



STONEGATETM
MORTGAGE

Second Quarter 2016 Investor Presentation

August 4, 2016

Forward Looking Statements



FORWARD-LOOKING STATEMENTS:

Our presentation contains certain forward-looking statements. These forward-looking statements may be identified by a reference to a future period or by the use of forward-looking terminology. They involve risks and uncertainties that could cause the company's actual results to differ materially from the results discussed in the forward-looking statements. Important factors that could cause actual results to differ include, but are not limited to, our future production, revenues, income, capital spending, related general economic and market conditions, delinquency rates, trends for home prices, as well as other risks discussed in the "Risk Factors" section within our Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission. These forward-looking statements speak only as of the date they are made and except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise.

NON-GAAP MEASURES:

Our presentation contains non-GAAP performance measures, such as our references to "adjusted net income (loss)", "adjusted net income (loss) per diluted share", "adjusted segment revenue", "adjusted segment pre-tax income (loss)", and "adjusted segment expenses". We believe these non-GAAP performance measures provide additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States. In addition, our calculations of non-GAAP performance measures may be different from the calculations used by other companies and, therefore, comparability may be limited. Please refer to the Appendix of this presentation for a reconciliation of these non-GAAP performance measures to the most comparable GAAP measure.

SEGMENT REPORTING PRIOR PERIOD RECLASSIFICATIONS:

Certain prior period amounts have been reclassified to conform to the current period presentation.

CONTINUING VS. DISCONTINUED OPERATIONS:

All results are reported on a continuing operations basis unless otherwise indicated. See Appendix for additional details.

Consolidated

- GAAP net loss of \$17.2 million and adjusted net income of \$1.0 million
- Adequate liquidity position with \$30.5 million in cash and cash equivalents
- Reduced MSR debt by \$30 million or 33%

Originations

- Production up 21% with all channels posting increases
- Revenues up 21% with all channels posting increases
- Expenses down by 21 bps and CPL lower by \$335 ⁽¹⁾

Financing

- Record quarter posted by NattyMac
- Net interest income up 27% to \$1.4 million
- Fee income up 41% and pre-tax income up 70%

Servicing

- Servicing fee revenue up 2%
- Closed a \$5.1 billion MSR bulk sale and posted a \$7.1 million realized gain
- Increased government mix to 61% and lowered WAC by 21 bps

Note: All results are compared to prior quarter.

(1) CPL is calculated as adjusted segment expenses divided by number of loans. See the Appendix for GAAP to non-GAAP reconciliation.

2Q16 Financial Summary



Consolidated

- GAAP net loss of \$17.2 million or \$0.66 per diluted share
- Adjusted net income of \$1.0 million or \$0.04 per diluted share ⁽¹⁾; pre-tax adjustments include:
 - \$17.9 million for changes in valuation inputs and assumptions on MSR's (including \$7.1 million realized gain on sale of MSR's) and \$0.4 million for other adjustments

Originations

- GAAP Originations segment pre-tax income of \$5.7 million, up from \$0.4 million in 1Q16
- Adjusted Originations segment pre-tax income ⁽²⁾ of \$5.8 million was up significantly from \$0.5 million in 1Q16, primarily due to higher volume
 - Originations of \$2.3 billion, up 21% from 1Q16 and down 26% from 2Q15
 - Interest Rate Locks of \$3.3 billion, up 7% from 1Q16 and down 21% from 2Q15

Servicing

- GAAP Servicing segment pre-tax loss of \$18.6 million in 2Q16 compared to \$33.7 million loss in 1Q16
- Adjusted Servicing segment pre-tax loss ⁽³⁾ of \$0.7 million was down \$2.8 million from 1Q16 due to increased portfolio amortization expense
- Servicing portfolio decreased to \$14.1 billion due to bulk MSR sale

Financing

- Financing segment pre-tax income increased 70% to \$925 thousand in 2Q16, compared to \$545 thousand in 1Q16
 - NattyMac commitments as of June 30, 2016 were \$564 million
 - Funded volume of \$1.2 billion up 39% from 1Q16

(1) Adjusted Net (Loss) Income and Adjusted Net (Loss) Income per diluted share are key performance metrics used by management in evaluating the performance of our business. See the Appendix for GAAP to non-GAAP reconciliation.

(2) Adjusted Originations Segment pre-tax income excludes certain non-recurring expenses for each period. See the Appendix for GAAP to non-GAAP reconciliation.

(3) Adjusted Servicing segment pre-tax income (loss) excludes the change in mortgage servicing rights value and MSR debt interest expenses (if reported in servicing segment) for each period. See the Appendix for GAAP to non-GAAP reconciliation.

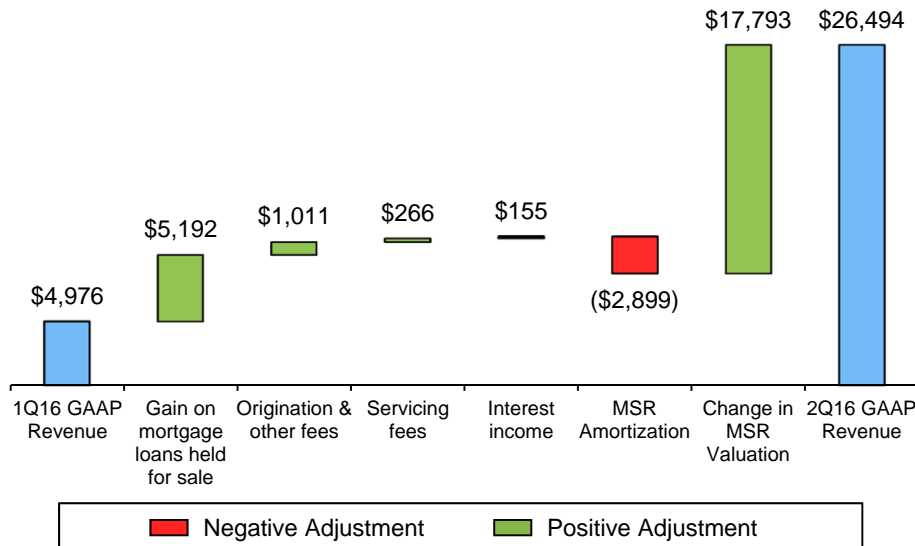
2Q16 Revenue Reconciliation



- GAAP revenue of \$26.5 million was up 432% from 1Q16 due primarily to MSR valuation changes
 - 2Q16 includes a \$17.9 million negative adjustment of Mortgage Servicing Rights (MSR) valuation compared to a \$35.7 million negative adjustment in 1Q16
 - MSR amortization of \$10.1 million increased 40% compared to prior quarter
- Higher origination volume resulted in increased gain mortgage loans held for sale, loan origination fees and interest income
 - Gain on sale generated by originations segment increased 25% as higher cash gain on sale and capitalized servicing rights were partially offset by the negative change in the valuation of the pipeline

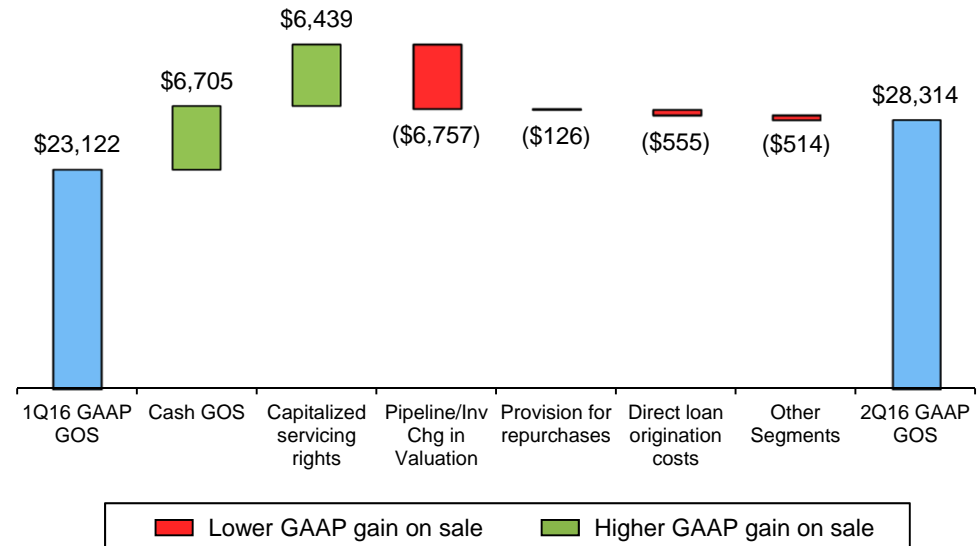
GAAP Revenue Bridge

(\$ in thousands)



Gain on Sale Bridge

(\$ in thousands)



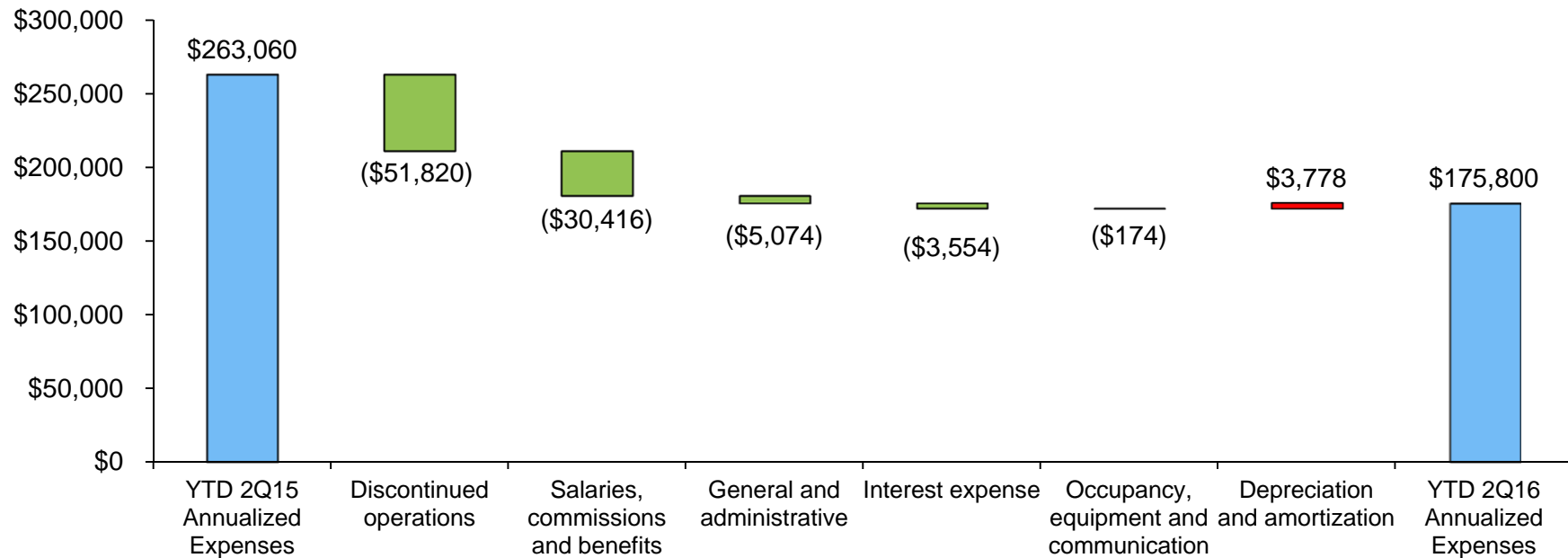
Note: All results are reported on a continuing operations basis.

Expense Reductions

- 1H 2016 expenses decreased approximately 33% to an annualized run-rate of \$176 million per year
 - Closure and divestiture of 76 retail branches accounted approximately 60% of the reduction (presented as discontinued operations)
- Further decreases in salaries and bonuses, G&A and interest expenses reflect other strategic expense reductions as well as the lower volume

Annualized Expense Reductions

(\$ in thousands)



Liquidity

- Maintained adequate liquidity position in 2Q16
- Cash and equivalents of \$30.5 million as of June 30, 2016
- Paid down \$30.1 million, or 33%, of our MSR debt during the quarter; debt to asset ratio was 47% as of June 30, 2016

Cash Flow

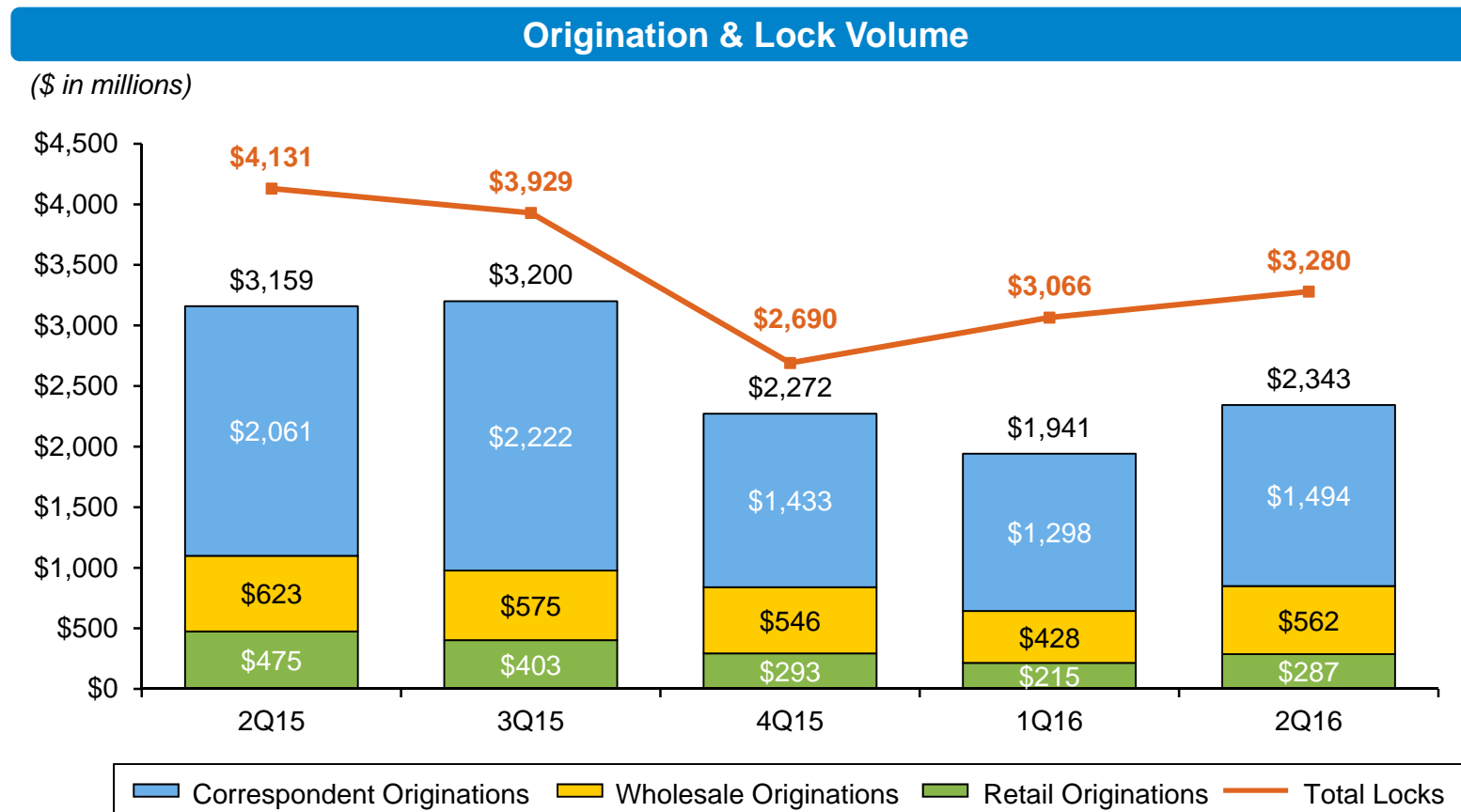
- Completed bulk sale of \$5.1 billion UPB of conventional loans on June 30, 2016
- Cash investment for capitalized assets and property & equipment was \$1.4 million in 2Q16 compared to FY15 of \$16 million
- Lower expense base requires less cash investment
 - 1H 2016 annualized expense base is \$87 million lower than 1H 2015
- Servicing segment generated \$13.7 million in positive cash flow in the form of fee income; Originations and Financing generated \$5.0 million and \$0.5 million, respectively

(1) Capitalized mortgage servicing rights that are sold on a flow basis are recorded in Gain on Mortgages Held for Sale, net on our Consolidated Statements of Operations based on the capitalization rate at time of lock. Realized gains or losses from sale of MSRs are recorded in Changes in mortgage servicing rights valuation.

Mortgage Origination Volume



- 2Q16 interest rate locks were \$3.3 billion, up 7% over 1Q16 and down 21% over prior year
- 2Q16 originations were \$2.3 billion, up 21% over 1Q16 and down 26% over prior year



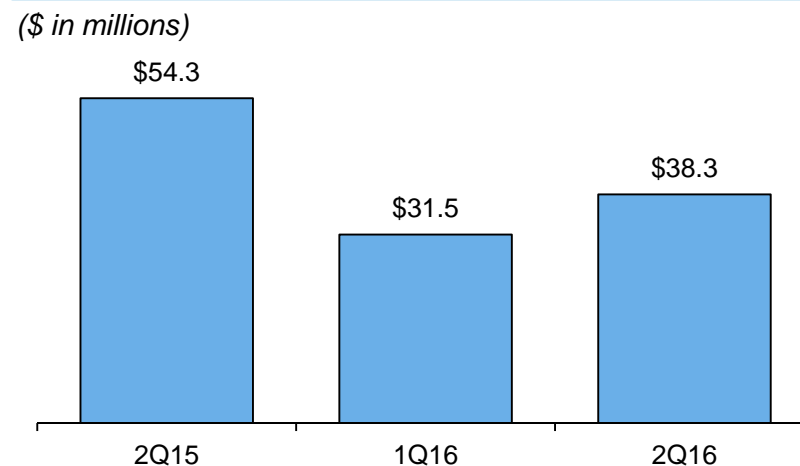
Note: All results are presented on a continuing operations basis.

Originations Segment – Financial Results



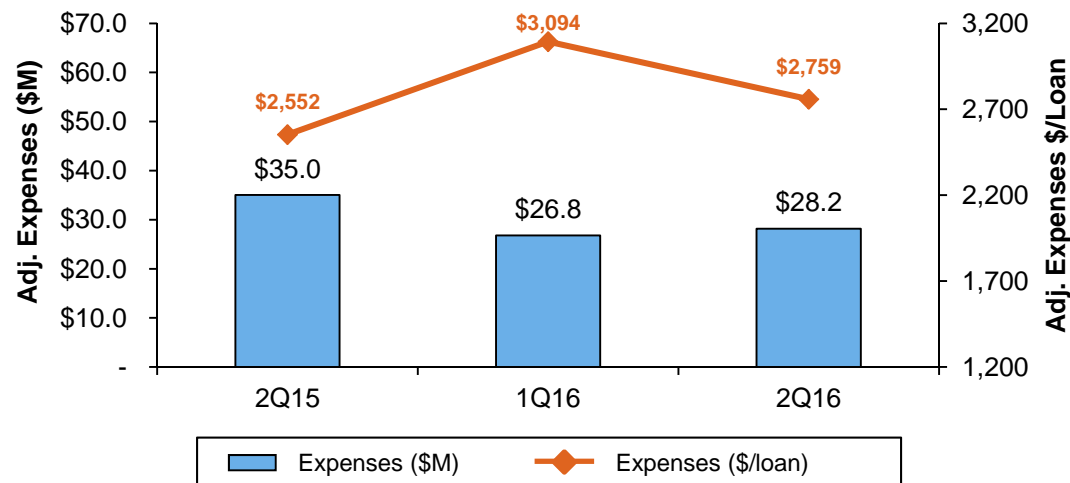
- Segment revenue of \$38.3 million was up 21% over 1Q16
- Adjusted segment pre-tax income ⁽¹⁾ of \$5.8 million, up from \$0.5 million in 1Q16
- Adjusted segment expenses ⁽¹⁾ increased 5% compared to 1Q16
 - Compares to 21% increase in origination volume
 - Cost per loan of \$2,759 was down \$335 from prior quarter

Segment Revenue



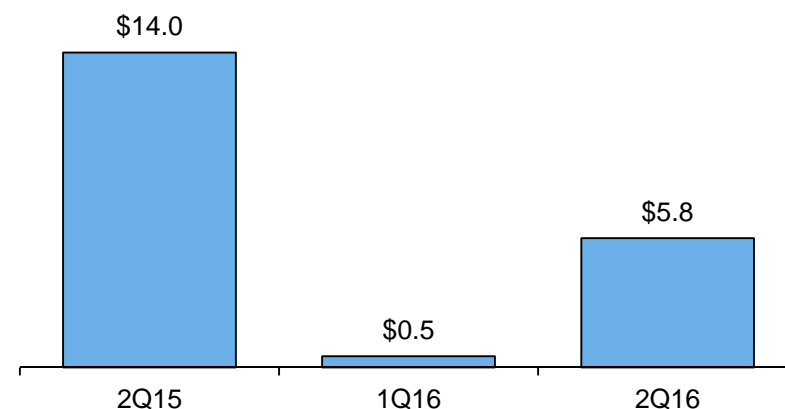
Adjusted Segment Expenses ⁽¹⁾

(\$ in millions, except per loan data)



Adjusted Segment Pre-Tax Income ⁽¹⁾

(\$ in millions)



Note: All results are presented on a continuing operations basis.

(1) See the Appendix for GAAP to non-GAAP reconciliation.

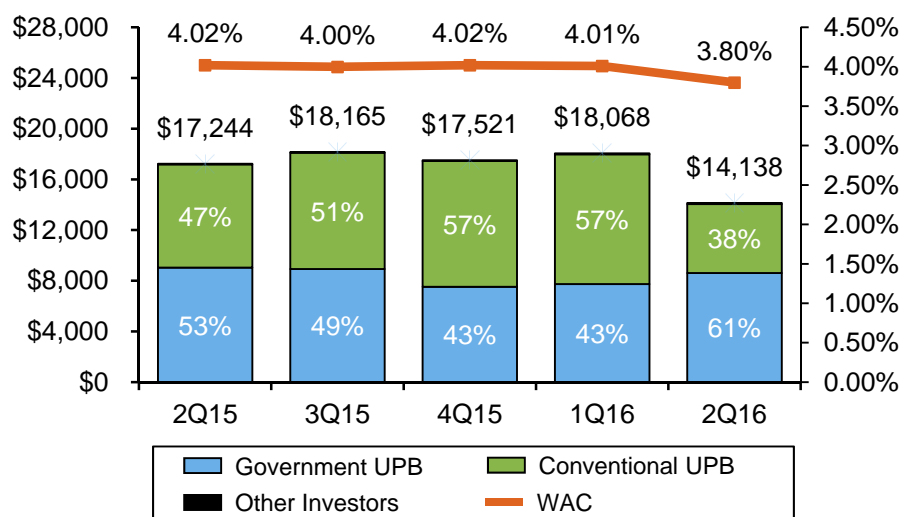
Servicing Segment Results



- Segment pre-tax loss of \$18.6 million in 2Q16 compared to \$33.7 million loss in 1Q16
 - 2Q16 included \$17.9 million change in MSR valuation (comprised of \$25.1 million unrealized negative valuation adjustments and \$7.1 million realized gain on bulk sale)
- Adjusted segment pre-tax loss ⁽¹⁾ of \$0.7 million in 2Q16, down from \$2.1 million pre-tax gain in 1Q16 (excludes changes in MSR valuations)
 - Payoffs and principal amortization of mortgage servicing rights were \$10.1 million in 2Q16
 - Up 40% from 1Q16 and down 10% from 2Q15
- Servicing portfolio of \$14.1 billion had a WAC of 3.8%, down from 4.01% as of March 31st because the June MSR bulk sale was comprised of higher-WAC loans

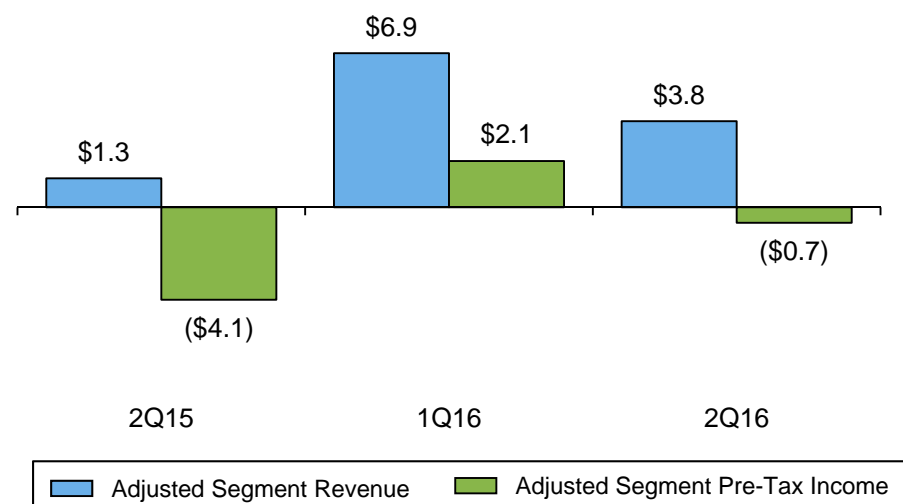
Servicing UPB and WAC

(\$ in millions)



Adjusted Segment Financials ⁽¹⁾

(\$ in millions)



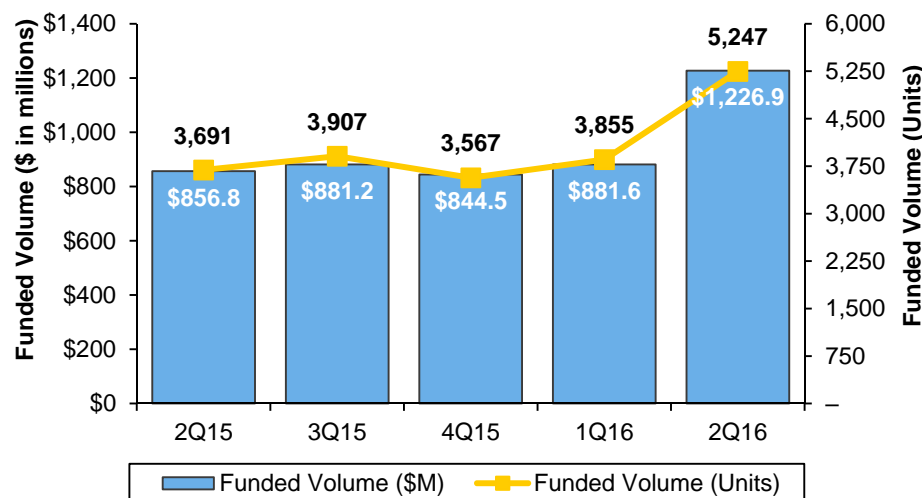
(1) Adjusted segment revenue excludes the change in mortgage servicing rights value for each period. Adjusted servicing segment pre-tax income (loss) excludes the change in mortgage servicing rights value and MSR debt interest expenses (if reported in servicing segment) for each period. See the Appendix for GAAP to non-GAAP reconciliation.

Financing Segment Results



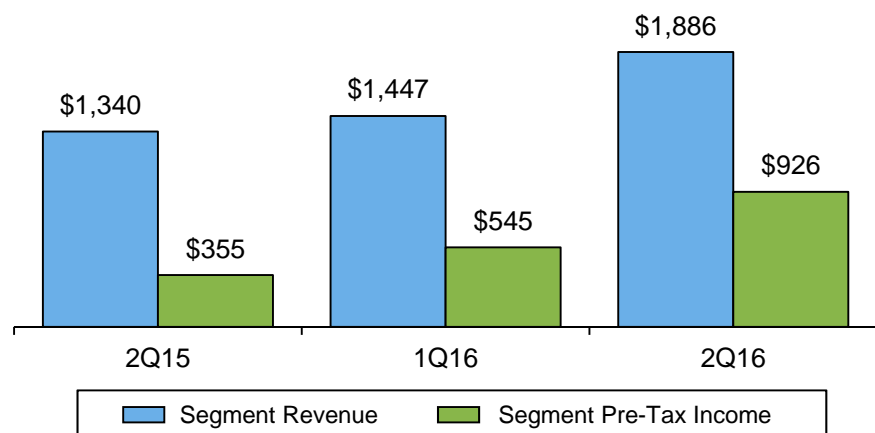
- Segment pre-tax income increased 70% to \$926 thousand in 2Q16
- Funded volume of \$1.2 billion up 39% from 1Q16 and up 43% from 2Q15
 - Funding fees were up from \$325 thousand in 1Q16 to \$459 thousand in 2Q16
 - NattyMac commitments as of June 30, 2016 of \$564 million

Funded Volume

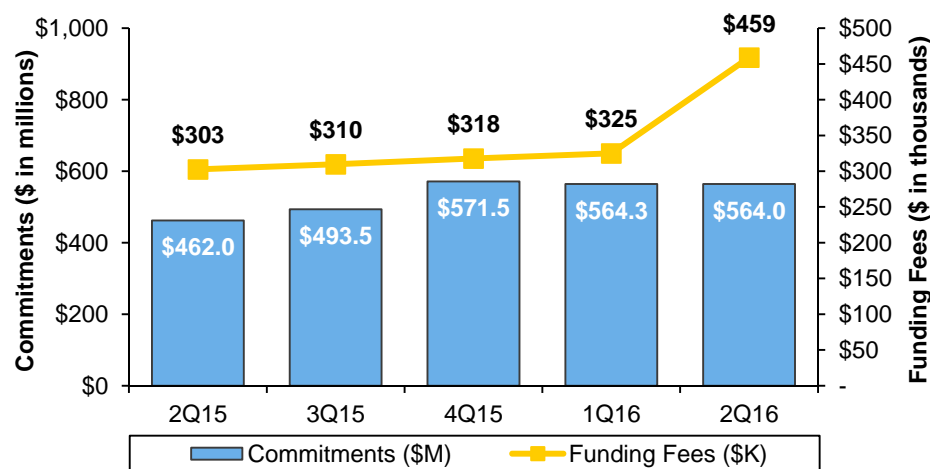


Segment Results

(\$ in thousands)



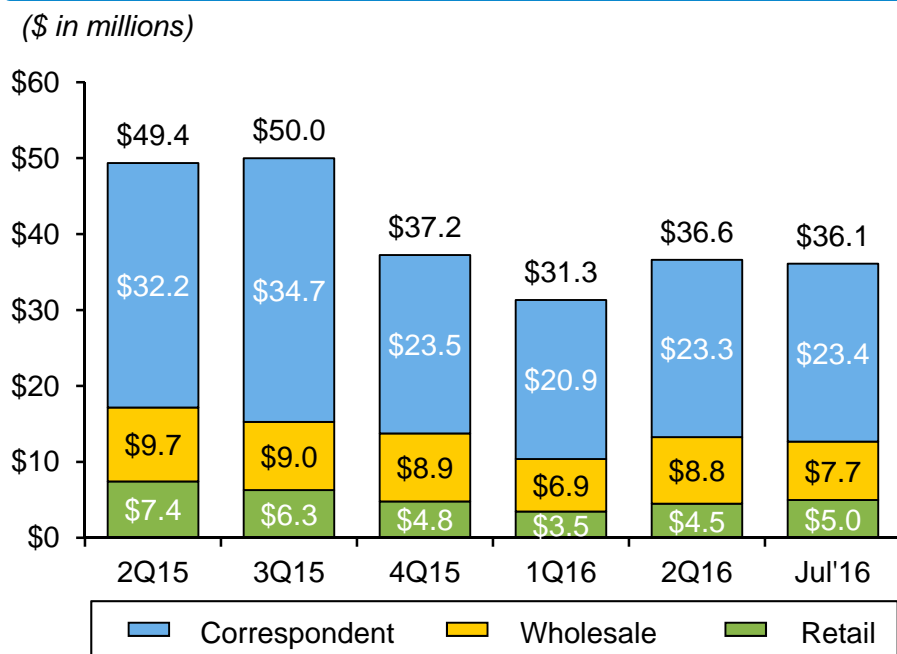
Commitments and Funding Fees



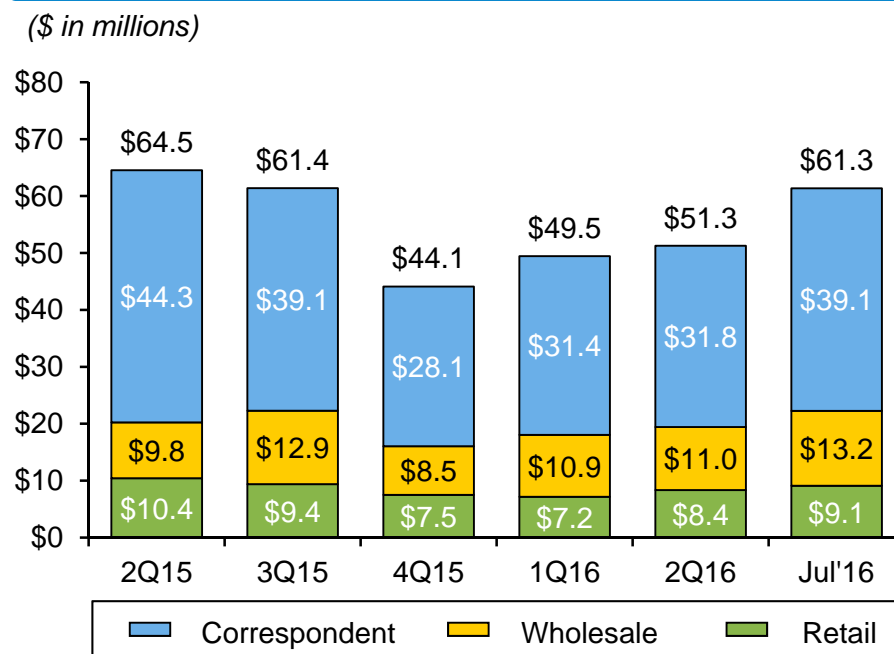
July Volume Update

- Average lock volume per business day has increased 20% to \$61.3 million in July 2016 from \$51.3 million per day during 2Q16
 - July lock volume was 57% refinance compared to 49% in 2Q16
- Average origination volume per business day decreased slightly to \$36.1 million in July 2016, down 1% compared with average origination volume per business day of \$36.6 million during the second quarter of 2016

Origination Volume per Day



Lock Volume per Day



Note: All results are reported on a continuing operations basis. See the Appendix for additional details.

Appendix

Consolidated Statements of Operations



	Three Months Ended		
	6/30/2016	3/31/2016	6/30/2015
<i>(\$ in thousands, except per share data)</i>			
Revenues			
Gain on mortgage loans held for sale, net	\$ 28,314	\$ 23,122	\$ 41,220
Changes in mortgage servicing rights valuation	(17,927)	(35,720)	17,753
Payoffs and principal amortization of mortgage servicing rights	(10,148)	(7,249)	(11,322)
Loan origination and other loan fees	5,473	4,462	6,465
Loan servicing fees	13,712	13,446	12,611
Interest and other income	7,070	6,915	8,719
Total revenues	\$ 26,494	\$ 4,976	\$ 75,446
Expenses			
Salaries, commissions and benefits	\$ 23,551	\$ 23,226	\$ 32,547
General and administrative expense	6,467	7,014	8,616
Interest expense	6,824	7,249	7,826
Occupancy, equipment and communication	4,050	4,247	4,041
Depreciation and amortization expense	2,725	2,546	1,672
Total expenses	\$ 43,617	\$ 44,282	\$ 54,702
Income (loss) from continuing operations before income tax expense (benefit)	(17,123)	(39,306)	20,744
Income tax expense (benefit)	29	(1,783)	8,166
Income (loss) from continuing operations, net of tax	\$ (17,152)	\$ (37,523)	\$ 12,578
(Loss) income from discontinued operations, net of tax	-	-	(1,444)
Net income (loss) available to common stockholders	\$ (17,152)	\$ (37,523)	\$ 11,134
Basic (loss) income per share:			
From continuing operations	\$ (0.66)	\$ (1.45)	\$ 0.49
From discontinued operations	\$ -	\$ -	\$ (0.06)
Total basic (loss) income per share	\$ (0.66)	\$ (1.45)	\$ 0.43
Diluted (loss) income per share:			
From continuing operations	\$ (0.66)	\$ (1.45)	\$ 0.49
From discontinued operations	\$ -	\$ -	\$ (0.06)
Total diluted (loss) income per share	\$ (0.66)	\$ (1.45)	\$ 0.43

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.

Consolidated Balance Sheets



<i>(\$ in thousands)</i>	<u>6/30/2016</u>	<u>12/31/2015</u>
Assets		
Cash and cash equivalents	\$ 30,466	\$ 32,463
Restricted cash	24,478	4,045
Mortgage loans held for sale, at fair value	638,035	645,696
Servicing advances, net	21,722	19,374
Derivative assets	19,518	12,160
Mortgage servicing rights, at fair value	132,813	199,637
Property and equipment, net	18,506	22,923
Loans eligible for repurchase from GNMA	92,892	80,794
Warehouse lending receivables	202,080	199,215
Other Assets	65,536	64,319
Total assets	<u>\$ 1,246,045</u>	<u>\$ 1,280,626</u>
Liabilities and stockholders' equity		
Secured borrowings/warehouse lines of credit	\$ 780,152	\$ 773,526
Secured borrowings - mortgage service rights	61,969	77,069
Secured borrowings - eligible GNMA loan repurchases	31,652	37,615
Operating lines of credit	9,412	5,000
Accounts payable and accrued expenses	22,797	23,544
Derivative liabilities	13,369	2,517
Reserve for mortgage repurchases and indemnifications	6,301	5,536
Liability for loans eligible for repurchase from GNMA	92,892	80,794
Deferred income tax liabilities, net	696	2,364
Other liabilities	19,193	11,033
Total liabilities	<u>1,038,433</u>	<u>1,018,998</u>
Stockholders' equity		
Common stock	\$ 264	\$ 264
Additional paid-in-capital	271,565	270,906
Retained earnings	(64,217)	(9,542)
Total stockholders' equity	<u>207,612</u>	<u>261,628</u>
Total liabilities and stockholders' equity	<u>\$ 1,246,045</u>	<u>\$ 1,280,626</u>

Segment Results – 2Q16



(\$ in thousands)

	Three Months Ended June 30, 2016				
	Originations	Servicing	Financing	Other / Eliminations ⁽¹⁾	Consolidated
Revenues					
Gains on mortgage loans held for sale, net	\$ 28,193	\$ 141	\$ -	\$ (20)	\$ 28,314
Change in mortgage servicing rights valuation	–	(17,927)	–	–	(17,927)
Payoffs and principal amortization of MSR	–	(10,148)	–	–	(10,148)
Loan origination and other loan fees	5,012	–	459	2	5,473
Loan servicing fees	–	13,712	–	–	13,712
Interest and other income	5,046	139	1,886	(1)	7,070
Total revenues	38,251	(14,083)	2,345	(19)	26,494
Expenses					
Salaries, commissions and benefits	15,781	1,642	435	5,693	23,551
General and administrative	3,139	652	253	2,423	6,467
Interest expense	4,260	872	459	1,233	6,824
Occupancy, equipment and communication	2,023	425	58	1,544	4,050
Depreciation and amortization	2,205	148	102	270	2,725
Corporate allocations	5,131	795	112	(6,038)	–
Total expenses	32,539	4,534	1,419	5,125	43,617
Income (loss) from continuing operations before taxes	\$ 5,712	\$ (18,617)	\$ 926	\$ (5,144)	\$ (17,123)

(1) Includes intersegment eliminations and certain corporate income and expenses not allocated to the three reportable segments, such as those related to our accounting, executive administration, finance, internal audit, investor relations, and legal departments.

Segment Results – 1Q16



(\$ in thousands)

	Three Months Ended March 31, 2016				
	Originations	Servicing	Financing	Other / Eliminations ⁽¹⁾	Consolidated
Revenues					
Gains on mortgage loans held for sale, net	\$ 22,487	\$ 572	\$ -	\$ 63	\$ 23,122
Change in mortgage servicing rights valuation	–	(35,720)	–	–	(35,720)
Payoffs and principal amortization of MSR	–	(7,249)	–	–	(7,249)
Loan origination and other loan fees	4,131	–	325	6	4,462
Loan servicing fees	–	13,446	–	–	13,446
Interest and other income	4,900	105	1,898	12	6,915
Total revenues	31,518	(28,846)	2,223	81	4,976
Expenses					
Salaries, commissions and benefits	14,585	1,753	471	6,417	23,226
General and administrative	2,704	479	155	3,676	7,014
Interest expense	4,225	1,077	776	1,171	7,249
Occupancy, equipment and communication	1,895	444	53	1,855	4,247
Depreciation and amortization	1,949	123	98	376	2,546
Corporate allocations	5,723	932	125	(6,780)	–
Total expenses	31,081	4,808	1,678	6,715	44,282
Income (loss) from continuing operations before taxes	\$ 437	\$ (33,654)	\$ 545	\$ (6,634)	\$ (39,306)

(1) Includes intersegment eliminations and certain corporate income and expenses not allocated to the three reportable segments, such as those related to our accounting, executive administration, finance, internal audit, investor relations, and legal departments.

Segment Results – 2Q15 (Continuing Operations)



(\$ in thousands)

	Three Months Ended June 30, 2015				
	Originations	Servicing	Financing	Other / Eliminations ⁽¹⁾	Consolidated
Revenues					
Gains on mortgage loans held for sale, net	\$ 41,171	\$ -	\$ -	\$ 49	\$ 41,220
Change in mortgage servicing rights valuation	-	17,753	-	-	17,753
Payoffs and principal amortization of MSR's	-	(11,322)	-	-	(11,322)
Loan origination and other loan fees	6,162	-	303	-	6,465
Loan servicing fees	-	12,611	-	-	12,611
Interest and other income	7,011	-	1,694	14	8,719
Total revenues	54,344	19,042	1,997	63	75,446
Expenses					
Salaries, commissions and benefits	22,429	2,285	574	7,259	32,547
General and administrative	3,427	837	173	4,179	8,616
Interest expense	5,269	1,772	657	128	7,826
Occupancy, equipment and communication	1,951	505	61	1,524	4,041
Depreciation and amortization	1,095	99	102	376	1,672
Corporate allocations	6,125	858	75	(7,058)	-
Total expenses	40,296	6,356	1,642	6,408	54,702
Income (loss) before taxes	\$ 14,048	\$ 12,686	\$ 355	\$ (6,345)	\$ 20,744

(1) Includes intersegment eliminations and certain corporate income and expenses not allocated to the three reportable segments, such as those related to our accounting, executive administration, finance, internal audit, investor relations, and legal departments.

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.

Non-GAAP Financial Reconciliation: Adjusted Net Income



(\$ in thousands, except per share data)

	Three Months Ended		
	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>6/30/2015</u>
Net income (loss) from continuing operations:	\$ (17,152)	\$ (37,523)	\$ 12,578
Adjust for:			
Changes in valuation inputs and assumptions on MSR's	17,927	35,720	(17,753)
Stock-based compensation expense	354	306	823
Results from discontinued retail branches	55	64	-
Tax effect of adjustments	(139)	(1,635)	6,670
Adjusted net income from continuing operations ⁽¹⁾	<u>\$ 1,045</u>	<u>\$ (3,068)</u>	<u>\$ 2,318</u>
Adjusted diluted (loss) earnings per share	<u>\$ 0.04</u>	<u>\$ (0.12)</u>	<u>\$ 0.09</u>

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.

Non-GAAP Financial Reconciliation: Originations Segment



(\$ in thousands)

	Three Months Ended		
	6/30/2016	3/31/2016	6/30/2015
Total Originations segment expenses, continuing operations	\$ 32,539	\$ 31,081	\$ 40,296
Adjust for:			
Interest expense	(4,260)	(4,225)	(5,269)
Severance expense	-	-	-
Results from discontinued retail branches	(55)	(64)	-
Adjusted segment expenses, continuing operations	\$ 28,224	\$ 26,792	\$ 35,027
Plus: Total expenses, discontinued operations	-	-	14,297
Less: Interest expenses, discontinued operations	-	-	(469)
Less: Non-recurring expenses, discontinued operations	-	-	-
Adjusted segment expenses, consolidated	\$ 28,224	\$ 26,792	\$ 48,855
Total Originations segment pre-tax income, continuing operations	\$ 5,712	\$ 437	\$ 14,048
Adjust for:			
Results from discontinued retail branches	55	64	-
Adjusted segment pre-tax income, continuing operations	\$ 5,767	\$ 501	\$ 14,048
Plus: Pre-tax (loss) income, discontinued operations	-	-	(2,300)
Plus: Non-recurring expenses, discontinued operations	-	-	-
Adjusted segment pre-tax income, consolidated	\$ 5,767	\$ 501	\$ 11,748

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.

Non-GAAP Financial Reconciliation: Servicing Segment



	Three Months Ended		
	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>6/30/2015</u>
<i>(\$ in thousands)</i>			
Total Servicing segment revenue	\$ (14,083)	\$ (28,846)	\$ 19,042
Adjust for:			
Changes in valuation inputs and assumptions on MSRs	17,927	35,720	(17,753)
Adjusted segment revenue	<u>\$ 3,844</u>	<u>\$ 6,874</u>	<u>\$ 1,289</u>
Total Servicing segment pre-tax income (loss)	\$ (18,617)	\$ (33,654)	\$ 12,686
Adjust for:			
Changes in valuation inputs and assumptions on MSRs	17,927	35,720	(17,753)
MSR debt interest expenses	-	-	944
Adjusted segment pre-tax income (loss)	<u>\$ (690)</u>	<u>\$ 2,066</u>	<u>\$ (4,123)</u>

Gain on Sale Economics



- Gain on sale is calculated with cash and non-cash items:
 - Realized gains on sales of loans (cash gain on sale)
 - Capitalized servicing rights (MSR asset)
 - Economic hedge results (pipeline/inventory fair value change)
 - Provision for repurchases (loan loss reserve)
 - Direct loan origination costs

Gain on Sale Economics

<i>\$ in thousands</i>	Three Months Ended		
	6/30/2016	3/31/2016	6/30/2015
Realized gains on sales of loans	\$ 6,520	\$ (185)	\$ 5,976
Capitalized servicing rights	27,585	21,146	43,028
Economic hedge results	(2,169)	4,588	(2,391)
Provision for repurchases	(691)	(565)	(828)
Direct loan origination costs	(3,052)	(2,497)	(4,614)
Gains on mortgage loans held for sale, net - Originations Segment	<u>\$ 28,193</u>	<u>\$ 22,487</u>	<u>\$ 41,171</u>
Origination Volume	\$ 2,343,400	\$ 1,941,500	\$ 3,159,100
<i>Basis points (bps) of origination volume</i>			
Realized gains on sales of loans	28	(1)	19
Capitalized servicing rights	118	109	136
Economic hedge results	(9)	24	(7)
Provision for repurchases	(3)	(3)	(3)
Direct loan origination costs	(13)	(13)	(15)
Gains on mortgage loans held for sale, net - Originations Segment	<u>121</u>	<u>116</u>	<u>130</u>

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.