash flows. Although NAV is reported by some REITs, there is no standard methodology for computing NAV and different methodologies could produce materially different results. We estimate the fair value of our investments in single-family rental properties using a discounted cash flow approach based on the expected net operating income of the properties, adjusted for a capitalization rate. The fair value of our real estate assets held for sale is based on the most recent BPO values less estimated costs to sell, discounted for an estimated marketing period. Properties under evaluation for rental or sale are allocated between held for use and held for sale and are valued accordingly, with those allocated to rental being adjusted for an estimated renovation and lease-up period. Such allocation is based on historical experience and may change over time with market movement and management direction.

The carrying value of our cash and cash equivalents and restricted cash approximates fair value. The fair value of our other assets has been adjusted to exclude lease-in-place intangible assets. The fair values of mortgage loans at fair value and NPLs held for sale are estimated using our asset manager's proprietary pricing model. The fair value of re-performing mortgage loans held for sale is estimated using the present value of the future estimated principal and interest payments of the loan, with the discount rate used in the present value calculation representing the estimated effective yield of the loan.

The fair value of our repurchase and loan agreements is estimated using the income approach based on credit spreads available currently in the market for similar floating rate debt. The fair value of other secured borrowings is estimated using observable market data. Repurchase and loan agreements and other secured borrowings are presented gross of unamortized deferred debt issuance costs. The carrying value of our other liabilities approximates the fair value.

Our estimates of fair value involve judgment. Although we use observable market data to the extent it is available, these estimates require us to make assumptions, including, but not limited to, estimates of future operating results of rental properties, future occupancy rates, tenant default rates, estimated capital expenditures, inflation rates, marketing times for properties held for sale, the realizable value of properties held for sale, selling costs, the ultimate strategy determined for properties currently under strategy evaluation, capitalization rates, equity discount rates, debt to asset ratios, cost of funds estimates, projected resolution timelines and costs, changes in annual home pricing index and other factors. While management believes that these assumptions and approximations are reasonable, the estimated fair value may differ materially from the amount ultimately realized from our assets or the amount required to settle our liabilities.

Reconciliation of U.S. GAAP assets and liabilities to  
NAV:  
(\$s in thousands, Unaudited)

<b>Total GAAP assets</b>	\$	2,284,847
Add: fair value adjustment on real estate assets		217,783
Less: lease-in-place intangibles		(5,652)
<b>Total tangible assets at fair value</b>	\$	<b>2,496,978</b>
<b>Total liabilities</b>	\$	1,421,779
Add: unamortized deferred debt issuance costs		6,872
<b>Total liabilities at fair value</b>	\$	<b>1,428,651</b>

**Net Operating Income (NOI) and NOI Margin:** NOI is a non-GAAP supplemental measure that we define as total revenues less residential property operating expenses, real estate selling costs and mortgage loan servicing costs. We have allocated revenue and costs to stabilized rentals, non-stabilized and other REOs and loans. We define Total Loans NOI as change in unrealized gain on mortgage loans, net realized gains on mortgage loans, mortgage loans held for sale and interest income less selling costs and mortgage loan servicing costs. We define Total Non-Stabilized and Other REOs NOI as total revenues on the non-stabilized rentals and other REOs, including net realized gain on real estate less property operating expenses and real estate selling costs. We define Total Stabilized Rental NOI as total revenues on the stabilized properties less normalized property operating expenses on the stabilized properties. We define Stabilized Rental NOI Margin as stabilized net operating income divided by rental revenues.

We consider NOI and NOI Margin to be meaningful supplemental measures of operating performance because they reflect the operating performance of our properties without allocation of corporate level overhead or general and administrative costs, acquisition fees and other similar costs, and provide insight to the on-going operations of our business. These NOI measures should be used only as supplements to and not substitutes for net income or loss or net cash flows from operating activities (as determined in accordance with GAAP). These NOI measures should not be used as indicators of our liquidity, nor are they indicative of funds available to fund cash needs, including distributions and dividends. Although we may use these non-GAAP measures to compare our performance to other REITs, not all REITs may calculate these non-GAAP measures in the same way, and there is no assurance that our calculation is comparable with that of other REITs.

# Definitions and Disclosures, cont.

Reconciliation of U.S. GAAP net loss to Stabilized Rental NOI:  
(\$ in thousands, Unaudited)

	Three months ended:				Year ended:
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016
Net loss attributable to shareholders	\$ (45,658)	\$ (63,528)	\$ (57,638)	\$ (61,204)	\$ (228,028)
<b>Adjustments to get to Total NOI:</b>					
Interest expense	16,416	10,470	10,174	16,808	53,868
Acquisition fees and costs	1,581	1,523	5,202	1,033	9,339
Real estate impairment	14,927	5,863	8,399	4,034	33,223
Share-based compensation	45	29	419	794	1,287
General and administrative	2,915	3,611	2,081	1,949	10,556
Management fees	4,526	5,050	4,658	4,941	19,175
Real estate depreciation and amortization	3,601	4,040	5,149	14,237	27,027
Other (income) expense including income tax	119	754	(17)	3	859
<b>Total NOI</b>	<b>(1,528)</b>	<b>(32,188)</b>	<b>(21,573)</b>	<b>(17,405)</b>	<b>(72,694)</b>
<b>Adjustments to get to Stabilized Rental NOI:</b>					
<b>Loans NOI components:</b>					
Change in unrealized gain on mortgage loans	42,452	71,702	41,152	40,603	195,909
Net realized gain on mortgage loans	(12,732)	(8,180)	(9,428)	(5,420)	(35,760)
Net realized gain on mortgage loans held for sale	(34,197)	(15,950)	(19)	(64)	(50,230)
Interest Income	(112)	(104)	(209)	(72)	(497)
Selling Costs	-	1,005	-	524	1,529
Mortgage loan servicing costs	11,724	8,444	7,792	6,635	34,595
<b>Total Loans NOI components</b>	<b>7,135</b>	<b>56,917</b>	<b>39,288</b>	<b>42,206</b>	<b>145,546</b>
<b>Non-Stabilized and Other REOs NOI components:</b>					
Net realized gain on real estate	(29,401)	(39,125)	(26,307)	(22,784)	(117,617)
Property operating expense on Non-Stabilized and Other REOs	15,533	14,548	11,050	9,714	50,845
Selling Costs	11,664	4,974	3,171	3,352	23,161
<b>Total Non-Stabilized and Other REOs NOI</b>	<b>(2,204)</b>	<b>(19,603)</b>	<b>(12,086)</b>	<b>(9,718)</b>	<b>(43,611)</b>
<b>Total Stabilized Rental NOI</b>	<b>\$ 3,403</b>	<b>\$ 5,126</b>	<b>\$ 5,629</b>	<b>\$ 15,083</b>	<b>\$ 29,241</b>
<b>Stabilized Rental NOI Margin Calculation:</b>					
Rental revenues	\$ 6,071	\$ 8,581	\$ 9,590	\$ 24,321	\$ 48,563
<b>Stabilized Rental NOI Margin</b>	<b>56%</b>	<b>60%</b>	<b>59%</b>	<b>62%</b>	<b>60%</b>

**Renewal and Retention Rate:** Renewal rate is calculated as the number of renewed leases in a given period divided by total leases expired excluding early terminations and leases transitioning to month-to-month in the applicable period. Retention rate is calculated as the number of leases renewed or otherwise retained including leases that transitioned to month-to-month in a given period divided by the sum of total leases that expired or were early terminated during the same period.

**Single-Family Rental Portfolio:** We define Total Rental Portfolio as properties that are leased, ready to rent, or under renovation or turn where that property is expected to become leased to qualified tenants.

**Stabilized Rental:** We define a property as stabilized once it has been renovated and then initially leased or available for rent for a period greater than 90 days. All other homes are considered non-stabilized. Homes are considered stabilized even after subsequent resident turnover. However, homes may be removed from the stabilized home portfolio and placed in the non-stabilized home portfolio due to renovation during the home lifecycle or held for sale.

**Turnover Rate:** Total number of properties vacated including move-outs and early terminations as a percentage of the stabilized rental portfolio at the applicable quarter end.

# Shareholder Relations Information

About Altisource Residential Corporation	Altisource Residential Corporation is a real estate investment trust that is focused on providing quality, affordable rental homes to families throughout the United States.
Contact Information	All Investor Relations inquiries should be sent to <a href="mailto:shareholders@altisourceRESI.com">shareholders@altisourceRESI.com</a>
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